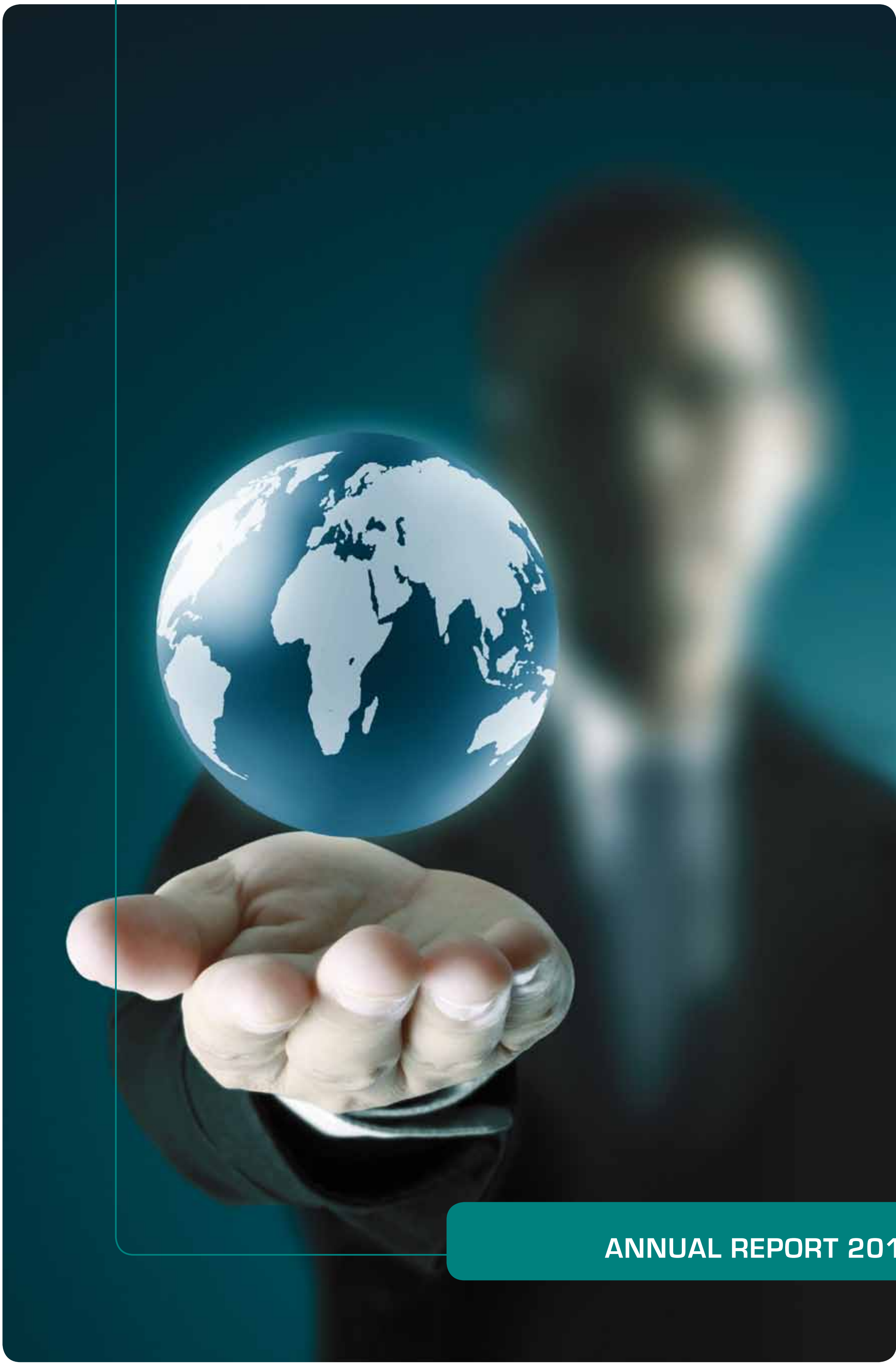
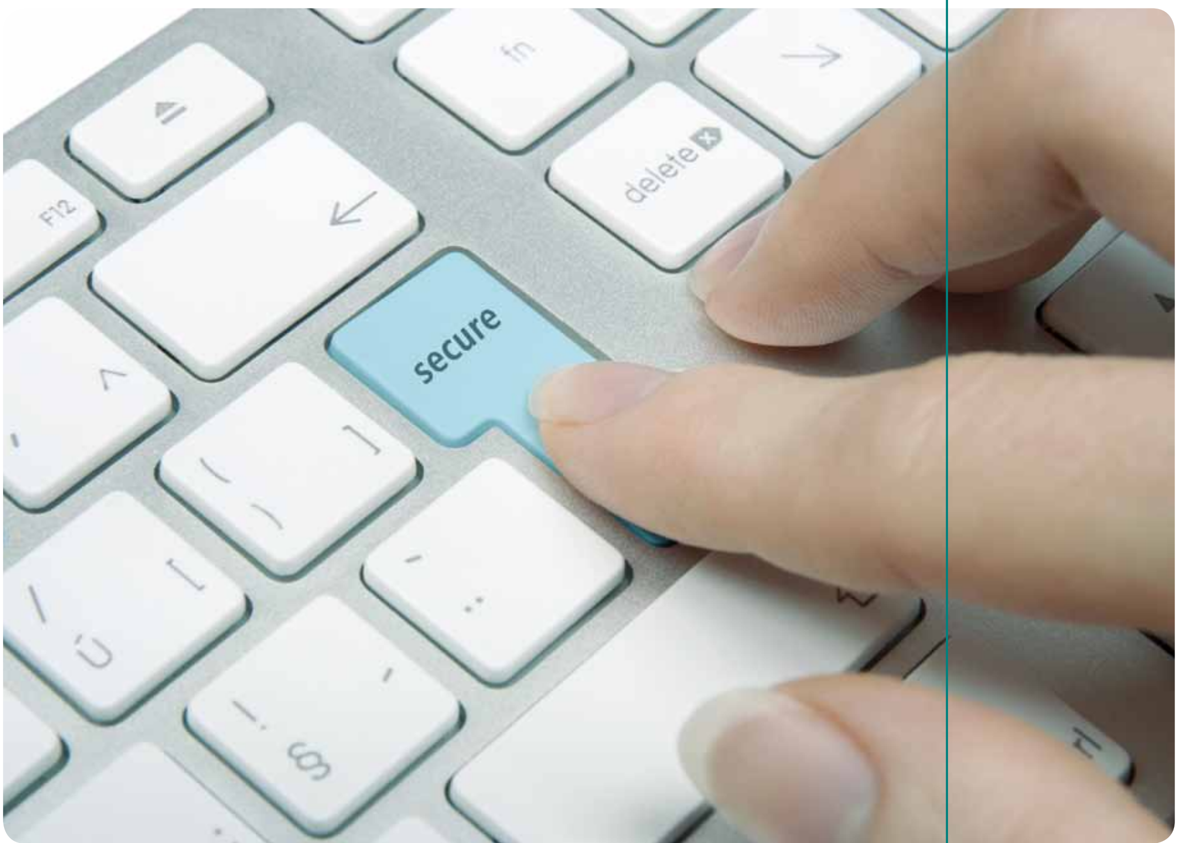
INTEGRALIS



ANNUAL REPORT 2011

INTEGRALIS GROUP AT A GLANCE

	Revenue	EBITDA	EBIT	Net Income	Earnings per share	
					undiluted	diluted
	M€	M€	M€	M€	€	€
GJ 2011	178.0	-7.8	-19.1	-21.8	-1.93	-1.93
GJ 2010	188.2	3.0	0.3	1.4	0.12	0.12
GJ 2009	166.4	-1.2	-3.7	-6.4	- 0.57	-0.56
GJ 2008	168.9	7.8	6.0	9.3	0.86	0.85
GJ 2007	158.3	7.1	5.0	5.2	0.48	0.47



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DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES

Georg Magg, Chief Executive Officer

The global uncertainty and unprecedented change throughout 2011 will likely have serious consequences for generations to come; the ongoing eurozone debt crisis, the US credit rating downgrade, the so called 'Arab Spring' together with tragic natural disasters such as the Japanese Tsunami and earthquakes in New Zealand and Turkey.

Against the backdrop of these challenges, many global, regional and local organisations continued to re-evaluate the scope and timing of their IT, Security and Risk Management investment plans and budgets. As an organisation with a sizeable legacy based on hardware and technology margins we were not immune to these revisions and posted 2011 revenues of €178m, down 5% from 2010.

The second half of 2011 marked the start of significant change for Integralis on four fronts as we initiated our journey to move the company onto a secure and profitable business footing for the future, supported by investment and resources from our majority shareholder NTT Communications. Firstly, we increased our Consulting and Professional Services capabilities to provide a more solutions-based approach, in order to better complement our technology and product-focused business. Secondly, we invested in strong and experienced industry professionals by strengthening our Group functions including Partner Management, Professional Services, Marketing, Finance, Legal and Operational excellence. Thirdly, we expanded operations by further investing in fast growing regional markets such as Asia Pacific and also in the Nordic region by acquiring the specialist security company, Secode. Finally, we invested significantly to extend our development capacity and infrastructure, looking at how a new Managed Security Services (MSS) platform would help develop our future services portfolio. These changes were driven by organisations needing to re-assess their security requirements including factors such as the Consumerisation of IT, ever-increasing workforce mobility, the move towards the Cloud and an increasingly hostile cybercrime environment.

Looking ahead over the next few years, I am confident that our strong leadership together with the considerable changes we have made to our business model will allow us to put 2011's financial performance behind us. Ongoing focused execution of our growth strategy will help drive medium term improvements and increase value for our shareholders whilst allowing us to deliver global solutions globally to Multi National Corporations (MNCs) and large regional customers.

On behalf of my fellow board members, I wish to thank our shareholders and business partners for their support, and all our employees for their hard work, commitment and dedication.

Georg Magg

Chief Executive Officer

The Management Board of Integralis AG: Heiner Luntz, Georg Magg and Simon Church

REPORT OF THE SUPERVISORY BOARD 2011

Luc Loos, Chairman of the Supervisory Board

During the year under review, 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 good corporate governance, the risk situation and risk management as well as planned business strategies including corporate forecasts in written and oral reports submitted at a total of seven meetings in the different regions as well as bi-weekly 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 together closely and consulted on the Company's strategic orientation at 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, its business and financial performance, the course of business and its status on a timely and comprehensive basis. In addition to the risk situation and risk management, the Supervisory Board also devoted its attention to Integralis' compliance programme. As well as this, the remuneration system for the Management Board including the main contractual elements was regularly reviewed. For more details, reference should be made to the remuneration report on pages 36-38. At its meetings, the Supervisory Board also discussed the semi-annual and quarterly financial reports with the Management Board prior to their publication. The details of any departures in business performance from targets and plans were submitted to the Supervisory Board and examined on the basis of the documents provided.

No conflicts of interest on the part of the members of the Management Board and the Supervisory Board, which must be disclosed to the Supervisory Board and reported to the shareholders at the Annual General Meeting, arose in the year under review. No member of the Supervisory Board attended fewer than half of the meetings of the Supervisory Board.

Meetings of and resolutions passed by the Supervisory Board

At its meeting on 24 March, the Supervisory Board approved the annual financial statements of Integralis AG as of 31 December 2010. In addition, the dependence report for 2010 stipulated by Section 312 of the German Stock Corporation Act was discussed and approved. During this meeting, the Management Board reported on the Company's profitability, particularly the return on capital in accordance with Section 90 (1) No. 2 of the German Stock Corporation Act. Following lengthy deliberations with the statutory auditors, we approved Integralis AG's annual financial statements and the consolidated financial statements as of 31 December 2010. At the same meeting, we decided to adapt the Supervisory Board renumeration to the STI system of the Board to make sure that the Supervisory Board has the same goals as the Management Board. We also finalised the agenda and worded the proposed resolutions for the Annual General Meeting to be held on 18 May 2011. Thereupon, the Management Board reported on the current state of the Company's business and elaborated on the forecast for the rest of 2011. Finally, we submitted the declaration of conformity to the Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act in consultation with the Management Board. The US business was reviewed in detail with the US Management Team.

At its meeting on 18 May 2011 held after the Annual General Meeting, the Supervisory Board reviewed the Business for the first quarter of 2011. The strategic direction and management's proposal for a stronger platform orientation was discussed and the Supervisory Board asked the Board to continue the development of the platform concept and develop a detailed financial plan around it.

The main item on the agenda of the Supervisory Board's meeting held on 10 June 2011 was the review of the strategic plan. On 1 July 2011 the new strategic model ('Joint Master Plan') was reviewed and discussed. The stronger emphasis on a platform-based services orientation and the related substantial investments were approved by the Supervisory Board,

On 11 August 2011 the progress on the new 'Joint Master Plan' was discussed and the business overall and specifically in the US was reviewed in detail. It was decided to have bi-weekly conference calls to review further development with special focus on the US.

In the meeting on 10 November the budget proposal of the management board for 2012 and related goals were reviewed and approved. The board also informed the supervisory board members about the discussions with Secode and NTT Com in regards to the acquisition of all of the shares of Secode AB. The Supervisory Board supported the continuation of those negotiations.

On 30 November 2011 the Supervisory Board reviewed the proposed terms for the acquisition of the Secode shares and signed the resolution for the related capital increase.

Corporate governance

The Supervisory Board consulted with the Management Board on the recommendations contained in the Code and submitted the Declaration of Conformity stipulated by Section 161 of the German Stock Corporation Act in conjunction with the Management Board. The current Declaration of Conformity stipulated by Section 161 of the German Stock Corporation Act has been included in the annual report and made permanently available to shareholders on the Company's website.

Annual and consolidated financial statements

The annual financial statements for 2011, the consolidated financial statements and the management report and Group management report were audited by KPMG Deutsche Treuhand Gesellschaft AG, Munich, which issued an unqualified auditors' report.

In connection with their activities, the statutory auditors were also required to assess whether the Management Board had complied with the statutory requirements and, in particular, had established a monitoring system for the early detection of any events liable to impair the status of the Company or the Group as a going concern. The statutory auditors were satisfied that the Management Board had established an appropriate information and monitoring system, whose structure and operation are suitable for the timely detection of any threats to the Company's going-concern status.

At its meeting on 22 March 2012, the Supervisory Board deliberated at length with the Management Board and in the presence of the statutory auditors on the report, on the audit of the annual financial statements and on the management report as well as the consolidated financial statements and Group management report as of 31 December 2011. The statutory auditors presented the material results of their audit to the Supervisory Board. The Supervisory Board approved the results of the audit. The audit 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.

In addition, the Supervisory Board examined the annual financial statements as of 31 December 2011, the management report, the consolidated financial statements and the Group management report. As no grounds for any objections were found, the Supervisory Board approved the Company's annual financial statements and the consolidated financial statements. Accordingly, the annual financial statements are duly adopted.

Related parties

The statutory auditors also examined the related parties report stipulated by Section 312 of the German Stock Corporation Act and issued the following unqualified auditors' report:

"Having examined and assessed the related parties report in accordance with our duties, we hereby confirm that

1. the facts stated in the report are correct,
2. the Company's transactions as detailed in the Report were not unreasonably high and that any disadvantages were duly eliminated,
3. in the measures described in the report there are no circumstances warranting a materially different assessment to that provided by the Management Board."

The related parties report was submitted to the Supervisory Board together with the statutory auditors' report. It was discussed with the Management Board at the Supervisory Board's meeting on 22 March 2012 in the presence of the statutory auditors and particularly checked for any errors or omissions. The statutory auditors reported on the main findings of their audit and were available to the Supervisory Board for any additional questions.

On the basis of its conclusive review, the Supervisory Board did not raise any objections to the related parties report and the Management Board's declaration which it contains and is therefore in agreement with the results of the audit performed by the statutory auditors.

Composition of the Supervisory Board and the Management Board

There was no change in the composition of the Supervisory Board in 2011. The following changes to the composition of Integralis AG's Management Board arose in the year under review: Mr. Simon Church was appointed as Chief Operating Officer as of 1 April 2011.

The Supervisory Board wishes to thank all employees of the Integralis Group as well as the members of the Management Board for their great personal dedication and service.

Luc Loos
Chairman of the Supervisory Board

INTEGRALIS STOCK

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

INTEGRALIS STOCK

2011 saw the continuation of the debt crisis in Europe, with the markets initially initially ignoring it until July. Thus, the Dax, TecDax and Nasdaq were uniformly up by around 6% over the beginning of the year. However, nervousness returned to European financial markets, causing the Dax and the TecDax to slide by around 16% and 21%, respectively, compared with the beginning of the year. By contrast, the Nasdaq was in fact able to close the year slightly higher.

Against this backdrop, Integralis stock tracked the TecDax up until November but failed to participate in the recovery from late November to the end of the year. With trading volumes very low, it closed the year at € 5.53 and, hence, down roughly 32% on the previous year. The high for the year of € 8.60 was achieved in January, with the stock falling to a low for the year of € 5.30 in November. In addition to the negative business figures, the stock came under pressure from the fact that more than two years after the original entry of NTT Communications there was no indication of the swift squeeze-out which had been expected by some shareholders, thus reducing the speculative appeal of the stock.

INSIDE INTEGRALIS

INTEGRALIS HIGHLIGHTS 2011 – COMPANY NEWS AND ACTIVITIES

31 March	Integralis publishes its preliminary figures for 2010: in the black again on a 13 per cent increase in consolidated revenues
1 April	Simon Church becomes Chief Operating Officer
13 May	Slow technology sales leading to overall reduction of sales
19 May	All resolutions passed with large majorities at the annual general meeting
12 August	Weak technology sales and US business transition leading to a decline in revenues and pressure on earnings
14 November	Weak technology sector and US business exerting pressure on revenues and earnings
1 December	Integralis acquires Managed Security Services Provider, Secode AB

WHEN YOU THINK IT SECURITY AND INFORMATION RISK MANAGEMENT – THINK INTEGRALIS

INTEGRALIS securityworld 11

Integralis Security World 2011

In the summer of 2011, more than 600 guests from Germany, Austria and Switzerland booked their place at the 4th Integralis Security World (ISW), hosted in Stuttgart on 28 - 29 June. Over the two days more than 40 top IT security solution providers and Integralis partners showcased their products and services to the collective audience.

As keynote speakers at ISW 2011, Marcus Rubenschuh (VP IT Security & Compliance at Deutsche Post AG) and Dr. Matthias Rosche (Director of Consulting & Business Development, Integralis) delivered a presentation on cloud security and posed the question 'Is everything OK in the cloud?'

Further presentations were given by IT heavyweights Gavin Millard (EMEA Technical Director TRIPWIRE), Guy Rinat (Vice President Research & Development SENTRIGO), Len Padilla (Director NTTE Engineering Team NTT Europe) and Nir Zuk (co-founder and CTO of Palo Alto). ISW visitors were able to select from over 70 presentations from Customers, OEMs, Partners and Integralis consultants.

"Everyone's talking about the cloud", said Dr. Matthias Rosche, Director of Consulting & Business Development Central Europe at Integralis. "Unfortunately, everyone also has his or her own idea of what this entails and things are not much different when it comes to the approaches to cloud security, either."

As this is a global problem, Integralis has decided to pay particular attention to it in 2011. "There are numerous new and very innovative approaches to addressing requirements such as secure authentication, confidentiality and also availability in both private and public clouds," Rosche continued. "An entire group of small and also larger vendors are specialising in security products and services for companies eager to outsource their requirements. We wanted to brief our visitors on the latest developments this year. And I think that we have been very successful in achieving this goal."

Once again, ISW offered numerous opportunities for sharing with experts from leading solutions providers as well as with the Integralis specialists. These included the exhibition which was run at the same time and a "Security Night" on Tuesday evening. More than 500 guests attended this networking event which went on until late into the evening, sharing information with colleagues from the IT world.

This blend of information-sharing and networking generated numerous interesting new contacts for many of the participants. In its fourth year, Integralis Security World 2011 was a big success and we are already looking forward to the next ISW in June 2012.

Integralis Partner Awards

The 2011 Partner Awards were an additional highlight. Integralis selected five vendors from 40 major partners in recognition of their outstanding contributions and the following awards were announced:

- Best Newcomer: Q1 Labs
- Best Growth: Websense
- Best Support Services: Juniper
- Best Partner Program: F5
- Best Channel Management: Varonis

Integralis roadshows in Germany, Austria and Switzerland

Two Integralis roadshows were organised in 2011. These highlighted the latest IT Security and Information Risk Management challenges and were hosted in conjunction with several of our major partners and their solutions.
The first roadshow was planned and organised in cooperation with Cirquent and itelligence (SAP, Microsoft, Oracle & Co. – Business goes mobile). The second one in the autumn was organised in close conjunction with NTT Communications. Overall the events attracted around 1200 security professionals with each roadshow visiting 10 cities across Germany, Austria and Switzerland.

Activities in the UK

InfoSecurity Europe 2011
Following the success of Infosec 2010, customers and prospects were invited to 'Take a break from InfoSec', an exclusive event at a local pub to discuss what they had seen on the show floor and how this could be applied to their organisations. The event also attracted key industry journalists and analysts. Over the 2 days, more than 200 customers and prospects gained a greater insight into Integralis' services and people through conversations with a range of team members and other enthusiastic customers.

Integralis Security World UK
Leveraging the success of ISW in Germany, 2011 saw the launch of the first Integralis Security World UK event in September. The event was held at the Science Museum in London, to reflect the theme for the day of 'The Future of IT Security', looking at the next generation of security challenges

150 UK customers joined Integralis and 12 strategically selected partners, for a day of customer case study presentations, keynote speakers, panel debates and small, relevant discussion groups on a range of strategic and technical information security topics. The day ended with a lively panel debate and the Integralis 'Dragon's Den', followed by networking drinks and canapés.

Those who attended left with valuable, practical insights into how organisations today are managing areas such as the consumerisation of IT, continuous compliance and cyber and mobile security.

C level dinners at Heston Blumenthal
C level contacts from Integralis's prospect, partner and customer community were invited to 2 exclusive private dining events to discuss strategic issues within IT Security and Information Risk Management. The iconic venue, 'Dinner' by Heston Blumenthal, the self-styled 'mad scientist' of cooking proved a popular choice for this senior level audience. The facilitated discussion enabled guests, some of whom had not met with Integralis previously, to openly discuss and debate

best practice approaches to managing risk and gain an understanding of Integralis's range of consulting and managed services.

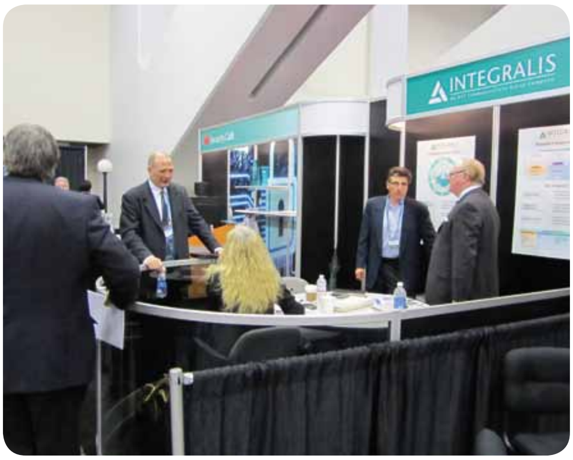
Strategic accounts – Networking events
2011 saw the introduction of a series of networking events for senior contacts within strategic accounts. These events, at top-class City venues, enabled the Integralis strategic accounts team and senior management to network with CISO's and Heads of Security from top customers in an informal manner.

Activities in the US

Southern California Security Summit
Continued by popular demand, Integralis held the Third Annual Security Summit in Southern California. The forum covered important issues such as consumerisation, cloud computing and advanced persistent threats. With the cooperation of sponsors Arcsight and Juniper, the event was a huge success once again.

Executive Dinner: Reducing Data Centre Complexity
This event drew over 40 IT executives from the Chicago region to learn new and innovative ways Integralis can help improve security, reduce cost and eliminate data center complexity. Guests enjoyed a luxurious meal and engaged in interactive dialogue which was led by head of the Data Protection Prac-

tice, Integralis US, Michael Gabriel and VP Fabric and Switching Technologies, Juniper Networks, Andy Ingram.



New England Security Summit and Wine Tasting
Integralis brought together IT security officers from many Fortune 500 companies to hear our annual Threat Update as well as for discussion of matters such as consumerisation, infrastructure security trends, secure cloud and identity management services. Following the full day seminar, the crowd was able to enjoy VIP access to the Mohegan Sun Winefest featuring celebrity chefs and wines from around the world.

Smooth Sailing: Seminar & Sailing
With this event, Integralis was able to combine training on data protection issues and challenges for IT security officers with an engaging afternoon sail around San Francisco Bay. Executives from Integralis, Websense and Juniper paired up with leaders from local companies and set sail for a stunning look at landmarks such as Alcatraz.

Activities in France

Integralis roadshows
A series of Integralis roadshows were run for the third year, hosting more than 150 guests at Les Champs Elysée and Billancourt, Paris in May and November 2011. Topics including 'ARPAgeddon – are you ready for IPv6?', 'Security in the Cloud – Can we trust the outsourced infrastructure?' and 'Mobility and Remote Access' were featured alongside many renowned industry experts in the Integralis Solutions Campus including Checkpoint, Cisco, F5, Juniper, Q1 Labs, RSA, TrendMicro, Wallix and Websense.

Integralis roundtables
Integralis France organises regular roundtable lunch events that bring together senior security professionals to discuss pressing industry themes over lunch at venues such as The Ritz Hotel in Paris. Topics included 'The Challenges of Securing Company Data' and were very well received by all participants.

THE INTEGRALIS BUSINESS MODEL

The business word has changed significantly over the last year, with the drive towards increased efficiencies in business and the social networking phenomenon. Both are affecting the way that employees and businesses interact. With the rise of consumerisation, employees are now breaking down the barriers of entrenched IT operations and they are also embracing collaboration and information sharing as part of the new social network and working dynamic. Businesses are also faced with increasing pressures to reduce budgets and demonstrate value in an ever-changing threatscape.

Cybersecurity has hit the national consciousness and governments are increasing pressure on all businesses to increase vigilance and report breaches. Cloud discussions continue to dominate the business drive for efficiency, but IT Security and Information Risk Management challenges are seen as an inhibitor to cloud adoption. The focus for Integralis is to break down these barriers and to provide the necessary industry independence and separation to ensure that transparent information security enables organisations to embrace the changing business and social climate. Information Security can transform the businesses of tomorrow by ensuring cloud services can effectively be used. The changing user expectations of how and what they use for work is also driving information security to embrace a more flexible and agile approach to protecting business and user information. Rigid centrally managed IT and security functions are being constantly challenged by the increasing push to use non-corporately provisioned mobile and smart devices, also the drive for users to bring their own devices to their place of work. There is increasing pressure on businesses to allow for a dynamic and mobile workforce to use whatever device they want within the business. Where in the past IT could say this is the device or nothing – they can no longer take this stance.

Increasing use of social networking and the general lack of awareness of how personal and business information can be used to compromise the individual or business is also putting

pressure on information security. Personal responsibility and liability will increasingly affect the way information security is seen within business. Identity and data governance will increasingly ensure that not only businesses, but also individuals take seriously how they manage their identity and equally importantly their data. Both businesses and individuals must be seen to be able to demonstrate that they have applied best practice.

With the increasing pressures on information security and the changing business and employee dynamics, it is easy to lose sight of the reality. Whilst we may talk about Advanced Persistent Threats, the insecurities of the cloud model and how our employees take little care over their personal information, these incidents have exploited vulnerabilities that aren't complex. They have exploited weaknesses in process and procedure and highlighted limitations in education and awareness. Whilst some of the resulting attacks have been sophisticated the initial breach took little expertise. Couple this with a willingness to be patient looking and probing whilst 'keeping a low profile' and this has placed a different challenge on the business. To look for anomalies within the network, to look for a combination of events and not a single peak, requires a much more diligent approach to handling information security to collate and use information in a much more complex and methodical way.

There has also been increased pressure on organisations to balance reducing costs and increasing security. Integralis has been instrumental in working with organisations to reduce complexity and cost in their businesses. Our expertise and depth of knowledge across a broad range of information security services enables organisations to architect security into the business and remove the complex bolted-on security technologies that have been implemented as organisations have grown and developed. Taking a look at the increasing number of high profile breaches, complexity has created 'islands of security' whereby a change in one significantly affects the other. These islands are exploited, not by complex and sophisticated attacks, but often by simple exploits and vulnerabilities that require little or no skill.

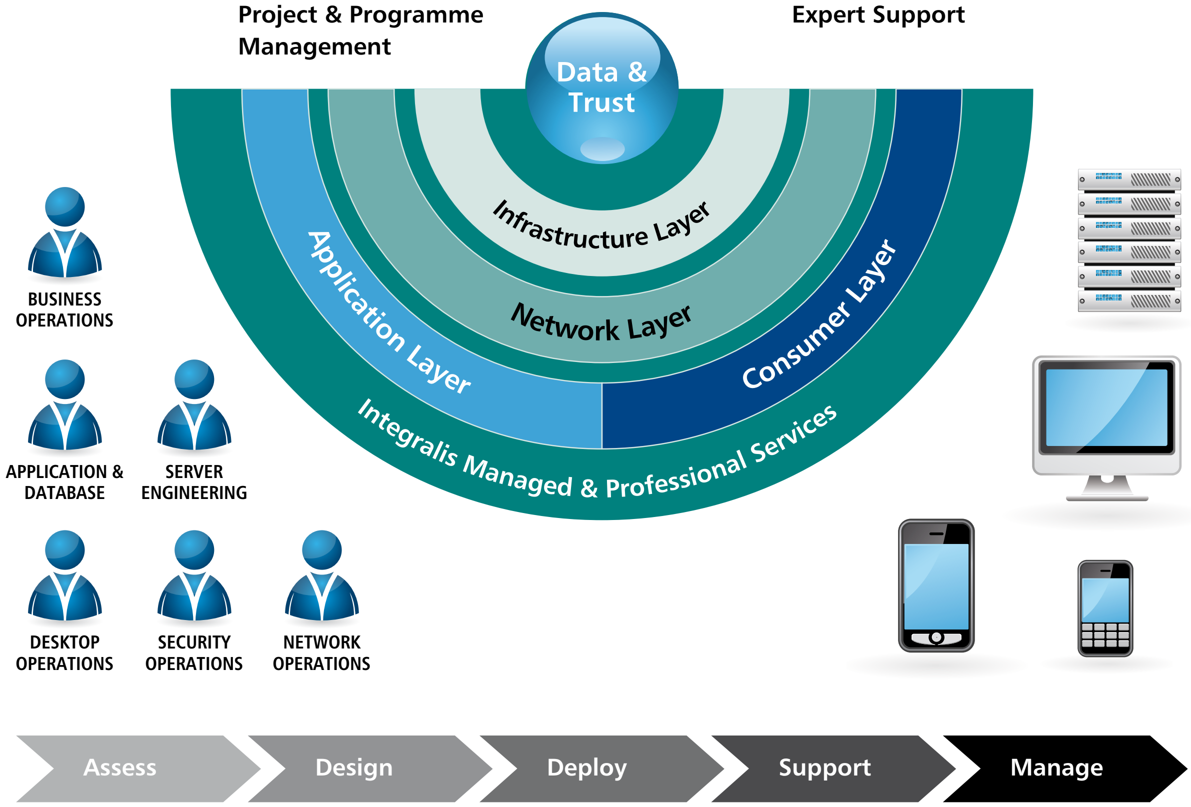
Integralis embeds IT Security and Information Risk Management throughout your business

Integralis actually delivers the solutions we recommend and continues to service them to provide real business value. Businesses realise that people and data are the most important part of any organisation and ensuring that both are secure and productive is essential. Mobility and social interaction have changed the business environment and if you combine this with virtualisation and cloud computing, organisations are facing huge challenges: challenges in making systems available no matter where or how they are accessed; challenges to ensure security without increasing the complexity of management and use; and challenges to allow innovation and freedom to share and collaborate without restrictions.

Integralis is focused on delivering harmonised services across the globe. Through a combination of Managed and Professional Services Integralis delivers an integrated continuous service, a service that ensures the delivery of information across whatever platform is required. We work closely with our partners and NTT to combine state of the art global networking and data centres wrapped with customer-facing services and protected by leading edge risk-based security.

Integralis will continue to develop services that address the traditional management of security devices, either in the cloud or in centralised data centres, with consultancy services to deliver value to our customers. We will continue to develop a risk-based secure infrastructure approach as opposed to simply managing a collection of security devices. We will continue to invest in new technology partners to address different business layers. Application and user context are allowing organisations to move away from static monitoring and complex rules for user management. These emerging technologies align with Integralis' service centric model allowing organisations to become more efficient and secure whilst reducing complexity.

Integralis embeds IT Security and Information Risk Management throughout your business



Integralis provides Managed and Professional Services across every layer of the business

Our focus on business value ensures that IT Security and Information Risk Management is embedded into the business and that the aforementioned islands of security are removed. Integralis remains the only global pure play provider of IT Security and Information Risk Management solutions. We continue to be the strongest partner for information security technology suppliers, because we deliver business value from technology. But we are also seen as a trusted partner for our customers by ensuring we provide practical advice and independent views on the market and realistic assessments of the risks that businesses face. Business freedom requires embedded security.

Managed Security Services

With fewer customers wanting to maintain their own environment because ongoing and specialist knowledge is often preferred, Integralis Managed Services provide the option to remove the workload pressure from the customer's IT administration. Professional support is available around the clock. These environments are planned in close conjunction with Integralis Professional Services and installed following a coherent and well-defined methodology to ensure a smooth transition to our Managed Services.

Integralis offers a complete portfolio of global Managed Security Support services designed to give our customers a single multilingual expert point of contact for all their security needs. Our support professionals and engineering team are here to help them keep their business secure and their operations running smoothly. We work with our customers to make sure their security systems and products operate effectively to reduce overall risk.

We bring an unmatched depth of experience in supporting our customers with more than 6,000 active support contracts in force. Many of the world's leading companies count on Integralis. We handle thousands of support calls a month and more than 95% of those calls are answered within 20 seconds.

Our close relationships with leading security vendors and diverse global customer base allow us the scale and insight to solve customer problems faster, deploy new solutions more effectively, and respond to changing threats more efficiently. Our support and engineering professionals are experienced, continuously trained, and certified to the highest levels in the products we support. We frequently update our supported product portfolio so that our customers can move quickly, respond to new risks, and benefit from product advances.

IT SECURITY TRENDS 2012

The experts at Integralis have identified a number of IT Security trends for 2012 including the following developments.

Securing the Cloud

The benefits of cloud computing are well documented, but many cloud projects have stalled due to poor planning, inadequate analysis of the benefits or poor execution. Security and compliance will continue to be the main barriers to taking the first steps into the cloud, typically through ad-hoc virtualisation projects or SaaS delivery of specific applications.

Mobility

Whilst our experience suggests that only a small number of employees are permitted to use their own mobile devices in companies, 'Bring Your Own Device' is moving from a theoretical discussion to one with serious commercial and security ramifications. If devices are to be used for professional purposes, IT security officers must have administrative access to them so that various measures can be taken to integrate them securely in the company network.

Flexibility

The need for IT flexibility is growing. One form of this is 'unified collaboration'. Email, web, data sharing and collaboration platforms are experiencing a renaissance as the secure exchange of information in overarching projects between separate instances has become crucial. Encryption is making a return. Asymmetric encryption processes provide the best means of securing many of the communications paths mentioned above.

Social Media

The major risks for organisations whose employees utilise social media lie in the apps. Companies must broaden their security to take account of the special features of social media. This calls for application and user-oriented security solutions as well as ongoing education about the inherent risks.

IPv6

IPv6 is set to become an important issue in 2012 as there are now signs of mounting awareness on the part of companies after they were slow to consider its ramifications in 2011. Some of the security mechanisms, such as the blacklisting of websites, will no longer work as the number of IP addresses will be effectively unlimited. What is more, the simultaneous use of IPv4 and IPv6 poses security challenges.

Governance

Governments and quasi-government agencies are threatened by the risk of espionage and hacking. The principle of 'top-down security' has proven itself when it comes to averting attacks and can increasingly also be adapted by large enterprises. The focus here is on governance and securing the data lifecycle. Governance solutions are increasingly also being sought in the areas of identity and access management.

Awareness

More and more companies are training their staff, administrators and management internally to heighten awareness of the importance of secure data handling. This has been additionally aided by a number of incidents which have attracted great media interest. In addition to conventional training, multimedia elements such as videos and online training portals are also increasingly being used. Some companies have implemented internal PR campaigns.

FINANCIAL REPORT

INTEGRALIS AG GROUP MANAGEMENT REPORT FOR 2011

1. General disclosures

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. The Integralis Group is an internationally active provider of IT security solutions and services. As of the balance sheet date, it had 654 employees and 22 branches in nine European countries, the United States, the United Arab Emirates and Singapore.

Integralis helps companies to establish secure communications infrastructure and to handle transactions via public and private networks. The broad range of services comprises extensive IT security solutions, consulting, system integration and support.

On 1 December 2011, the Swedish Secode Group was acquired and consolidated. Other than this, there were no changes in the companies consolidated in 2011.

2. Business performance, underlying conditions and competition

For the world economy, Goldman Sachs forecasts GDP growth of 3.2% in 2012 and 4.1% in 2013. While growth is expected to slow in the US, a recession is not considered likely. 2012 forecasts suggest that the eurozone will initially experience a recession, only to stabilise gradually later on in the year but this is conditional on major policy changes in the region. Outside of Europe, and especially in China, any slowdown is expected to be smaller.

The worldwide situation for overall IT spending and IT security services spending offers a mixed outlook. Market research company IDC, reported that worldwide IT spending increased by 5% in 2011, despite the worsening economic situation in Western Europe and volatility in other regions. In Europe, overall IT spending remained unchanged in 2011. At less than 1% for 2012 and 3% in 2013, growth will probably remain only weak in Europe (International Data Corporation's Worldwide Black Book Q1, 2012). IDC and also Forrester's Global Tech Market Outlook project another year of 5% growth for worldwide IT spending in 2012, rising to 8% in 2013. Forrester goes on to highlight increased demand and interest in the Cloud, Smart Computing, IT consulting services and SaaS (software as a service).

According to research from Gartner (Security Service Market, Worldwide, 2010-2015, Q4 2011) overall worldwide security services spending will reach USD 35.1 billion in 2011, up from USD 31.1 billion in 2010, and is forecast to total USD 49.1 billion in 2015, translating into a CAGR of over 9%. At the same time, only below-average growth is expected for North America and Western Europe, two of our most important markets.

The Integralis Group's business performance is influenced by numerous regional and global factors:

- Global economic conditions came under pressure again in 2011 from the continued threat of a worldwide recession.
- The economic situation in our main markets was mixed, with the UK economy very muted particularly as a result of government spending cutbacks, while the German economy proved to be very robust.
- The IT sector as a whole achieved growth of 5%. However, the security segment expanded at a disproportionately strong rate.
- In the United States, the Group's performance materially hinged on the state of its main customers rather than general economic conditions.

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

In 2011, the growing importance of IT security was highlighted by two main developments:

1. Market consolidation intensified as a result of company takeovers. In particular, large IT and telecommunications companies have specifically acquired security expertise, while vendors of security hardware and software have joined forces to create larger units. To cite just a few examples, HP has acquired US IT security specialist Secure Works, while IBM has now taken over security vendor Tipping Point following on from the earlier acquisition of ISS and Q1 Labs. Verizon, the US telecommunications giant, has integrated IT specialist Cypertrust and British Telecom added Counterpane to its portfolio of solutions two years ago.
2. The number and severity of IT security breaches around the world has reached a new record. There are almost daily reports of serious occurrences, which frequently involve a criminal background. Companies have responded to this by stepping up their security budgets despite otherwise subdued growth in IT spending.

In this way, Integralis as a pure play security specialist which is not tied to any particular producer and does not concentrate on individual aspects or sectors has been able to set itself apart more clearly from its peers. The team of consultants was enlarged by seven and now comprises 32 highly trained security specialists many of whom hold multiple certificates. This has created the basis for high-quality advisory services for our customers.

Pressure has continued to intensify on margins in straight retailing business. Integralis is competing with ever larger IT network integrators, many of which offer security infrastructure as part of their projects. At the same time, it has become very clear that the requirements made of security solutions will continue to grow in the future due to the increasing complexity of the threats. It is no longer anywhere near sufficient to concentrate on providing protection against individual risks. Accordingly, broad end-to-end protection calls for skills far greater than those offered by a straight retailer.

Integralis offers suitable integrated solutions along the entire IT security value chain. The wide range of services includes 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).

Trends in the IT market

As we increasingly move towards a Managed and Professional Services led approach, market research company IDC reported that worldwide IT spending increased by 5% in 2011 (International Data Corporation's Worldwide Black Book Q1, 2012).

A Sophos study (Security Threat Report 2012) reported that 61 per cent of respondents felt that the greatest threat on the Internet was users neglecting to do enough to protect themselves, with nearly 20 per cent believing that social networking scams were the top threat for 2012 and 67% thinking that malware was on the rise compared to 2010. The report went on to highlight the emergence of new attacks using integrated apps, more targeted attacks on mobile payment technologies and non-Windows platforms, with broader use of mobile/smart devices and the rapid adoption of cloud computing also resulting in new IT security challenges. Furthermore SophosLabs reported that an average of 30,000 web pages were newly-infected each day. More than 80 per cent of these web pages were on innocent web servers, which had been hacked by cybercriminals to make them part of the problem.

3. Results of operations

The figures at a glance:*

In M€	2011	2010
Revenues	**178.0**	**188.2**
Gross profit	**60.3**	**60.1**
Gross margin %	33.9	31.9
Personnel expenses	**48.3**	**41.7**
Personnel expenses in %	27.1	22.2
Other operating expenses	**26.1**	**18.8**
Other operating expenses in %	14.7	10.0
Other operating income	**5.7**	**2.1**
Other operating income in %	3.2	1.1
EBITDA	**-7.8**	**3.0**
EBITDA margin in %	-4.4	1.6
EBIT	**-19.1**	**0.3**
EBIT margin in %	-10.7	0.2
Net profit/loss after tax	**-21.8**	**1.4**
Net profit/loss after tax in %	-12.3	0.7
Earnings/loss per share basic	-1.93 €	0.12€
Earnings/loss per share diluted	-1.93 €	0.12€

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

3.1 Revenues by region

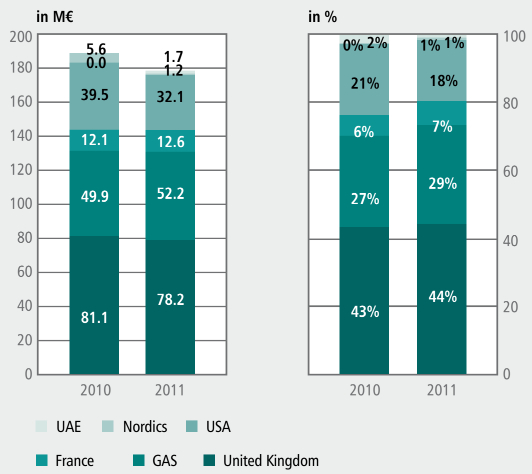
Revenues as a whole declined in 2011. At € 178.0 million, consolidated revenues were down on the previous year by 5.4%.

Revenues in M€	2011	2010	Change in %
United Kingdom	78.2	81.1	-3.6
Germany/ Austria/Switzerland	52.2	49.9	4.6
United States	32.1	39.5	-18.7
France	12.6	12.1	4.1
Nordics	1.2	–	n/a
United Arab Emirates	1.7	5.6	-69.6
Total	**178.0**	**188.2**	**-5.4**

EBITDA in M€	2011	2010	Change in %
United Kingdom	0.9	2.4	-62.5
Germany/ Austria/Switzerland	2.8	3.2	-12.5
United States	-4.4	0.0	n/a
France	0.1	-0.3	n/a
Nordics	0	–	n/a
United Arab Emirates	-0.7	0.2	-450.0
Integralis Global Services	-1.7	-1.0	70.0
Headquarter and shared services	-5.1	-1.2	325.0
Eliminations	0.4	-0.3	233.3
Total	**-7.7**	**3.0**	**-356.7**

Broken down by region, GAS (Germany, Austria and Switzerland) again registered an encouraging increase in revenues, while UK revenues declined during to project delays and, in the first half of the year, muted economic conditions in that country. Business performance within the Group painted a mixed picture during the year. Thus, the beginning of the year was very weak in the United Kingdom and the United States in particular. However, as in the previous year, business was very

Revenue by Regions



strong in the final quarter, with a return to rising revenues compared with the previous quarters thanks materially to the contribution of these two regions.

A substantial loss was sustained at the EBITDA level in 2011 due to the muted performance of the individual regions, on the one hand, and various deliberate management decisions on the other. These decisions particularly entailed the following individual measures, which will take Integralis into the future as a global service provider:

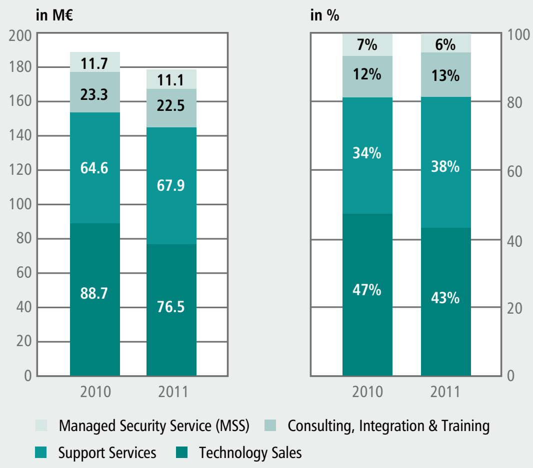
- Spending on the global Managed Security Services infrastructure and staff.
- Establishment of group functions to identify and leverage regional skills at a global level to a greater extent for the benefit of customers and to implement uniform management.
- Reinforcement of strategic and operational skills for defining and implementing future service fields.
- Enlargement of the consulting team by 21 to 187 members. New employees normally first undergo internal training and are acquainted with the consulting methodology, something which exerts a temporary strain on earnings.

In the United States, it was initially not possible to fill the gap caused by the loss of a major customer in Q4 2010. Investments in building up greater consulting skills and gaining Managed Security Services customers, which do not become lucrative until the long term, exerted heavy pressure on earnings in the first few quarters. However, improvements emerged towards the end of the year, although a sustained recovery will take several quarters.
In France, revenues came to € 12.6 million, up € 0.5 million on the previous year; with EBITDA coming to € 0.1 million, this region made a positive contribution to EBITDA for the first time in years. This favourable trend is expected to continue in 2012.
Following the acquisition of 100% of the capital of Secode AB, Stockholm, Sweden, plus all of its subsidiaries, there has been an increase in the companies consolidated. Integralis had previously acquired a 12.43% stake in Secode AB on 22 December 2010 by swapping its own business activities performed by Integralis AB in Scandinavia. The remaining 87.57% of Secode's capital was acquired on 1 December 2011 by using contingent capital to issue 1,451,747 new shares. Accordingly, Secode's revenues and earnings were consolidated in full from 1 December 2011.
In the United Arab Emirates, no follow-up business was found in 2011 to maintain revenues and earnings at the levels achieved in earlier years. At € 1.7 million, revenues fell well short of the previous year's figure of € 5.6 million. EBITDA dropped substantially below the previous year (€ 0.2 million), resulting in a loss of € 0.7 million.

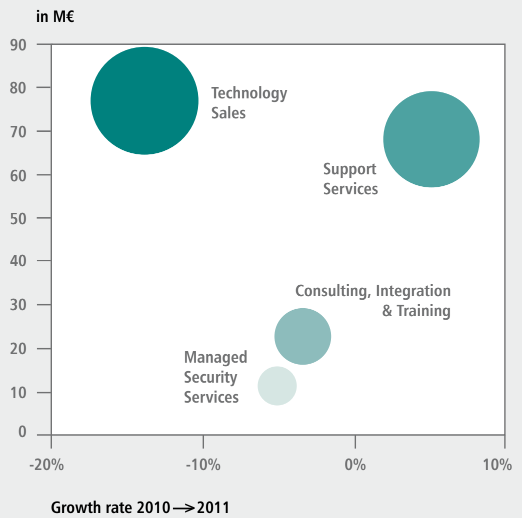
3.2 Revenues by segment

Revenues by product segment were chiefly influenced by weak technology sales (down € 12.1 million on the previous year) in all main regions. Recruitment spending in the Consulting, Integration and Training segment has generally not yet unleashed any favourable effects, although a substantial improvement was, for example, achieved in Central Europe. MSS was able to repeat the encouraging revenues achieved in the previous year.

Revenue by Solution Segment



Revenue Growth by Solution Segment

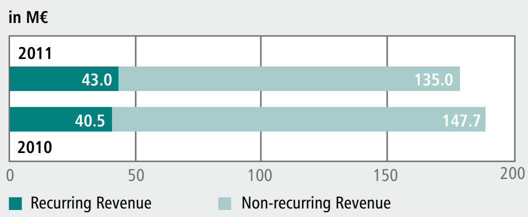


Revenue by Solution Segment	2011		2010		Change
	M€	in %	M€	in %	in %
Technology Sales	76.6	43.0	88.6	47.1	-13.6
Support Services	67.9	38.1	65.2	34.6	4.1
Consulting, Integration and Training	22.5	12.6	23.3	12.4	-3.4
Managed Security Services (MSS)	11.1	6.3	11.1	5.9	0.0
Total	**178.0**	**100.0**	**188.2**	**100.0**	**-5.4**

Recurring vs.	2011		2010		Change
Non-recurring Revenue	M€	in %	M€	in %	in %
Recurring Revenue	43.0	24.2	40.5	21.5	6.2
Non-recurring Revenue	135.0	75.8	147.7	78.5	-8.6
Total	**178.0**	**100.0**	**188.2**	**100.0**	**-5.4**

Whereas recurring income rose by 6.1% to € 43.0 million, the volatility in non-recurring income (primarily technology sales) became very evident given a decline of 8.6% over the previous year. Accordingly, we will be spending more heavily on extending the recurring income base.

Recurring vs. Non-recurring Revenue



3.3 Gross profit and gross margins

At € 60.3 million, gross profit was up slightly on the previous year (€ 60.1 million) despite the reduced revenues. The gross margin widened from 31.9 per cent to 33.9 per cent, reflecting the relative shift in revenues from low-margin technology sales towards higher-quality services with their wider margins.

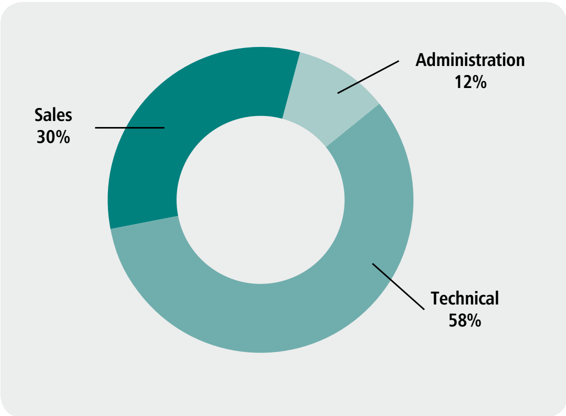
3.4 Personnel expenses, other operating expenses and income

The average headcount rose sharply over the previous year, with Integralis employing an annual average of 549 people (previous year 501). At 654, the end-of-year worldwide headcount was also up on the previous year (515). The main reasons for this increase were:

- the first-time consolidation of the Secode Group with 86 employees as of 31 December 2011
- the extensions to consulting skills and capacity with 32 (previous year 25) employees at the end of the year

Personnel expenses climbed to € 48.2 million (previous year € 41.7 million). In addition to the higher headcount, this was chiefly due to the establishment of central functions within Integralis AG in the interests of ensuring uniform management in the future.

As well as the sharp rise in personnel costs, other operating expenses also climbed to € 21.9 million (previous year € 18.8 million). This was chiefly due to non-capitalised spending on our IT infrastructure, improvements to the service structure and the establishment of global functions, which particularly entailed the deployment of external service providers. All told, a loss of € 7.8 million was sustained at the EBITDA level, the Group's main management ratio (previous year EBITDA of € 3.0 million).

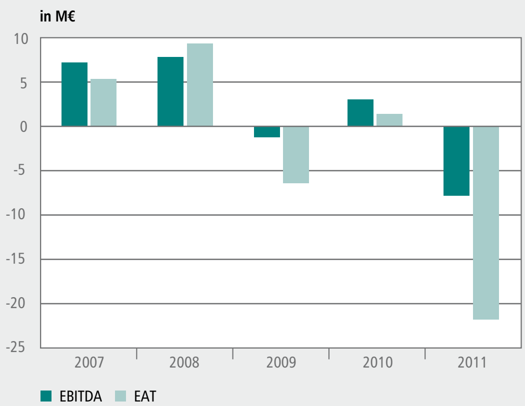


3.5 Depreciation/amortisation, interest, taxes and net profit/loss for the year

Depreciation and amortisation came to € 11.4 million in 2011, materially more than in the previous year (€ 2.7 million). This was due to the necessary impairment expense on goodwill. In 2011, the remaining goodwill arising from previous acquisitions was largely written off due to the protracted muted earnings of the national companies in France, the United States and the UAE; in addition, the current spending programme is not expected to result in any improvement until the medium term. Particularly the further development of UAE business will depend on future strategic decisions.
As a result of the aforementioned capital spending on service business and on the Group's structures as well as impairment expense, a loss of € 19.1 million was sustained at the EBIT level, thus reversing the small profit of € 0.3 million recorded at the EBIT level in the previous year.
Net finance income now stands at € 0.2 million as a result of an exceptional item of € 0.2 million (previous year: € 0.0 million). In this connection, the very inexpensive funding provided by NTT Communications, which furnishes the main credit facilities for Integralis, is continuing to help.
Consequently, earnings before tax weakened substantially in 2011, with a loss of € 18.9 million sustained (previous year earnings of € 0.3 million).

The persistently weak earnings situation in the US prompted an impairment of the deferred tax assets on tax loss carry forwards. As a result, deferred tax assets amounting to € 3.0 million which had been capitalised in previous years were fully written off. No new deferred income tax assets were recognised. As a result, tax expense of € 2.9 million was incurred in spite of the loss situation. Consequently, a net loss after tax of € 21.8 million was recorded (previous year net profit of € 1.4 million).
This translates into a loss per share of € 1.93 (previous year earnings per share of € 0.12).

Earnings progression 2007 - 2011



	2007	2008	2009	2010	2011
EBITDA	7.1	7.8	-1.2	3.0	-7.8
EAT	5.2	9.3	-6.4	1.4	-21.8

4. Financial position, net assets and order situation

Following the sharp decline in technology sales, Group order books shrank considerably over the previous year.
Total assets declined to € 122.3 million as of the balance sheet date (previous year € 132.8 million).
On the assets side, current assets dropped to € 90.1 million (€ 99.7 million) due to lower receivables from customers and other receivables, which declined by € 9.9 million from € 60.4 million to € 50.5 million due to improved receivables management and lower revenues.
Cash and cash equivalents remained unchanged at € 6.9 million primarily as a result of the acquisition of the Secode Group. A substantial net cash outflow of € 3.2 million (previous year net cash inflow of € 3.9 million) arose from operating activities.

At € 32.2 million, non-current assets were down slightly (previous year € 33.1 million). The decline in the goodwill arising from earlier acquisitions as a result of impairments recognised on the goodwill on Dubai, France and the United States was offset by the integration of the Secode Group and the recognition of goodwill (€ 7.3 million) and further intangible assets (€ 5.4 million).

On the other side of the balance sheet, current liabilities also remained steady at € 98.7 million (previous year € 98.7 million).
Current financial liabilities rose to € 9.4 million due to the utilisation of additional short-term funding provided by NTT Communications Corporation, Japan (previous year € 4.8 million). Bank liabilities of a subordinate volume are held within the Secode Group.

The total volume of non-current liabilities rose slightly to € 13.4 million (€ 13.2 million) chiefly due to an increase of € 0.6 million in non-current provisions for office space no longer used.
Whereas deferred revenues declined by a total of € 2.3 million, the prepaid cost of materials rose by € 0.6 million due to narrower margins and the greater proportion of maintenance contracts.
The equity ratio shrank to 8.35 per cent (previous year 15.7 per cent) due to the post-tax loss. In the year under review, equity increased by a total of € 11.1 million as a result of the non-cash capital contribution in the form of the remaining 87.6% share in the Secode Group, while the net loss caused a decline of € 21.8 million in equity. Equity stood at € 10.2 million as of 31 December 2011 (previous year € 20.9 million).
All told, the Company is in the throes of a necessary strategic realignment, which can only be achieved by heavy spending on infrastructure, the range of services and employees. The principal shareholder NTT Communications is supporting this strategy by providing the necessary funding to cover the losses which have arisen as well as the capital spending and remains committed to a long-term partnership. This gives Integralis the basis for successfully completing its strategic realignment.

5. Finance management

The purpose of finance management at Integralis is to ensure the Group's solvency at all times and to minimise financial risks such as currency or credit risks. Cash pools are utilised in the Group's three main currencies – EUR, USD and GBP – to ensure effective and centralised cash management at the Group level and to optimise interest income/expense and reduce bank fees. For the purposes of currency management, existing foreign exchange positions are hedged centrally for all national companies in the light of internal hedging capabilities. In this way, all FX risks are reported regularly and with minimum delay to Group Treasury, which hedges them on a pooled basis with the aim of reducing risks and also making use of net effects within the Group to reduce hedging costs.

6. Research and development

Over the last few years, the Integralis Group's research and development activities have chiefly concentrated on the ongoing updating of the hardware used for Managed Security Services. In addition, responses to new security requirements are developed continuously in the consulting area. 2011 saw heavy spending on research into new service models and extensions to development capacity. For this reason, an innovative strategy has been defined and will result in substantial additions to the range of services between 2012 and 2014. Development expense of a total of € 0.6 million was capitalised in 2011 in accordance with IAS 38 (previous year € 1.3 million); however, most of the capital spending entails project work which it is not possible to capitalise.

7. Remuneration report

7.1 Management Board remuneration

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

- A fixed component
- A variable component with a short and long-term objective

The fixed component is paid in the form of a monthly salary.
The variable remuneration comprises a short-term (annual) and a long-term (3-year) component depending in both cases on the extent to which the quantitative and qualitative objectives for the Group agreed upon with the Supervisory Board are achieved. Monthly advance payments are made towards the short-term component and must be repaid in the event of any failure to achieve the objectives.
The share-based compensation offered in earlier years has been discontinued. The Management Board did not hold any shares in the Company or related subscription rights as of 31 December 2011.

In addition, the members of the Management Board 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 Management Board was enlarged in April 2011 with the appointment of Simon Church as Chief Operating Officer. Prior to this, Mr. Church had been responsible for the Group's UK business.

In 2011, total Management Board remuneration came to T€ 1,026 (2010: T€ 984). The individualised breakdown is as follows:

Breakdown of compensation in accordance with Section 289 No. 5 of the German Commercial Code	Georg Magg in T€		Heiner Luntz* in T€		Roger Friederich** in T€		Simon Church*** in T€		Total in T€	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Fixed remuneration	210	210	170	150	–	36	169	–	549	396
Variable remuneration	79	94	110	15	–	0	163	–	352	109
Cash settlement from stock options	–	36	–	–	–	0	–	–	–	36
Car allowance	15	15	13	9	–	3	16	–	44	27
Allowances for private pension savings	30	32	30	18	–	56	17	–	77	106
Allowances for private health insurance	–	–	–	–	–		4	–	4	–
Settlement payments	–	–	–	–	–	310		–	–	310
Total	**334**	**387**	**323**	**192**	–	**405**	**369**	–	**1,026**	**984**

* Heiner Luntz has been a member of Integralis AG's Management Board since 1 April 2010
** Roger Friederich stepped down from Integralis AG's Management Board effective 31 March 2010
*** Simon Church has been a member of Integralis AG's Management Board since 1 April 2011

In addition, provisions of T€ 160 were set aside for a long-term bonus programme which has not yet been approved by the Supervisory Board.
In case of early termination there is an agreement for one member of the management board to receive an annual payment of TGBP 190 until the regular expiration of the contract.

7.2 Remuneration of the Supervisory Board

The Supervisory Board of Integralis AG receives total fixed remuneration 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 remuneration 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 18 May 2011 providing for the members of the Supervisory Board to receive a performance-tied remuneration component. Accordingly, they receive variable performance-tied annual remuneration based on the Company's earnings and revenues. The annual variable compensation is capped at a maximum of T€ 150 per year. 50%

of the variable annual remuneration is deemed to have been earned if the Company's earnings before interest and taxes ('EBIT') as stated in its consolidated financial statements exceed € 5.36 million in the financial year in question. This share of 50% is deemed not to have been earned if EBIT for the financial year in question equals € 2.68 million or less. If EBIT for the financial year in question is between € 2.68 million and € 5.36 million, a proportionate share of this 50% part of the variable remuneration is deemed to have been earned in an amount proportionate to the EBIT of € 5.36 million by which it exceeds € 2.68 million. The remaining 50% of the variable annual remuneration is deemed to have been earned if the Company's revenues as stated in its consolidated financial statements amount to or exceed € 189.6 million in the financial year in question. This share of 50% is deemed not to have been earned if the revenues for the financial year in question equal or are less than € 165.9 million.
If revenues for the financial year in question are between € 165.9 million and € 189.6 million, a proportionate share of this 50% part of the variable remuneration shall be deemed to have been earned in an amount proportionate to the revenues of € 189.6 million by which they exceed € 165.9 million.

In 2011, total remuneration paid to the Supervisory Board came to T€ 112 (2010: T€ 190). The breakdown is as follows:

	2011 in T€	2010 in T€
Fixed remuneration	50	50
Reimbursement of expenses	24	35
Variable remuneration	38	105
Total	**112**	**190**

8. 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 € 13,036,884 and is divided into 13,036,884 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 2011, NTT Communications Deutschland GmbH held 78.30% of the capital of Integralis AG. As the 310,840 shares (2.38%) held by Integralis AG as treasury stock are not voting-entitled, this means that NTT Communications Deutchland GmbH holds 80.22% of the voting rights in Integralis AG. The number of shares held as treasury stock dropped by 98,265 over the previous year due solely to the satisfaction of commitments under maturing employee options and to a small number of shares held as treasury stock.
There are no shares with special rights.
The Company's Management Board comprises two or more persons according to the articles of association. It currently comprises three 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 2011, 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 Manage-

ment 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.

In accordance with a resolution passed by the Management Board and Supervisory Board, the Company's share capital was increased by € 1,451,747 effective 1 December 2011 through the issue of 1,451,747 new registered shares with no pre-emptive subscription rights. The issue was paid for on a non-cash basis through the contribution of 58,923,114 shares in Secode AB, Stockholm, Sweden. As a result, Integralis AG became the 100% shareholder of Secode AB. As of 31 December 2011, authorised capital 2008/I of only € 4,298,253 was still available for future use.

- **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 2011, 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 per cent 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 2011, no convertible or option bonds had been issued for this contingent capital 2007/II.

- **Authorisation to buy back the Company's own stock:**
  In a resolution passed at the annual general meeting on 29 June 2010, the shareholders authorised the Company to acquire its own shares in a proportion of up to 10% of the share capital of T€ 11,585 on or before 28 June 2015.

9. 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.com/de**

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

The business environment in which we operate is characterised by swift technological progress and also heightened competition. We respond to these market conditions by analysing opportunities and risks on the basis of an integrated risk early detection system.
Our Group risk management system covers all organisational and strategic control and monitoring measures. For this reason, we pay particular attention to detecting and analysing risks at an early stage and taking suitable precautions to avert them. At the same time, the system seeks to ensure that the Group's objectives, particularly its financial, operating and strategic goals, can be achieved as intended. One of the core elements of corporate governance is to detect, analyse 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 up-dated on a bi-weekly or monthly basis in line with Group-wide rules. Where necessary, measures 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.
Risk management is based within Integralis AG and reports directly to the Chief Financial Officer. Group management tracks operating business and potential risks for the subsidiaries at all times. For this purpose, bi-weekly 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 regularly 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 monthly review call has been additionally established to provide accounting staff with a platform for reporting on both risks and opportunities in their areas of responsibility. The figures for the previous month are analysed and a forecast for the future provided. The Group's consolidated monthly earnings are explained to the Supervisory Board by the Chief Financial Officer on a monthly conference call. The Chief Operating Officer also submits a monthly report to the Supervisory Board setting out details of the market situation, recent customer developments and the resultant consequences for the Company's continued performance.
A risk management manual, which is regularly reviewed and updated, describes and documents the various components of the risk management system.

The purpose of the internal control system as it relates to accounting is to ensure uniform processes complying with the statutory requirements, the principles of good accounting, the rules stipulated in the International Financial Reporting Standards (IFRS) and Group-wide policies and to provide appropriate and reliable information.

The organisational structures are defined in accounting policies. A Group-wide schedule ensures that all financial statements are completed within the requisite period of time.

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 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 double-sign-off principle is observed. As part of consolidated accounting, a large number of processes have been standardised and documented to ensure more effective supervision of consolidation-related matters. In May 2011, Integralis appointed an internal auditor.

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. During the year under review, Group-wide policies were revised and new ones published to implement a harmonised approach across the entire Group.

Following the acquisition by NTT Com, Integralis has been able to reduce its risk exposure substantially. NTT Com supports the Company through the provision of considerable credit facilities provided by NTT Communications Corporation, Japan, to bridge any short-term funding gaps and through its commitment to a long-term partnership. 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. For this reason, Integralis resumed business activities in Asia again in the year under review.

11.1 Currency risks

As a large part of our business is transacted in US dollars and pounds 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 (translation risk). To reduce the currency risk within the Integralis Group, various hedges, such as currency forwards, zero-cost options and currency swaps, were used in the year under review.

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

In addition, a centralised foreign currency management system was in operation in the year under review for Central Europe, the United States and the United Kingdom to centrally measure, monitor and hedge foreign currency risks arising from operating business. These hedges reduce exposure to volatile currency markets.

11.2 Market and sector risks

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. As the economy as a whole picks up, IT security should grow at a disproportionately strong rate. The IT security market is subject to permanent change, With the speed of technological progress accelerating, the ability to react quickly 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 observed 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-quality services and to increase the proportion of recurring revenues are minimising 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. Efforts to extend Integralis Services are to substantially boost the Group's profitability in the future.

The high renown and acknowledged skills of Integralis' consultants should also generate revenue growth in consulting business. Planned consulting portfolio extensions such as governance risk and compliance (GRC) consulting and closer collaboration with consulting partners and freelances should generate additional opportunities for revenues and earnings.

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 concentration process amongst producers continued in 2011 and is likely to exert considerable influence in 2012 as well. 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 and technological partners 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.
A large part of the Group's staff have a technical background. For this reason, the Company is particularly committed to offering staff scope for professional and career development in order to bind holders of expertise on a sustained basis. As part of the integrated human resources strategy, new career models are being continuously developed for scientific/technical staff.
In addition, the sustained organisational changes are making high demands of 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, international HR standards and processes have been receiving continuous enhancements over the past few years, backed up by annual global employee surveys.

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. These risks are addressed by means of ongoing spending on our infrastructure and the latest knowledge on security technology not only in customer projects, but also inside the Group itself.

We are increasingly using standardised software on a cross-border basis and making greater use of server infrastructure virtualisation and encryption for mobile terminals. Spending in this area was extended in 2011 and will continue in 2012.

11.6 Impairment risks

This refers to the risk of further impairment losses on goodwill or other assets. Reference has previously been made in this management report to the almost complete write-off of the goodwill which had arisen in the past. The new goodwill recognised in connection with the acquisition of Secode will be protected on a sustained basis by means of improved control and global management structures.

11.7 Customer risks

This risk particularly entails dependence on individual key-account customers, the possibility of losing them and exposure to undue economic pressure. This situation is common in technology businesses in which customer ties tend to be looser and it is easier to substitute suppliers. We will therefore be increasingly orienting our range to high-quality recurring services.

12. Non-financial performance indicators

Corporate values
We place our customers and their needs at the core of everything we do. We are committed to integrity, a passion for skills and mutual trust to ensure our customers' satisfaction. We encourage striving for professional expertise by means of continuous improvement and international partnerships. We make a contribution and assume responsibility.

Business strategy
We are leaders in information security thanks to our skills and experience. We consistently develop the best solutions and strategic partnerships. We offer proactive and innovative added value for our customers. We seek the highest possible quality in providing our global services.

Management guidelines
We communicate openly and transparently and treat each other with respect. Our employees receive all the information they require for their work.
We jointly formulate clear targets and work towards achieving them. Our employees know their field of responsibility and the scope which they have for action.
We encourage our employees to think and act on a holistic (and enterpreneurial) basis. We offer them a model to follow and thus demonstrate the responsibility which each employee bears. We encourage our employees and provide them with active support. We pay particular attention to tapping individual potential for further development. In this way, we are able to steadily enhance the high professional quality of our joint work.
We encourage a team spirit which also goes beyond the confines of our teams. We work with our employees on an eye-to-eye level. We encourage our employees to participate in efforts to find a solution. Our attitudes and actions set a moral example for our employees to follow. For this reason, we make sure that we protect our own integrity.

13. Material events occurring after the balance sheet date

No particular events of relevance for the Company have occurred since the end of the year under review.

14. Outlook

Last year, the Integralis Group invested heavily in the consulting segment in particular. Further additions to these particular skills coupled with the spending which has already been initiated on the future services and solutions portfolio, will form the basis for a return to and sustained growth in profitability in the medium term. At the same time, management realises that this requires particular efforts which will only be successful in close cooperation with the majority shareholder.

Looking forward to 2012, the Management Board forecasts a return to rising revenues to over € 190 million at the Group level thanks to organic growth in the United Kingdom and Germany/Austria/Switzerland in particular as well as the full-year consolidation of Secode for the first time. We expect to be able to offset the pressure observed in 2011 on margins in technology business by means of a greater proportion of service business. Further losses are expected at the EBIT level in 2012 due to continued increases in partially non-capitalised spending on the future service portfolio and global structures (e.g. further extensions to Asian activities). However, they will be substantially lower than in 2011. With revenues continuing to rise, Integralis expects to break even in 2013.

Ismaning, 20 March 2012

INCOME STATEMENT (IFRS)

	Notes	01/01/- 31/12/2011 T€	01/01/- 31/12/2010 T€	discontinued operations T€	continued operations T€
Revenue	5.1	178,037	191,667	3,462	188,205
Cost of materials	5.4	-117,762	-130,608	-2,488	-128,120
Gross profit		**60,275**	**61,059**	**974**	**60,085**
Own work capitalised	5.3	566	1,327	0	1,327
Other operating income	5.2	5,742	2,083	0	2,083
Personnel expenses	5.5	-48,279	-43,315	-1,616	-41,699
Other operating expenses	5.6	-26,068	-19,590	-826	-18,764
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-7,764**	**1,564**	**-1,468**	**3,032**
Depreciation and amortisation	5.7	-11,373	-2,739	-31	-2,708
Earnings before interest and taxes (EBIT)		**-19,137**	**-1,175**	**-1,499**	**324**
Interest income		356	214	1	213
Interest expenses		-199	-240	-12	-228
Finance income		0	34	34	0
Finance result	5.8	157	8	23	-15
Earnings before taxes (EBT)		**-18,980**	**-1,167**	**-1,476**	**309**
Taxes	5.9	-2,863	1,047	0	1,047
Net profit		**-21,843**	**-120**	**-1,476**	**1,356**

Thereof fall upon:					
Shareholders of Integralis AG		-21,843	-120	1,476	1,356
Minority interest		0	0	0	0

Basic weighted average number of shares outstanding		11,332,621	11,176,032	11,176,032	11,176,032
Basic net earnings per share (€)		-1.93	-0.01	-0.13	0.12
Diluted weighted average number of shares outstanding		11,375,527	11,311,007	11,311,007	11,311,007
Diluted net earnings per share (€)		-1.93	-0.01	-0.13	0.12

COMPONENTS OF COMPREHENSIVE INCOME (IFRS)

	Notes	01/01/- 31/12/2011 T€	01/01/- 31/12/2010 T€	discontinued operations T€	continued operations T€
Net profit		**-21,843**	**-120**	**-1,476**	**1,356**
Currency translation differences		-177	958	0	958
Sum of other results		**-177**	**958**	**0**	**958**
Comprehensive income		**-22,020**	**838**	**-1,476**	**2,314**
Thereof fall upon:					
Shareholders of Integralis AG		-22,020	838	-1,476	2,314
Minority interest		0	0	0	0

BALANCE SHEET (IFRS)

Assets	Notes	31/12/2011 T€	31/12/2010 T€
Cash and cash equivalents	4.1	6,905	6,902
Trade receivables, financial assets and other receivables	4.2	50,504	60,389
Inventories	4.3	317	825
Deferred cost of materials	4.4	29,966	29,926
Other assets	4.5	2,419	1,610
Current assets		**90,111**	**99,652**
Deferred tax assets	4.10	1,653	5,288
Trade receivables, financial assets and other receivables	4.2	–	839
Deferred cost of materials	4.4	8,092	7,519
Investment in subsidiaries	4.9	–	1,969
Goodwill	4.8	9,465	10,847
Intangible assets	4.7	8,507	3,066
Property, plant and equipment	4.6	4,443	3,612
Noncurrent assets		**32,160**	**33,140**
Total assets		**122,271**	**132,792**

BALANCE SHEET (IFRS)

Equity and liabilities	Notes	31/12/2011 T€	31/12/2010 T€
Financial liabilities	4.12	9,360	4,921
Trade payables	4.11	29,015	27,649
Deferred revenue	4.13	42,344	44,786
Income tax payables		661	481
Other current liabilities	4.14	17,313	20,812
Current liabilities		**98,693**	**98,649**
Deferred revenue	4.13	10,649	10,468
Financial liabilities	4.12	980	1,280
Deferred tax liabilities	4.10	635	950
Provisions	4.15	1,108	547
Noncurrent liabilities		**13,372**	**13,245**
Subscribed capital		13,037	11,585
Treasury shares		-311	-409
Capital reserves		23,205	13,427
Other reserves		-1,596	-1,419
Retained earnings		-24,129	-2,286
Equity	**4.16**	**10,206**	**20,898**
Total equity and liabilities		**122,271**	**132,792**

GROUP STATEMENT OF CASH FLOWS (IFRS)

	01/01/ - 31/12/2011 T€	01/01/ - 31/12/2010 T€
Net profit	**-21,843**	**-120**
Adjustments for:		
Financial result	157	-15
Actual tax result	-94	440
Depreciation and amortisation	11,373	2,739
(Increase) / Decrease deferred taxes	3,320	-1,487
Increase / (Decrease) in provisions	561	-113
Loss from disposals	144	–
Increase in share option reserve	–	29
Unrealised foreign exchange losses / (gains)	103	-249
Interest received	57	–
Interest paid	-94	-76
Taxes paid	-301	-226
Change of net working capital	3,440	3,017
Cashflow from / (used in) operating activities	**-3,177**	**3,939**
Granting of loan	–	-1,054
Acquisition of subsidiaries, net of cash acquired	1,775	-70
Purchases of property, plant and equipment and intangible assets	-2,894	-3,515
Cash flow used in investing activities	**-1,119**	**-4,639**
Proceeds from issue of share capital and exercise of stock options	235	–
Proceeds from borrowings	4,101	4,745
Payment of financial lease liabilities	-77	-4,912
Cash flow from/ (used in) financing activities	**4,259**	**-167**
Net effect of currency translation in cash and cash equivalents	40	-211
Decrease / (Increase) in cash and cash equivalents	**3**	**-1,078**
Cash and cash equivalents at beginning of period	**6,902**	**7,980**
Cash and cash equivalents at end of period	**6,905**	**6,902**

STATEMENT OF CHANGES IN EQUITY

Number of shares issued at 31/12/2010: 11.585.137 registered shares	Subscribed capital	Treasury shares	Capital reserves	Foreign currency translation reserve	Retained earnings	Total
	T€	T€	T€	T€	T€	T€
01/01/2010	**11,585**	**-409**	**13,398**	**-2,377**	**-2,166**	**20,031**
Increase on grant of share options			29			29
Deconsolidation Sweden				513		513
Net result					-120	-120
Translation differences				445		445
Overall result				958	-120	838
31/12/2010	**11,585**	**-409**	**13,427**	**-1,419**	**-2,286**	**20,898**

Number of shares issued at 31/12/2011: 13.036.884 registered shares	Subscribed capital	Treasury shares	Capital reserves	Foreign currency translation reserve	Retained earnings	Total
	T€	T€	T€	T€	T€	T€
01/01/2011	**11,585**	**-409**	**13,427**	**-1,419**	**-2,286**	**20,898**
Fulfilment for stock options exercised		96	126			222
Sell on treasury shares		2	11			13
Increase in equity	1,452		9,641			11,093
Net result					-21,843	-21,843
Translation differences				-177		-177
Overall result				-177	-21,843	-22,020
31/12/2011	**13,037**	**-311**	**23,025**	**-1,596**	**-24,129**	**10,206**

NOTES

NOTES TO THE 2011 CONSOLIDATED FINANCIAL STATEMENTS 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 654 employees and 22 branches in nine 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's parent company has been NTT Communications Deutschland GmbH, Munich, (NTT Com Germany) since 1 October 2009. Integralis AG's subscribed capital was increased with the issue of 1,451,747 new shares in connection with the acquisition of Secode AB in 2011.

The new shares were subscribed to in full by NTT Communications Deutschland GmbH, which now holds 78.3% of Integralis AG's capital (Section 160 (1) No. 8 in connection with Section 16 (1) of the German Stock Corporation Act). Integralis AG holds treasury stock comprising 310,840 non-voting shares, meaning that NTT holds roughly 80% of the voting rights. The number of shares held as treasury stock dropped by 98,265 over the previous year.

NTT Communications Deutschland GmbH is an indirect subsidiary of Nippon Telephone and Telegraph Corporation (NTT), Tokyo, Japan, which prepares consolidated financial statements as the ultimate parent company. NTT's consolidated financial statements are published in Japan, the United States and the UK, where it is listed. 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 statement of comprehensive income, consolidated cash flow statement 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 total cost 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 21 March 2012.

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 2011 of Integralis AG as the parent company within the Integralis Group, have been prepared using uniform recognition and measurement principles. In this connection, the International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) including the interpretations of the Standing Interpretation Committee (SIC) / International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union, in force as of the balance sheet date are applied. 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 were calculated using the same methods.

All standards issued by the International Accounting Standards Board (IASB) and valid and endorsed by the European Union as of the date on which the consolidated financial statements were prepared were duly applied.

1.3 Consolidated companies

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 in %
Activis Inc.	Hartford, United States	100
Articon-Integralis SAS	Paris, France	100
Integralis SAS	Paris, France	100
Secode AB*	Stockholm, Sweden	100
Secode Sverige AB*	Stockholm, Sweden	100
Secode Norge AS*	Arendal, Norway	100
Secode Finland Oy*	Helsinki, Finland	100
Secode Netherlands B.V.*	Maastricht, Netherlands	100
Integralis Inc.	Hartford, United States	100
Integralis Services LLC	Hartford, United States	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	Wien, 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

* Acquired effective 1 December 2011

** 100% allocated on account of a trusteeship relationship and possession of all shareholder rights

The profit or loss of subsidiaries acquired or sold during the year under review is reported in the consolidated financial statements as of the date of actual acquisition, i.e. from the date as of which the Group is able to exercise a controlling influence or until the date on which such controlling influence is no longer influenced, as the case may be.

The consolidation group has changed as a result of the acquisition of the Secode Group. Effective 1 December 2011, the remaining share of 87.6% in Secode AB, Stockholm, Sweden, was acquired, meaning that Integralis now holds a 100% stake in that company. Accordingly, the Secode Group was consolidated in full from 1 December 2011.

1.4 Balance sheet date

The consolidated balance sheet was prepared effective 31 December 2011. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity cover the period from 1 January until 31 December 2011. 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 in euros (€). In the absence of any indication to the contrary, all figures are rounded up or down to the closest thousand euros (T€). It should be noted that the use of rounded figures and percentages may result in differences due to commercial rounding. In accordance with IAS 1, the current/non-current distinction is applied to assets and liabilities. Assets and liabilities are classed as current if they are expected to be realised or settled within twelve months of the balance sheet date. The consolidated income statement is prepared using the total-cost method.

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.

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 between the cost of the business combination and the prorated net assets is recognised as goodwill, which is reported using the full goodwill approach.
The determination of fair value calls for certain estimates and judgements particularly with respect to intangible assets and property, plant and equipment acquired and liabilities assumed as well as the useful life of the intangible assets and property, plant and equipment acquired. These calculations are largely performed on the basis of anticipated cash inflows and outflows. Any deviations between actual cash inflows and outflows and those used to calculate fair values may exert an influence on future consolidated profit and loss.
The impairment-only approach stipulated by IAS 36 is applied to any subsequent measurement of goodwill. Where necessary, goodwill is adjusted to match its fair value.
Intragroup revenues and profits, expenses and income as well as all receivables and liabilities between consolidated companies are eliminated in accordance with IAS 27.24.
Deferred taxes are set aside in accordance with IAS 12 for consolidation transactions.
The consolidation methods applied are unchanged over the previous year.

1.6 Currency translation

Single-entity financial statements in foreign currencies

The currencies of all the single-entity financial statements prepared in a currency other than the euro were translated in accordance with IAS 21 using the functional currency principle. The functional currencies of the Integralis Group companies are the same as their respective national currencies.
The consolidated financial statements were prepared using the euro, this also being the parent company's functional currency. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro 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 within other comprehensive income in the statement of comprehensive income. The cumulative amount recorded within equity is reclassified upon the sale of the entity and reported through profit and loss.
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 single-entity financial statements not prepared in euros were translated using the following exchange rates:

	End-of-year rate		Average exchange rate	
	31/12/11	31/12/10	31/12/11	31/12/10
GBP	0.8349	0.8612	0.8439	0.8564
USD	1.2959	1.3366	1.3175	1.3218
CHF	1.2178	1.2488	1.2267	1.3693
SEK	8.9233	8.9751	9.0090	9.4825
SGD	1.6824	1.7146	1.7056	1.7954
AED	4.7604	4.8700	4.8408	4.8521

Foreign currency transactions

Foreign currency transactions which are not executed in the functional currency are translated at the exchange rate prevailing on the date on which they are executed. Any translation differences arising between the date of transaction and the date of payment are taken to the income statement. All foreign currency monetary items are translated into the functional currency at the end-of-year exchange rate, with any resultant translation gains or losses taken to the income statement.

1.7 Changes in presentation

There were no changes in the presentation of the balance sheet and the income statement in 2011.

2. Summary of significant accounting policies

2.1 Changes in accounting policies due to new standards

Integralis AG applied all the accounting standards which were mandatory for the first time as of 2011. The recognition and measurement methods applied are fundamentally the same as in the previous year.
Moreover, it was necessary for the following standards and interpretations to be applied in the year under review. However, this did not exert any material effect on the presentation of the consolidated financial statements:

IAS 24 – Related party disclosures
In November 2009, the IASB published amendments to 'IAS 24 Related party disclosures' and replaced IAS 24 (2003). The amendments to IAS 24 particularly entail a fundamental change to the definition of related parties. A further major aspect is the introduction of convenience rules for government controlled or significantly influenced entities.

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 when calculating plan assets.

In May 2010, the IASB released its 'Improvements to IFRS 2010'. They relate to IFRS 1, 3 and 7, IAS 1, 21, 28, 31, 32, 34, as well as IFRIC 13. In the absence of any stipulation to the contrary in the individual standards, these amendments are to apply for the first time in accounting periods commencing on or after 1 January 2011. In its consolidated financial statements for 2011, Integralis AG did not early adopt the following standards which had been issued by the IASB as they were not yet subject to compulsory application in the year under review.

Standard/Interpretation		Published by IASB	Mandatory application	Endorsed by the EU	Expected impact
IFRS 1	Hyperinflation and firm date of conversion	20/12/2010	01/07/2011	No	None
IFRS 7	Disclosures in the notes on the transfer of financial instruments	07/10/2010	01/07/2011	Yes	Additional disclosures in the notes
IFRS 7	Disclosures in the notes on the netting of financial assets and liabilities	16/12/2011	01/01/2013	No	Additional disclosures in the notes
IFRS 9	Financial instruments: classification and measurement	28/10/2010	01/01/2015	No	No material changes
IFRS 10	Consolidated Financial Statements	12/05/2011	01/01/2013	No	None
IFRS 11	Joint arrangements	12/05/2011	01/01/2013	No	None
IFRS 12	Disclosures of interests in other entities	12/05/2011	01/01/2013	No	Additional disclosures in the notes
IFRS 13	Fair value measurement	12/05/2011	01/01/2013	No	Additional disclosures
IFRIC 20	Stripping costs in the production phase of a surface mine	10/08/2011	01/01/2013	No	None
IAS 1	Presentation of individual items in other comprehensive income	16/06/2011	01/07/2012	No	No material changes
IAS 12	Deferred income taxes realisation of the carrying amount of an asset	20/12/2010	01/01/2012	No	None
IAS 19	Employee benefits – changes in accounting for pensions	16/06/2011	01/01/2013	No	None
IAS 27	Separate financial statements	12/05/2011	01/01/2013	No	None
IAS 28	Investments in associates and joint ventures	12/05/2011	01/01/2013	No	Additional disclosures in the notes
IAS 32	Netting of financial assets and liabilities	16/12/2011	01/01/2014	No	No material changes

2.2 Classification and recognition of financial assets

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets particularly comprise cash and cash equivalents, trade receivables and other loans and receivables, held-to-maturity investments and originated and derivative financial assets held for trading. Financial liabilities generally entail a contractual obligation to deliver cash or some other financial asset to another entity. This particularly includes trade payables, bank borrowings, liabilities from finance leases and derivative financial liabilities. Financial instruments are recognised as soon as Integralis becomes a party to them. However, in the case of purchases and sales (purchases or sales under the terms of a contract the conditions of which provide for delivery of the asset within a period which is customarily determined by the rules or conventions of the market in question), the settlement day, i.e. the day on which the asset is delivered to Integralis, is decisive for recognising the first-time addition to or disposal from the balance sheet. Financial assets and liabilities are not netted against each other. Financial assets held for trading are measured at their fair value.
This primarily entails derivative financial instruments which are not effectively hedged in accordance with IAS 39 and must therefore be classified as 'held for trading'. Any gains or losses derived from subsequent measurement are reported through profit and loss.
Some financial assets are intended and can be assumed with reasonable certainty to be held until maturity. Such financial assets are measured at amortised cost using the effective interest method.

Integralis has not made any use of the possibility for initially recognising financial assets at fair value through profit and loss.

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, or
- 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 financial instruments
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.

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 impairment. 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
Impairment of financial assets. The carrying amounts of financial assets which are not measured at fair value through profit and loss are examined on each balance sheet date to determine whether there is any objective evidence (e.g. considerable financial difficulties on the part of the debtor, significant changes in underlying technological, economic and legal conditions as well as the market environment of the debtor) pointing to impairment.

Loans and receivables. The amount of the impairment in the case of loans and receivables equals 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. The impairment is reported through profit and loss.

If, in a subsequent period, the amount of the impairment decreases and the decrease can be objectively attributed to an event occurring after the adjustment, the impairment is reversed through profit and loss.
Impairments of loans and receivables (trade receivables) are very largely recorded via impairment accounts. A decision on whether the risk of default is to be recorded by means of an impairment account or by means of a direct adjustment to the receivable depends on the probability of default.
If receivables are classified as irretrievable, the correspondingly impaired asset is derecognised.
An impairment results in a direct reduction in the carrying amount of the financial assets. Any subsequent receipts of payments towards derecognised assets are recognised through 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 which are due for settlement in less than three months are recognised at their nominal value. The cash and cash equivalents reported in the consolidated balance sheet comprise cash in hand, cheques and cash at banks. The cash and cash equivalents recognised in the consolidated cash flow statement are deferred on the basis of the above definition.

2.4 Receivables and other financial assets

Receivables and other financial 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 Other non-financial assets

Other non-financial assets are measured at amortised cost net of any impairments.

2.6 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. The derivative financial instruments do not satisfy the hedge accounting conditions set forth in IAS 39 and are classified as held for trading. Accordingly, they are measured at their fair value as of the balance sheet date. Negative fair values are reported within financial liabilities. Positive fair values are reported within financial assets.
Any changes in fair value are reported through profit and loss within net financial income/net financial expense. Fair value is defined as the value which can be achieved in business operations under prevailing market conditions.

2.7 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 and less reasonable adjustments for all discernible risks arising from reduced or absent marketability. All goods are measured using the FIFO (first in-first out) method.

2.8 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.

2.9 Property, plant and equipment

In accordance with IAS 16, property, plant and equipment are recognised at cost less cumulative scheduled straight-line depreciation. Production costs include directly attributable costs as well as a reasonable proportion of the attributable overheads. Where necessary, they are adjusted to match their recoverable amount, if this is lower. Maintenance costs are reported as expense for the period.

Land is not depreciated. Depreciation of all other assets is calculated on a straight-line basis. For this purpose, the historical cost is written down to the residual carrying amount over the expected useful lives of the assets as follows:

Buildings	25-35 years
Motor vehicles	5 years
Business equipment	3-10 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.

The Group leases certain assets. Leases for assets in which the Group holds the material risks and benefits from ownership of the leased assets are classified as finance leases. As a result, the asset in question is capitalised as of the date on which it is used for the first time. Assets leased under finance leases are recognised at the lower of their fair value and the present value of the minimum lease payment at the beginning of the lease. A lease liability of the same amount is recorded within non-current liabilities.

In accordance with IAS 17, the determination as to whether an agreement is or contains a lease is made on the basis of the economic nature of the agreement as of the date on which this agreement is entered into and calls for an estimate of whether the performance of the contractual agreement depends on the utilisation of a certain asset or assets and whether the agreement grants a right to utilise the asset.

Each lease payment is divided into an interest and a repayment component to ensure that a constant interest rate is applied to the lease liability. The present value of the lease liability is reported within non-current liabilities. The interest component of the lease payment is recorded in the income statement and spread over the term of the lease. Assets under finance leases are written off over the shorter of their expected useful life and 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. In this case, the lease payments are recorded as expense on a straight-line basis over the term of the lease.

2.10 Intangible assets

Intangible assets acquired – as a result of a business combination – are recognised at historical cost; fair value at the acquisition date. Software and licences are written down on a straight-line basis over their expected useful lives of three to five years. Those intangible assets are subsequently measured at historical cost net of depreciation. Where necessary, they are adjusted to match their fair value, if this is lower.
Contractual customer relations acquired as a result of a business combination are reported at their fair value on the date of acquisition. They have a limited useful life and are measured at amortised cost net of scheduled depreciation. Depreciation expense is calculated on the basis of the expected duration of the customer relations (five to ten years).
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.
The cost of development activities, i.e. for activities which implement research results in a plan or draft for the production of new or substantially improved products are capitalised. Development expenses are capitalised as intangible assets if the conditions for recognition stated in IAS 38 are satisfied. This means that 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.

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

As a matter of principle, a distinction is drawn between intangible assets with a definite useful life and those with an indefinite useful life. The useful life is either the expected period of time over which an asset is expected to be used by the enterprise or the number of production or similar units expected to be obtained from the asset by the enterprise. 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 money 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.

2.12 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 does not undergo regular amortisation, but is instead subjected 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 such 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. The discounted cash flow calculations 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 that the indication that an impairment loss recognised in prior periods for an asset may no longer exist is not permissible.

2.13 Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
Deferred taxes are calculated using the balance sheet oriented liability method (IAS 12), under which deferred taxes are recognised for all accounting and measurement differences arising between IFRS-based measurement and the applicable tax bases.
In addition, current tax assets are recognised for future tax reduction claims arising from tax losses.
Deferred income 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 in the next five years.
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 are between 0% and 39%.

2.14 Deferred revenues

Deferred revenues primarily comprise income received from customers for maintenance and MSS (Managed Security Services) contracts. The contracts entered into with customers in this area generally have a term of between one and three years or, to a minor extent, a longer period.
The service is partially sourced from external partners over this period and the customer invoiced for the service at the beginning of the period.
Deferred revenues include the part of the service invoice which does not yet constitute any income for the year under review. This item is reversed over the remaining term of the contracts.

2.15 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 as being at fair value through profit and loss if they are held for trading 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, or
- 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 their 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.

Provisions
Provisions are recognised in accordance with IAS 37 if the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If the Group is expecting a refund covering at least part of the provisions recognised (e.g. under an insurance policy), such refund is recorded as a separate asset provided that the receipt of this refund is virtually certain. Expense from the recognition of provisions is recorded in the income statement net of the refund.
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 on normal market terms.

2.16 Equity

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

2.17 Revenues

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

2.18 Borrowing costs

Borrowing costs are recognised in the income statement for the period in which they arise (IAS 23). Borrowing costs that are directly attributable to qualifying assets are as part of the cost of that asset.

2.19 Treasury stock

Treasury stock is reported separately within equity and deducted from subscribed capital at its nominal value of € 1 per share. The difference between the nominal value and the buying or selling price is netted with the share premium. Treasury stock was utilised in 2011 to settle stock options which had fallen due and been exercised. In addition, a small number of these shares was sold.

2.20 Earnings/loss per share

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

2.21 Employee benefits

Post-retirement benefit plans

The subsidiaries in the UK and the United States have established defined-benefit pension plans for employees. 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

In the past, the Integralis Group awarded stock options to members of the Management Board as well as the officers of affiliated companies and employees of the Group. 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. The programmes are classified as share-based. 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. Key sources of estimation uncertainty

In accordance with IFRS, proper and full preparation of the consolidated financial statements requires the use of estimates and assumptions, which affect the assets and liabilities reported, the disclosure of contingent liabilities and receivables on the balance sheet and the income and expenses recognised. The estimates and underlying assumptions are based on historical experience and other factors which are considered to be relevant. Actual figures may differ from the estimates.
The assumptions underlying the estimates chiefly relate to the uniform Group-wide definition of useful lives, the calculation of fair values of financial instruments, the recognition and measurement of provisions, the realisability of future tax losses and assumptions in connection with the annual impairment test and the allocation of the cost of business combinations.
The assumptions underlying the estimates are reviewed regularly. Any changes in estimates which concern only a single period are allowed for only in such period. If the changes concern the current and future periods, allowance is made for them in this and future periods.
The key assumptions concerning the future, and other primary 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 (which include material assumptions such as future selling prices and volumes) from the cash-generating unit as well as a suitable discount rate for calculating the present value. The carrying value of the goodwill as of the balance sheet date stands at T€ 9,465 (see Note 4.8).
The carrying amount of goodwill relating to the CGU UAE of T€ 5 million has been fully written off, due to the uncertainty regarding the CGU´s future development.

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 duration of the lease. As of 31 December 2011, it has set aside provisions of T€ 867 (2010: T€ 306) to cover rental shortfalls on the assumption that only a small part of the premises which it does not use itself will be sublet. If the vacant space increases or there is any other unfavourable change in the valuation parameters, this will exert corresponding pressure on earnings. If a long-term sublease is signed for all of the unused premises, this may result in the provisions being reversed, in which case the proceeds from such reversal will be taken to the income statement.

3.3 Recognition of deferred income 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 2011. Deferred income tax assets are recorded only to the extent that it can be assumed from the Company's forecasts that there is sufficient probability that future profit will be available to justify the recognition of deferred income tax.
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. Conversely, an improvement in business expectations may also generate income tax reimbursements if the amount of deferred income taxes recognised is too high.

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€ 6,905 (previous year: T€ 6,902). This amount was available in full as of the balance sheet date.

4.2 Trade receivables, financial assets and other receivables

Trade receivables are shown net of impairments for bad debts. Receivables of T€ 0 (2010: T€ 839) are due for settlement in more than one year; all other receivables are due for settlement in less than one year. Individual impairments of a total of T€ 280 (2010: T€ 135) have been included to allow for any reduced payment receipts.

	2011 in T€	2010 in T€
Trade receivables	50,422	58,867
Other receivables	270	1,361
Derivatives	92	80
Impairments	-280	-135
Total	**50,504**	**61,228**

Current receivables and assets amount to T€ 50,504.
Of these, receivables from affiliated companies are valued at T€ 0 (2010: T€ 1,274).
As of 31 December 2010 other receivables contained a loan amounting to T€ 1.036 with Integralis AB and receivables towards NTT Communications Deutschland GmbH of T€ 238.

4.3 Inventories

Inventories break down as follows:

	2011 in T€	2010 in T€
Finished goods and merchandise	317	825
Total	**317**	**825**

No impairments were recognised as of 31 December 2011 or 31 December 2010.

4.4 Prepaid cost of materials

Of the prepaid cost of materials of T€ 38,058 (2010: T€ 37,445), a sum of T€ 29,966 (2010: T€ 29,926) is current in nature and a sum of T€ 8,092 (2010: T€ 7,519) is non-current. This item chiefly 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 Other assets

Other assets come to T€ 2,419 (2010: T€ 1,610) and chiefly comprise prepaid expenses of T€ 1,840 (2010: T€ 1,564). Prepaid expenses primarily entail rentals, insurance premiums and maintenance contracts.

4.6 Property, plant and equipment

Property, plant and equipment are analysed 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 ‘Currency translation’.
There were no impairment losses in connection with property, plant and equipment in the year under review.

FIXED ASSETS MOVEMENTS 2011

	Costs of Acquisition or Production						
	01/01/2011	Additions	First con-solidation	Disposals	Reclassifi-cation	Currency conversion	31/12/2011
	T€	T€	T€	T€	T€	T€	T€
Property, plant and equipment							
Property and leasehold rights including buildings on non-owned land	1,895	6	124	-22	0	1	2,004
Other equipment, fixtures, fittings and equipment	9,856	1,655	1,037	-2,705	0	197	10,040
	11,751	**1,661**	**1,161**	**-2,727**	**0**	**198**	**12,044**
Intangible assets							
Industrial property rights and similar rights and licences to such rights	6,456	653	5,444	-22	-36	153	12,648
Self-developed intangible assets	6,039	580	202	-173	36	138	6,822
	12,495	**1,233**	**5,646**	**-195**	**0**	**291**	**19,470**
Goodwill							
Goodwill	30,470	0	7,344	0	0	0	37,814
	30,470	**0**	**7,344**	**0**	**0**	**0**	**37,814**
Investments							
Investments in subsidiaries	1,969	0	0	-1,969	0	0	0
	56,685	**2,894**	**14,151**	**-4,891**	**0**	**489**	**69,328**

	Accumulated Depreciation							Net Book Value	
	01/01/2011	Additions	First consolidation	Disposals	Reclassification	Currency conversion	31/12/2011	31/12/2011	31/12/2010
	T€	T€	T€	T€	T€	T€	T€	T€	T€
	674	81	0	99	-13	1	842	1,221	1,162
	7,465	1,258	0	562	-2,659	133	6,759	2,391	3,281
	8,139	**1,339**	**0**	**661**	**-2,672**	**134**	**7,601**	**3,612**	**4,443**
	6,221	347	0	6	-19	157	6,712	235	5,936
	3,208	961	0	60	-87	109	4,251	2,831	2,571
	9,429	**1,308**	**0**	**66**	**-106**	**266**	**10,963**	**3,066**	**8,507**
	19,623	0	8,726	0	0	0	28,349	10,847	9,465
	19,623	**0**	**8,726**	**0**	**0**	**0**	**28,349**	**10,847**	**9,465**
	0	0	0	0	0	0	0	1,969	0
	37,191	**2,647**	**8,726**	**727**	**-2,778**	**400**	**46,913**	**19,494**	**22,415**

INTEGRALIS

FIXED ASSETS MOVEMENTS 2010

	Costs of Acquisition or Production					
	01/01/2010	Additions	First con-solidation	Disposals	Reclassifi-cation	31/12/2010
	T€	T€	T€	T€	T€	T€
Property, plant and equipment						
Property and leasehold rights including buildings on non-owned land	1,895	0	0	0	0	1,895
Other equipment, fixtures, fittings and equipment	8,101	1,779	-138	-173	287	9,856
	9,996	**1,779**	**-138**	**-173**	**287**	**11,751**
Intangible assets						
Industrial property rights and similar rights and licences to such rights	6,461	409	0	-565	151	6,456
Self-developed intangible assets	4,519	1,327	0	0	193	6,039
	10,980	**1,736**	**0**	**-565**	**344**	**12,495**
Goodwill						
Goodwill	35,198	0	-5,031	0	303	30,470
	35,198	**0**	**-5,031**	**0**	**303**	**30,470**
	56,174	**3,515**	**-5,169**	**-738**	**934**	**54,716**

	Accumulated Depreciation							Net Book Value	
	01/01/2010	Additions	First consolidation	Disposals	Reclassification	Currency conversion	31/12/2010	31/12/2010	31/12/2009
	T€	T€	T€	T€	T€	T€	T€	T€	T€
	608	66	0	0	0	0	674	1,221	1,287
	6,290	1,226	0	-99	-131	179	7,465	2,391	1,811
	6,898	1,292	0	-99	-131	179	8,139	3,612	3,098
	5,961	194	215	0	-254	105	6,221	235	500
	2,052	1,038	0	0	0	118	3,208	2,831	2,467
	8,013	1,232	215	0	-254	223	9,429	3,066	2,967
	21,706	0	0	-1,766	0	-317	19,623	10,847	13,492
	21,706	0	0	-1,766	0	-317	19,623	10,847	13,492
	36,617	2,524	215	-1,865	-385	85	37,191	17,525	19,557

Property, plant and equipment include assets valued at T€ 1,061 (previous year: T€ 1,339) for which the Group company in question is deemed to be the economic owner on account of the structure of the underlying leases. There were no contingent lease payments.
Finance leases primarily concern two buildings and a plot of land, for which call options may be exercised in 2017. 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€ 75.4 (2010: T€ 79.7) on the basis of an interest rate of 5.84% (2010: 5.84%).
As of the balance sheet date, future lease payments break down as follows:

2011

Duration	Future payments in T€	Interest in T€	Repayments in T€
Less than one year	152	71	81
Between one and five years	608	232	376
More than five years	848	244	604
Total	**1,608**	**547**	**1,061**

2010

Duration	Future payments in T€	Discount in T€	Present value in T€
Less than one year	152	-75	77
Between one and five years	608	-253	355
More than five years	1,000	-93	907
Total	**1,760**	**-421**	**1,339**

4.7 Intangible assets

Orders of T€ 83 were obtained in 2008 through the acquisition of Greschitz IT Security GmbH, Vienna, and written off in full in the year under review (2010: residual value T€ 17).
The Secode Group was taken over in full effective 1 December 2011. The assets recognised include technology at a historical cost of T€ 3,300 and the brand at a historical cost of T€ 2,137. These assets are being written down over a period of 5 years (technology) and 10 years (brand).
The residual carrying amounts for the technology and the brand stood at T€ 3,264 and T€ 2,130, respectively, as of 31 December 2011.

4.8 Goodwill

Impairment testing as of 30 September 2011 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 calculation is based on a discounted cash flow method. The assumed weighted average cost of capital (WACC) stands at 9.59% (2010: 9.33%) with an unleveraged beta of 1.44 (2010: 1.37). The value in use is calculated on the basis of the following assumptions:

- Period of five years commencing as of 2012
- Use of forecasts for 2012 approved by management
- For the years after 2012:
  - o Perpetual annuity with growth rates of between 1 and 2 %
  - o Revenue growth of between 5% and 6.3%
  - o Gross profit margin was assumed to be steady
  - o Pre-tax discount rates of between 13.05% and 14.53%

In the year under review, impairments of T€ 8,726 were recognised on the goodwill of T€ 9,465 (2010: T€ 10,847). These impairments relate to Integralis UAE (T€ 4,968), Integralis France (T€ 3,114) and Integralis US (T€ 644). No impairments had been recognised in the previous year.
Goodwill rose by T€ 7,344 as a result of the acquisition of the Secode Group.

	Write offs 2011 T€	Book value 31/12/2011 T€	WACC pre tax %	WACC post tax %	Sales growth 2013 - 2016 %	Long term growth rate %
CE-Region (Germany, Austria, Switzerland)	0	2,099	13,57	9,59	5	1
Integralis UK	0	22	13,05	9,59	5	1
Integralis US	-644	0	14,53	9,59	5	2
Integralis France	-3,114	0	14,39	9,59	6,3	2
Integralis UAE	-4,968	0	n.a.	9,59	n.a.	n.a.
Total	**-8,726**	**2,121**				

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

	2011 in T€	2010 in T€
Germany, Austria, Switzerland	2,099	2,099
Integralis UK	22	22
Integralis US	–	644
Integralis France	–	3,114
Secode Group	7,344	–
Integralis UAE	–	4,974
Total	**9,465**	**10,847**

The recoverable amounts of all 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 past experience of the CGU's growth. These include a risk discount for the budget year on account of the management estimates. It was assumed that the smaller CGUs have greater growth potential than the larger ones. In the past, the forecast for the sector as a whole as well as the Group's revenue growth before currency translation were taken into account in order to allow for any estimating uncertainty. Since 2011, Integralis has been investing heavily in strengthening its service business in order to address the sustained pressure on the technology brands. Given the early stage of development, it was not possible to factor in these effects in the calculation of future cash flows. Accordingly, the recoverable value is reviewed on the basis of an unchanged range.

- **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.

4.9 Acquired businesses

Effective 1 December 2011, the remaining shares in the Secode Group were acquired from NTT Communications Deutschland GmbH. Accordingly, it has been a 100% member of the Integralis Group since that date. The Secode Group comprises Secode AB, Secode Sverige AB, Secode Norge AS, Secode Netherlands B.V. and Secode Finland Oy. Thus, Integralis has acquired a leading vendor of managed security services (MSS), security consulting and technology for commercial, military and public customers.
The main reasons for acquiring Secode were to gain access to the brand and technology to allow Integralis to continue its expansion in the Nordic market. With its strong presence in Sweden, Norway and Finland, Secode is widely acknowledged as a leading IT security provider.

The fair value of the assets and liabilities acquired was as follows as of the date of acquisition:

In T€ Fair value	As of 1 December 2011
Current assets	
Cash and cash equivalents	1,775
Trade receivables	1,756
Inventories	29
Prepayments, other assets	924
Financial assets	75
Non-current assets	
Property, plant and equipment	500
Intangible assets	144
Current liabilities	
Financial liabilities	1,420
Trade payables	445
Other liabilities	2,983
Identifiable assets	
(Allocation of the cost of the business combination)	
Technology	3,300
Brand	2,137
Goodwill	7,344
Total assets	
= Cost of business combination total	**13,136**
Previously capitalised share in Secode AB	-1,969
= Cost 2011	**11,157**

The shares were acquired through the issue by Integralis AG of new shares. For this purpose, 1,451,747 new shares were issued, all of which were subscribed to by NTT Communications Deutschland GmbH. The new shares were issued at a price of € 7.678 each.

As intangible assets the brand 'Secode' and the technology 'MSS' was identified. In existing tangible assets and liabilities not hidden reserves and liabilities have been identified.
The assessment is based on the licence price analogy method. The valuation of the identified assets is based on the budgeted sales revenues out of the budget of Secode.
For the evaluation of the brand 'Secode' all sales were considered to be relevant. The sales revenues increase until 2021 by an average of 5.6% a year.
To evaluate the technology, expected sales were considered, for the years 2012 until 2016 in MSS business. On average, this reflects technology revenue of about 55%.
The technology valued at T€ 3,300 was identified as a separate asset and entails the documented technology for managed security service business. It was estimated to have a useful life of 5 years and is being written down over that period.
The brand was assumed to have a value of T€ 2,137 and is recognised as an asset due to the familiarity which it enjoys in the Nordic market. It was estimated to have a useful life of 10 years and is being written down over that period.
The goodwill of T€ 7,344 particularly includes the synergistic benefits expected to be derived from the acquisition.
Since the date of acquisition, the Secode Group has contributed revenues of T€ 1,188 and a loss before tax of T€ 95 to consolidated earnings.
Prior to the acquisition of the remaining shares of Secode AB, Integralis owned 12.4% of total shares amounting to T€ 1,969.

4.10 Deferred income taxes

Deferred income tax assets break down as follows:

			2011			2010
In T€	Tax refund claims	Tax liabilities	Income/ expense (-)	Tax refund claims	Tax liabilities	Income/ expense (-)
Property, plant and equipment	415	328	-340	787	351	176
Intangible assets	0	181	-210	198	169	57
Receivables and other assets	209	19	195	31	36	-65
Prepaid cost of materials	0	0	-332	332	0	1,122
Unused tax losses	490	0	-2,850	3,374	0	1,329
Deferred revenues	0	0	344	0	344	-1,400
Lease liabilities	310	0	-66	376	0	-17
Provisions	130	0	28	102	0	128
Other liabilities	30	107	-117	89	49	157
Additions as a result of first-time consolidation	69	–	–	–	–	—
Total	**1,653**	**635**	**3,348**	**5,288**	**949**	**1,487**

Changes in deferred income taxes were recognised in profit and loss.

In accordance with IAS 12.34, a deferred income 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. The tax forecast is derived from the company forecast. In the light of the performance of 2011, the US operations are not expected to return to the profit-making zone in the short term. Accordingly, the deferred income tax assets on unused tax losses were eliminated in full in the year under review.

In the case of subsidiaries which continued to operate profitably in the year under review, 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.

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

Expiry date	31/12/2011 in T€	31/12/2010 in T€
Less than one year	0	0
Between 1 and 5 years	0	0
Between 6 and 20 years	20,666	13,359
No maturity date	5,827	3,054
Total	**26,493**	**16,413**

No deferred income taxes have been recognised on unused tax losses of T€ 7,216 (2010: T€ 2,493).

4.11 Trade payables

All the trade payables of T€ 29,015 (2010: T€ 27,649) are due for settlement in less than one year. Of these, liabilities to affiliated companies account for T€ 0 (2010: T€ 183).

4.12 Financial liabilities

In the year under review, financial liabilities were valued at a total of T€ 10,340 (2010: T€ 6,201), of which a sum of T€ 9,360 (2010: T€ 4,921) is current and T€ 980 (2010: T€ 1,280) non-current.

Current financial liabilities break down as follows:

	2011 in T€	2010 in T€
Liabilities to affiliated companies	8,880	4,745
Bank borrowings	318	0
Current liabilities from finance leases	81	77
Fair value of derivatives	81	50
Miscellaneous	0	49
Total	**9,360**	**4,921**

The liability towards affiliated companies of T€ 8,880 (2010: T€ 4,745) is due to NTT Communications Corporation, Tokyo, Japan (related party). On 15 April 2010, Integralis AG and NTT Communications Corporation signed a contract for a global cash management service, providing for accounts to be held with Mizuho Corporate Bank and credit facilities to be granted. Integralis AG has a credit facility available to it in an amount of USD 6,000,000 and € 9,000,000; as of the balance sheet date, an amount of € 4,750,000 was unutilised. Interest rates varied between 1.04% and 1.97% in 2011.

As of the balance sheet date, there were bank borrowings of T€ 318 (2010: T€ 0). These liabilities arise in Finland and Norway. Integralis AG has a cash credit facility of € 2,800,000 and a guarantee facility of € 2,500,000. As of the balance sheet date, an amount of T€ 151 and TUSD 250 were being utilised under these facilities.

Non-current financial liabilities comprise liabilities from finance leases of T€ 980 (2010: T€ 1,280).

4.13 Deferred revenues

In the year under review, deferred revenues came to T€ 52,993 (2010: T€ 55,254). Of this, a sum of T€ 10,649 (2010: T€ 10,468) is non-current.
Deferred revenues primarily comprise income 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.

4.14 Other current liabilities

Other current liabilities of T€ 17,313 (2010: T€ 20,812) break down as follows:

	2011 in T€	2010 in T€
Accruals for missing cost of goods sold	5,853	9,038
Accruals for outstanding invoices	4,086	5,649
Deferred income	1,203	611
Liabilities for outstanding social security contributions	1,175	1,015
Personnel obligations	1,820	375
Miscellaneous	112	0
Value added tax	3,064	4,124
Total	**17,313**	**20,812**

Other liabilities include accruals of T€ 9,939 (2010: T€ 14,687), chiefly missing cost of goods sold of T€ 5,853 (2010: T€ 9,038). The personnel obligations relates to liabilities for social security (T€ 1,175), accruals for variable payments T€ 338, accruals for severance payments T€ 318 and accruals for other personnel relating liabilities T€ 84.

4.15 Non-current provisions

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

In T€	01/01/2011	Utilised	Reversed	Added	Interest cost	31/12/2011
Building restoration obligations	241	0	0	0	0	241
Rental vacancies	306	0	0	551	10	867
Total	**547**	**0**	**0**	**551**	**10**	**1,108**

The provisions for rental vacancies concern the office space in the United Kingdom, which was leased until 2019. The rental and lease contracts entered into by Nocitra Ltd. valued at € 9.0 million (2010: € 9.7 million) have a remaining term of around 8 years. Please refer to the relevant disclosures in Section 3.2.

4.16 Equity

4.16.1 Share capital, authorised capital and contingent capital

The share capital stood at € 13,036,884 as of 31 December 2011 (31 December 2010: € 11,585,137) and is divided into 13,036,884 registered no-par-value shares.
Integralis AG utilised its treasury stock in the year under review to settle obligations under the staff option programme. The 310,840 shares held as of the balance sheet date equal 2.38% of the Company's subscribed capital.
In a resolution passed at the annual general meeting on 29 June 2010, the shareholders authorised the Company to acquire its own shares in a proportion of up to 10% of the share capital on or before 28 June 2015. The authorisation granted at the annual general meeting of 14 May 2009 permitting the Company to buy treasury stock was cancelled upon this new authorisation taking effect. As of 31 December 2011, 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 consent, 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. 1,451,747 new shares issued on a non-cash basis from the Company's authorised capital were used for the acquisition of the Secode Group. The shareholders' pre-emptive subscription rights were excluded.
  As of 31 December 2011, a sum of T€ 4,298 of authorised capital 2008/I was still available for future use.

- **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 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 2011, no subscription right had been granted under 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 consent, 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 % 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 2011, no convertible or option bonds had been issued for this contingent capital 2007/II.

4.16.2 Disclosures concerning capital management

As of 31 December 2011, the equity ratio stood at 8.35% (previous year: 15.6%). The Integralis Group's main financial objectives are to ensure adequate equity and to achieve an appropriate funding structure for its future business. In view of the need to strengthen service business and the advanced layouts which this entails, the equity ratio is likely to continue shrinking in the absence of any injection of fresh capital.
The Group's approach to capital management is unchanged over the previous year. Neither the Company nor any of its subsidiaries were subject to any externally imposed capital requirements.

Integralis AG also has access to considerable credit facilities provided by NTT Communications Corporation, (Japan) to bridge any short-term funding gaps.

4.16.3 Net loss for the year and loss carried forward

The Executive Board proposes to the Supervisory Board that, at its meeting on 21 March 2012 to approve the annual financial statements, it recommends the proposal of a resolution to the Annual General Meeting to prolong the accumulated loss (T€ 17,200; 2010: T€ 5,035).

4.16.4 Other reserves

The currency translation differences increased to -T€ 1,596 (2010: -T€ 1,419).

4.16.5 Share premium

The Group's share premium (T€ 23,205; 2010: T€ 13,427) comprises the share premium of Integralis AG and the share option reserve of T€ 950 (2010: T€ 950). The share premium rose by T€ 9,695 as a result of the equity issue. The cost of T€ 53 arising from the issue of the new equity was deducted from the share premium.

5. Notes on the consolidated income statement

5.1 Revenues

Consolidated revenues for the year break down as follows:

	2011 in T€	2010 in T€
Technology Sales	76,558	88,658
Support Services	67,914	65,165
Consulting, Integration & Training	22,497	23,261
Managed Security Services (MSS)	11,068	11,121
Total	**178,037**	**188,205**

5.2 Other operating income

Other operating income breaks down as follows:

	2011 in T€	2010 in T€
Income from exchange-rate differences	4,162	0
Other operating income from advertising	687	837
Income from subletting	658	632
Other operating income in personnel area	169	23
Other operating income from consulting	45	177
Recharged costs	0	200
Miscellaneous other operating income	20	214
Total	**5,742**	**2,083**

A sum of T€ 177 (2010: T€ 958) from the currency translation of non-domestic subsidiaries was recognised within equity.

5.3 Own work capitalised

In the year under review, staff costs of T€ 503 (previous year: T€ 1,327) and purchased services of T€ 63 arose in connection with the further development of the software being utilised.

5.4 Cost of materials

Consolidated cost of materials for the year breaks down as follows:

	2011 in T€	2010 in T€
Technology Sales	62,375	73,170
Support Services	50,343	49,531
Consulting, Integration & Training	3,991	4,876
Managed Security Services (MSS)	1,500	1,390
Discounts, rebates, other concessions, purchasing price differences	-447	-847
Total	**117,762**	**128,120**

5.5 Staff costs

In the year under review, wages and salaries came to T€ 41,767 (2010: T€ 36,041). Social security payments were valued at T€ 6,512 (2010: T€ 5,658) and included expenditure on defined-contribution post-retirement benefits of T€ 1,453 (2010: T€ 1,757) (see also Note 8.7).
Staff costs include T€ 0 (2010: T€ 65) by way of share-based payments under the stock option programmes.

5.6 Other operating expenses

Other operating expenses break down as follows:

	2011 in T€	2010 in T€
Miscellaneous staff costs (e.g. travel, training, temporary staff)	6,668	4,462
Expenses from exchange-rate differences	4,504	0
Company cars (maintenance, leases, insurance, etc.)	2,267	2,069
Legal and consulting costs	1,899	1,918
Rental, repairs, maintenance	4,025	3,818
Marketing	1,314	1,140
Insurance	498	467
Recruiting	764	647
Finance costs (e.g. bank fees, net currency translation gains and losses)	103	297
Other administration expenses	4,026	3,946
Total	**26,068**	**18,764**

Expenses from exchange-rate differences include currency translation losses. The corresponding currency translation gains are recorded within other operating income. In the previous year, currency translation losses net of currency translation gains had been reported within finance expense (T€ 297).
Personnel and other operating expenses for research and development came to T€ 976 in 2011 (2010: T€ 757).

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€ 11,373 in 2011 (2010: T€ 2,708) and includes goodwill amortisation of T€ 8,726 (2010: T€ 0).

5.8 Net finance income/expense

Interest income and expense breaks down as follows:

	2011 in T€	2010 in T€
Interest income	138	107
Interest income from discounting liabilities	218	106
Other interest and similar income	**356**	**213**
Borrowing costs	-189	-215
Interest cost of provisions	-10	-13
Interest and similar expenses	**-199**	**-228**
Net finance income/expense	**157**	**-15**

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 are between 0% and 39%.
Tax expense for 2011 and 2010 is as follows:

	2011 in T€	2010 in T€
Current tax expense	0	-507
Tax refunds for earlier years	485	67
Deferred income tax assets/liabilities		
- from tax losses	-2,883	1,329
- from temporary differences	-465	158
Total	**-2,863**	**1,047**

In the year under review, deferred tax liabilities of T€ 2,883 (2010: T€ 0) arose due to the impairment loss recognised.
The reversal of a previous impairment of a deferred income tax asset resulted in a sum of T€ 0 (2010: T€ 463).
Income tax expense on net profit/loss before tax is calculated as follows:

	2011 in T€	2010 in T€
Net profit before taxes	**-18,980**	**-1,167**
Income tax refund on the basis of the German tax rate of 29.19% (previous year: 29.3%)	5,540	342
Differences in tax rates		
Differences in foreign tax rates	-67	205
Differences arising from changes in national tax rates	0	4
Tax effects from differences in tax bases		
Goodwill impairments	-2,547	0
Non-deductible expenses	-67	-393
Non-taxable income	0	249
Recognition and measurement of deferred income tax assets		
Additions to deferred income taxes on unused tax losses	34	1,274
Reduction in deferred income taxes on unused tax losses	-2,883	0
Non-recognition of deferred income tax assets	-3,543	-1,155
Off-period effects		
Current and deferred taxes in previous years	484	66
Tax refund from the utilisation of unused tax losses	186	455
Actual tax expense / (income)	**-2,863**	**1,047**

In 2011, 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 13.39%, the total tax rate stood at 29.2%.
No deferred income taxes were recognised on currency translation differences.

5.10 Earnings/loss per share

Basic earnings per share as defined in IAS 33 are calculated by dividing the consolidated posttax 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 11,332,621 in the year under review (2010: 11,176,032) and diluted shares of 11,375,527 (2010: 11,311,007).

The basic number of shares is reconciled with the diluted number of shares as of 31 December 2011 as follows:

	Shares
Shareholdings as of 31 December 2011	13,036,884
Less treasury stock as of 31 December 2011	-310,840
Adjusted number of shares as of 31 December 2011	12,726,044

Weighted average number of shares in 2011 (basic)	11,332,621
Plus weighted average number of options in 2011	42,906
Weighted average number of shares in 2011 (diluted)	11,375,527

The basic number of shares is reconciled with the diluted number of shares as of 31 December 2010 as follows:

	Shares
Shareholdings as of 31 December 2010	11,585,137
Less treasury stock as of 31 December 2010	-409,105
Adjusted number of shares as of 31 December 2010	11,176,032

Weighted average number of shares in 2010 (basic)	11,176,032
Plus weighted average number of options in 2010	134,975
Weighted average number of shares in 2010 (diluted)	11,311,007

The diluted/undiluted loss per share as defined in IAS 33 came to € 1.93 in 2011 (2010: loss per share € 0.01). To calculate the average number of shares, new shares issued were included on a time-proportionate basis.

In addition, shares bought back and reissued were also included on a time-proportionate basis.

To calculate the diluted number of shares, the weighted average number of shares is adjusted by the number of all potentially diluting shares (options).

6. Segment report

Segment reporting complies with the requirements of IFRS 8 'Operating Segments', IFRS 8
stipulates that entities must disclose financial and descriptive information on their reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity 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 stipulates the use of the management approach to distinguish the individual segments.
Accordingly, segments are fundamentally defined in accordance with the internal reporting system.
Management reporting at Integralis is based on national companies.
Under certain circumstances, two or more segments may be aggregated and treated as a single operating segment provided that they exhibit similar economic characteristics. Switzerland, Austria and Germany are combined to form the 'Central Europe' segment.
Further reporting duties are tied to the measure of profit or loss selected, i.e. what is reviewed by the chief operating decision maker. If, for example, EBITDA is used as the measurement of profit or loss, there is no need to disclose segment depreciation and amortisation.
Integralis Global Services (IGS) are also combined. 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. This concerns the service companies in the UK, Germany and Singapore.

The Group headquarters and shared services segment comprise the Group management in Germany and the administrative unit in the United Kingdom, which cannot be allocated to any of the operating segments.
The segment referred to as 'elimination of intra-segmental revenues/consolidation' comprises intragroup revenues and consolidation bookings.
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 chief operating decision makers 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
- 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 chief operating decision makers; only outstanding receivables, trade payables and liabilities to affiliated companies are monitored. Accordingly, only receivables, trade payables and liabilities to affiliated companies are recorded in the segment report.
As no major customer accounts for more than 10% of revenues, the disclosures required by IFRS 8.34 can be waived.

Revenues from continuing business, which entail the same products and services in all segments with the exception of Integralis Global Services, break down as follows:

	2011 in T€	2010 in T€
Technology Sales	76,558	88,658
Support Services	67,914	65,165
Consulting, Integration & Training	22,497	23,261
Managed Security Services (MSS)	11,068	11,121
Total	**178,037**	**188,205**

Revenues	2011 in T€	2010 in T€
United Kingdom – external revenues	78,161	81,071
United Kingdom – internal revenues	41	80
Germany/Austria/Switzerland – external revenues	52,227	49,936
Germany/Austria/Switzerland – internal revenues	33	22
USA – external revenues	32,074	39,508
USA – internal revenues	-7	9
France – external revenues	12,604	12,078
France – internal revenues	14	130
Nordics – external revenues	1,188	0
Nordics – internal revenues	28	0
UAE – external revenues	1,725	5,612
UAE – internal revenues	0	0
Integralis Global Services – external revenues	58	0
Integralis Global Services (internal revenues only)	8,347	8,053
Total for all segments	**186,493**	**196,499**
Elimination of intrasegmental revenues / consolidation	8,456	-8,294
Integralis Group	**178,037**	**188,205**

Revenues of T€ 44,271 were recorded in Germany in 2011 (2010: T€ 44,452) and revenues of T€ 133,766 outside Germany (2010: T€ 143,753).

EBIDTA	2011 in T€	2010 in T€
United Kingdom	920	2,372
Germany/Austria/Switzerland	2,783	3,200
USA	-4,411	22
France	121	-288
Nordics	3	0
UAE	-729	163
Integralis Global Services	-1,719	-981
Total for all segments	**-3,032**	**4,488**
Elimination of intrasegmental revenues / consolidation	395	-271
Group Headquarter & shared services	-5,127	-1,185
Integralis Group	**-7,764**	**3,032**

EBITDA Margin	2011 in %	2010 in %
United Kingdom	1.2	2.9
Germany/Austria/Switzerland	5.3	6.4
USA	-13.8	0.1
France	1.0	-2.4
Nordics	0.3	0
UAE	-42.3	2.9
Integralis Global Services	-20.5	-12.2
Total for all segments	**-1.6**	**2.3**
Elimination of intrasegmental revenues / consolidation	–	–
Group Headquarter & shared services	–	–
Integralis Group	**-4.4**	**1.6**

Trade receivables	31/12/2011 in T€	31/12/2010 in T€
United Kingdom	32,651	36,737
Germany/Austria/Switzerland	16,224	20,184
USA	7,782	4,700
France	4,002	3,861
Nordics	1,998	–
UAE	3,588	7,684
Integralis Global Services	-3,534	-1,510
Total for all segments	**62,711**	**71,656**
Elimination of intra-segmental revenues / consolidation	-16,485	-12,971
Group Headquarter & shared services	3,916	2,543
Integralis Group	**50,142**	**61,228**

Account payables	31/12/2011 in T€	31/12/2010 in T€
United Kingdom	13,589	13,045
Germany/Austria/Switzerland	9,458	12,630
USA	9,080	2,243
France	3,249	3,176
Nordics	407	–
UAE	1,810	1,645
Integralis Global Services	1,345	1,358
Total for all segments	**38,938**	**34,097**
Elimination of intra-segmental revenues / consolidation	-48,846	-45,206
Group Headquarter & shared services	38,924	38,758
Integralis Group	**29,015**	**27,649**

The Group is active in seven geographic regions – Central Europe (Germany, Austria, Switzerland), France, the United Kingdom, Nordics, the United States, Singapore and the United Arab Emirates.

Non-current assets (net of deferred income taxes) break down by geographic region as follows:

	31/12/2011 in T€	31/12/2010 in T€
Germany/Austria/Switzerland	8,079	10,365
France	53	3,410
United Kingdom	6,936	6,370
USA	2,045	2,652
Nordics	13,324	0
Singapore	45	37
UAE	25	5,018
Total	**30,507**	**27,852**

In addition to scheduled amortisation, goodwill impairment of T€ 8,726 (2010: T€ 0) was recognised. This impairment was attributable to the United State, France and UAE segments.
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 in accordance with IAS 7.
For this purpose, non-cash investing and financing activities are ignored. Cash and cash equivalents include cash in hand, cash at banks and fixed-term deposits available at short notice. Current account loans are not included.
The acquisition of Secode AB, Stockholm, through the issue of new shares is a non-cash transaction and therefore not included in the cash flow statement.
The cash inflow of T€ 1,775 from the addition of subsidiaries results from the acquisition of Secode AB, Sweden (cash and cash equivalents added).

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 2011 break down as follows:

	2011 in T€	2010 in T€
Audit of financial statements	149	260
Other consulting activities	0	0
Tax consulting services	49	19
Other external services	0	0
Total	**198**	**279**

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 Group management report. The compensation of the Management Board and the Supervisory Board is described in Section 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 2011. 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 trade payables and other current financial liabilities match their carrying amounts due in particular 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
- FLAC: Other financial liabilities

Recognised in accordance with IAS 39	Category in accordance with IAS 39 in T€	Carrying amount on 31/12/2011 in T€	Amortised cost in T€	Fair value in equity in T€	Fair value in P/L in T€	IAS 17 in T€
Assets						
Cash and cash equivalents	LaR	6,905	6,905	–	–	–
Trade receivables	LaR	50,504	50,504	–	–	–
Other receivables	LaR	–	–	–	–	–
Derivatives with no hedging relationship	Afv	92	–	–	92	–
Equity and Liabilities						
Trade payables	FLAC	29,015	29,015	–	–	–
Liabilities to banks	FLAC	318	318	–	–	–
Liabilities to affiliated companies	FLAC	8,880	8,880	–	–	–
Liabilities under finance lease		980	980	–	–	–
Derivatives with no hedging relationship	Afv	81	–	–	81	–
Of which aggregated by category in accordance with IAS 39						
Loans and receivables (LaR)		57,409	–	–	–	–
Financial assets through P/L (Afv)		11	–	–	–	–
Financial liabilities at amortised costs (FLAC)		39,193	–	–	–	–

Recognised in accordance with IAS 39	Category in accordance with IAS 39 in T€	Carrying amount on 31/12/2010 in T€	Amortised cost in T€	Fair value in equity in T€	Fair value in P/L in T€	IAS 17 in T€
Assets						
Cash and cash equivalents	LaR	6,902	6,902	–	–	–
Trade receivables	LaR	61,148	61,148	–	–	–
Other receivables	LaR	–	–	–	–	–
Derivatives with no hedging relationship	Afv	80	–	–	80	–
Equity and Liabilities						
Trade payables	FLAC	27,649	27,649	–	–	–
Liabilities to affiliated companies	FLAC	4,745	4,745	–	–	–
Derivatives with no hedging relationship	Afv	50	–	–	50	–
Liabilities under finance leases		1,357	–	–	–	1,357
Of which aggregated by category in accordance with IAS 39						
Loans and receivables (LaR)		68,050	–	–	–	–
Financial assets (net) through P/L (Afv)		30	–	–	–	–
Financial liabilities at amortised costs (FLAC)		32,394	–	–	–	–

The financial liabilities at fair value through profit and loss comprise derivative financial instruments not included in hedge accounting.
Financial assets at fair value through profit and loss can be assigned to the following hierarchy for measurement purposes:

	2011 Level 1* in T€	2011 Level 2** in T€	2011 Level 3*** in T€	2010 Level 1* in T€	2010 Level 2** in T€	2010 Level 3*** in T€
Financial assets at fair value through profit and loss	–	–	–	–	–	–
Financial assets at fair value through profit and loss	–	92	–	–	80	–
Financial liabilities at fair value through profit and loss	–	–	–	–	–	–
Financial liabilities at fair value through profit and loss	–	81	–	–	50	–

* The market price is determined by reference to quoted, unadjusted prices in active markets for these assets and liabilities.
** The market price of these assets and liabilities is determined on the basis of parameters for which directly or indirectly derived quoted prices are available in an active market.
*** The market price of these assets and liabilities is determined on the basis of parameters for which no observable market data is available.

Collateral
As of 31 December 2011, no financial assets had been pledged as collateral. In the previous year, Integralis AG had similarly not pledged any financial assets as collateral.

Derivative financial instruments
As part of its risk management activities (see Section 11 of the Group management report for more details on risk management), Integralis uses various derivative financial instruments, chiefly to limit exposure to exchange rate fluctuation. The approved derivative financial instruments used in 2011 comprised the following:

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

The following tables set out the derivative financial instruments outstanding as of the balance sheet date, all of which expire in less than 3 months.
Derivatives have been designated as hedges and are therefore classified as held for trading.

The following derivatives were outstanding for the €/USD currency pair as of the balance sheet date:

Derivates EUR/USD	Foreign currency amount in TUSD	Value of contract in T€	Amount measured in T€	Fair value in T€
Currency forwards with a positive fair value	3,800	2,875	2,937	62
Currency forwards with a negative fair value	300	233	232	-1
Currency swap	-9,158	7,000	7,078	-78
Options with a positive fair value	1,400	-1,058	-1,086	28
Options with a negative fair value	500	391	389	-2

The following derivatives were outstanding for the USD/CHF currency pair as of the balance sheet date:

Derivate EUR/GBP	Foreign currency amount in TUSD	Value of contract in TCHF	Fair value in T€
Currency forwards with a positive fair value	250	233	2

The following derivatives were outstanding for the €/USD currency pair as of 31 December 2010:

Derivates EUR/USD	Foreign currency amount in TUSD	Value of contract in T€	Amount measured in T€	Fair value in T€
Currency forwards	700	517	524	6
Currency forwards	3,400	2,569	2,541	-28
Currency swap	-2,000	-1,525	-1,495	30
Options	1,100	845	831	-14
Options	400	307	310	3

The following derivatives were outstanding for the USD/GBP currency pair as of 31 December 2010:

Derivates EUR/GBP	Foreign currency amount in TUSD	Value of contract in TGBP	Fair value in T€
Currency swap	-3,000	-1,951	34
Currency swap	-600	378	-8

The following derivatives were outstanding for the €/CHF currency pair as 31 December 2010:

Derivates EUR/GBP	Foreign currency amount in TCHF	Value of contract in T€	Fair value in T€
Currency swap	500	393	7

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.

Net gains or losses

The following net gains/losses were recognised in profit and loss:

	2011 in T€	2010 in T€
Financial assets and liabilities at fair value through profit and loss*	-706	-146
Loans and receivables	218	-9
Financial liabilities at amortised cost	-187	-109
Total	**-675**	**-264**

* These amounts are attributable to derivative financial instruments

- Foreign currency translation of loans and receivables and other financial liabilities: currency translation result of a total of T€ -342 (2010: currency translation result of T€ 54).
- Impairments and losses of loans and receivables: T€ 180 (2010: T€ 170). There was only a minor change in the impairments compared with the previous year.
- Interest income on loans and receivables of T€ 138 (2010: T€ 107).
- The net losses on financial liabilities at amortised cost result from interest expense of T€ 185 (2010: T€ 215) net of interest income of T€ 218 (2010: T€ 106) from discounting liabilities.

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€ 280 (2010: T€ 135) 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).
Integralis uses value-at-risk analyses as part of its risk management system. These analyses regularly measure risk exposure against changes in market risk factors such as exchange rates by calculating a maximum loss given a certain confidence level and holding period.
Value at risk is calculated on the basis of the following assumptions:

- Potential loss refers to changes in market values
- The confidence level equals 99% for a holding period of 7 days.

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. In addition, a centralised foreign currency management system was in operation in the year under review for Central Europe and the United Kingdom to uniformly measure, monitor and hedge foreign currency risks arising from operating business.

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 10% rise or fall in the euro against the US dollar and pound sterling. The 10% shift represents the Management Board'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.

	Effect of US dollar		Effect of pound sterling	
	2011 in T€	2010 in T€	2011 in T€	2010 in T€
Hypothetical effect on earnings	+/-601	+/-200	+/-197	+/-148
Hypothetical on equity	+/-601	+/-200	+/-197	+/-148

Interest risks
As of the balance sheet date, the Company had raised external debt capital from its parent and is exposed to an interest risk as a floating rate has been agreed on these loans. The loans are denominated in both dollars and euros.

Liquidity risks
The Company is exposed to liquidity risks if it is unable to honour its payment obligations at short notice. Integralis limits this risk by means of effective working capital and cash management as well as access to credit facilities.
Operational liquidity management entails a cash-concentration process which pools cash on a daily basis. In this way, liquidity surpluses and requirements can be managed in accordance with the requirements of the entire Group as well as individual Group companies.
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.

The following table of maturities shows how cash outflows for settling liabilities affect the Group's liquidity position as of 31 December 2011.

in T€	Total	2012	2013	2014	2015	2016	>2017
Financial liabilities*	1,608	152	152	152	152	152	848
Derivative financial instruments	81	81	–	–	–	–	–
Trade payables	29,015	29,015	–	–	–	–	–
Liabilities to affiliated companies	8,880	8,880	–	–	–	–	–
Total	**39,584**	**38,128**	**152**	**152**	**152**	**152**	**848**

* The cash outflows for settling financial liabilities comprise the non-discounted repayment and interest payments

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.

Credit risks are allowed for by means of individual adjustments. As of the balance sheet date, there was no material clustering of credit risks; only one impairment of T€ 280 (2010: T€ 135) had been recognised.

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 VI ('SOP 2007')

This 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 date, employees held 14,000 options that were issued on 27 February 2009 at € 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 effectively, 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. The value per option on the basis of the XETRA closing price of € 5.80 on 31 December 2010 stood at € 3.49 for the options granted on 27 February 2009.

Installment	2009
Eligible persons	Employees
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%
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 2011:

	2011 Number	2010 Number
Options outstanding at the beginning of the period	110,300	193,400
Options granted	0	0
Options exercised	96,300	0
Options expired/settled	0	83,100
Options outstanding at the end of the period	**14,000**	**110,300**

The outstanding options break down as follows:

	2011 Number	2010 Number
Members of the Management Board and managing directors of the subsidiaries	0	28,300
Employees	14,000	82,000
Options outstanding at the end of the period	**14,000**	**110,300**

Staff costs include T€ 0 (2010: T€ 65) by way of share-based payments under the stock option programmes. The weighted average exercise price stands at € 2.31 for a residual option term of 710 days.

8.4.2 Treasury stock

As of 31 December 2011, Integralis AG held a total of 310,840 treasury shares, equivalent to 2.38% of its total share capital as of that date.

Analysis of treasury stock holdings:

Period	Additions	Disposal	Number at end of period	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%
2009	0	741,780	409,105	3.53%
2010	0	0	409,105	3.53%
2011	0	98,265	310,840	2.38%
Value on 31/12/2011	**2,022,066**	**1,711,226**	**310,840**	**2.38%**

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

8.5 Other financial obligations

The operating leases primarily cover office space and company cars. Lease and rental expense came to T€ 2,869 in 2011 (2010: T€ 2,223). Subletting income stood at T€ 658 in 2011 (2010: T€ 632).
Analysis of future lease payments and subletting income as of 31 December 2011 broken down by duration:

2011

Duration	Operating leases in T€	Subletting income in T€
Less than one year	3,098	597
Between 1 and 5 years	7,628	1,528
More than 5 years	4,053	1,022
Total	**14,779**	**3,147**

2010

Duration	Operating leases in T€	Subletting income in T€
Less than one year	2,674	571
Between 1 and 5 years	7,236	1,508
More than 5 years	4,286	1,022
Total	**14,196**	**3,101**

8.6 Employees

The average headcount in the year under review stood at 549 (2010: 501) and breaks down as follows:

	2011 Number	2010 Number
Sales	166	159
Technical	320	284
Administration and management	63	58
Total	**549**	**501**

The above-mentioned employee numbers include a weighted figure of 7 employees of the Secode Group for the month of December.

8.7 Pension obligations

The subsidiaries in the UK and the United States 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€ 311 (2010: T€ 283). At the German companies, contributions for direct insurance for employees are valued at T€ 7 (2010: T€ 7). There are no post-retirement benefit plans at any of the other companies of the Integralis Group.

8.8 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 transactions entail the transfer of resources or obligations between related parties, regardless of whether a price is charged [IAS 24.9].
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 2011, total Management Board compensation came to T€ 1,026 (2010: T€ 984). The individualised breakdown is as follows:

Breakdown of compensation in accordance with Section 289 No. 5 of the German Commercial Code	Georg Magg in T€		Heiner Luntz* in T€		Roger Friederich** in T€		Simon Church*** in T€		Total in T€	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Fixed remuneration	210	210	170	150	–	36	169	–	549	396
Variable remuneration	79	94	110	15	–	0	163	–	352	109
Cash settlement from stock options	–	36	–	–	–	0	–	–	–	36
Car allowance	15	15	13	9	–	3	16	–	44	27
Allowances for private pension savings	30	32	30	18	–	56	17	–	77	106
Allowances for private health insurance	–	–	–	–	–		4	–	4	–
Settlement payments	–	–	–	–	–	310		–	–	310
Total	**334**	**387**	**323**	**192**	–	**405**	**369**	–	**1,026**	**984**

* Heiner Luntz has been a member of Integralis AG's Management Board since 1 April 2010
** Roger Friederich stepped down from Integralis AG's Management Board effective 31 March 2010
*** Simon Church has been a member of Integralis AG's Management Board since 1 April 2011

All the compensation components are short-term employee benefits as defined in IAS 24.16a.
In addition, provisions of T€ 160 were set aside for a long-term bonus programme which has not yet been finalised by the Supervisory Board.
Furthermore a member of the Management Board was granted an annual termination payment of TGBP 190 until the regular termination of the contract.
The Management Board did not hold any shares in the Company or related subscription rights as of 31 December 2011.

Supervisory Board compensation

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

	2011 in T€	2010 in T€
Fixed compensation	50	50
Reimbursement of expenses	24	35
Variable compensation	38	75
Total	**112**	**160**

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

On 8 December 2011, Integralis AG and NTT Communications Deutschland GmbH entered into a contract for the contribution of shares in return for the issue of new shares. NTT Communications Deutschland GmbH ceded 58,923,115 out of a total of 67,286,692 shares in Secode AB to Integralis AG. As consideration, NTT Communications Deutschland GmbH subscribed to the 1,451,747 new shares issued by Integralis AG.
In April 2010, Integralis AG instructed Cirquent GmbH to provide consulting services to improve and implement processes for the execution of major processes. These services were also provided in 2011. Cirquent GmbH is an affiliate. Expenses incurred by Integalis AG in the period under review T€ 10.1.
In addition, Integralis AG acquired a small volume of services from NTT Europe Ltd. Expenses incurred by Integralis AG in the period under review TGBP 13.2.
In the period under review, Integralis Deutschland GmbH received and executed various contracts for the delivery of IT software and hardware from Itelligence AG, Bielefeld, In addition, Integralis Deutschland GmbH acquired a small number of goods from Itelligence AG. Itelligence AG is an affiliate. Income earned by Integralis Deutschland GmbH in the period under review was T€ 125.9 and expenses of T€ 3.3.
In the year under review, Integralis Inc. performed several contracts with NTT America for the latter's customers. Revenues generated by Integalis Inc. in the period under review were TUSD 930.5.
Sales to related parties complied with arm's length principles. The outstanding amounts are not secured and are subject to settlement in cash. No guarantees were given or received. No impairments were recognised on receivables from related parties in the period under review.

8.9 Management Board and Supervisory Board

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

- Georg Magg, (Chief Executive Officer), Bad Wörishofen, Germany
- Heiner Luntz, (Chief Financial Officer), Markdorf, Germany,
- Simon Church, (Chief Operating Officer), London, United Kingdom (since 1 April 2011)

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

- Luc Loos (chairman)
  General Manager Verio Europe GmbH, Brakel, Germany
- Makoto Takei (deputy chairman)
  President of Digital Knowledge Co. Ltd., Tokyo, Japan
- Kazu Yozawa
  Senior Vice President NTT Communications Corporation, Tokyo, Japan

8.10 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 2011 audited and published.

8.11 Voting right notification

Integralis AG, Ismaning, Germany, stated in accordance with Section 26 (1) Sentence 2 of the German Securities Trading Act that its treasury stock had dropped below the threshold of 3% of voting rights on 31 October 2011 and stood at 2.92% as of that date (equivalent to 338,816 voting rights).

9. 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, 20 March 2012

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, 20 March 2012

Integralis AG
The Management Board

Georg Magg | Heiner Luntz | Simon Church

DECLARATION OF CONFORMITY OF INTEGRALIS AG FOR 2012

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 2012 applies to both 2011 and 2012.
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 26 May 2010 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 2011 and will continue to do so in 2012 with the exception of the following:

Article 2.3.3

The company shall facilitate the personal exercising of shareholders' voting rights. The company shall also assist the shareholders in the use of postal votes and proxies.

Article 2.3.1. Sentence 2:

The convening of the meeting , as well as the reports and documents, including the Annual Report and the Postal Vote Forms, required by law for the General Meeting are to be published on the company's internet site together with the agenda.
The German Corporate Governance Code recommends that the Company should assist its shareholders with personally exercising their rights at the annual general meeting (Article 2.3.3. Sentence 2). The postal voting forms should be published on the Company's internet site together with the agenda (Article 2.3.1 Sentence 2). Integralis AG offers proxies allowing the shareholders to exercise their voting rights but does not permit postal voting. For this reason, it will not be publishing any postal voting form on its internet site.

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 took out D&O cover for the Management Board and Supervisory Board in 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.
Arrangements have been implemented for the Management Board in accordance with the statutory requirements.

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 contracts with Georg Magg and Heiner Luntz were revised in 2010 and the compensation structure adjusted in the light of the stipulations contained in the Corporate Governance Code. Accordingly, the variable compensation has been split into a single-year and a multiple-year component, which also takes account of negative trends. Provision has been made for a limit and several payment caps.

The compensation paid to the third member of the Management Board, Simon Church, currently does not comply with the recommendations of the German Corporate Governance Code as no provision has been made for a cap for extraordinary developments or for a severance pay cap. The Company holds the view that these conditions should be fundamentally determined by the Supervisory Board. However, it takes efforts in negotiations with the individual members of the Management Board to ensure that the recommendations of the Corporate Governance Code with respect to compensation structures are largely observed.

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:

The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.

Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.
The German Corporate Governance provides specific recommendations for the composition of the Supervisory Board. Thus, among other things, it recommends the definition of an age limit for members of the Supervisory Board as well as an appropriate degree of female representation (Article 5.4.1 Paragraph 2). In addition, it states that the concrete objectives of the Supervisory Board and the status of the implementation are to be published in the Corporate Governance Report (Article 5.4.1 Paragraph 3).
The Supervisory Board of Integralis AG comprises three members. Integralis AG takes the view that personal qualifications and individual capabilities rather than gender or age should be the decisive criteria for appointments to the Supervisory Board. Application of this recommendation would restrict the shareholders' right to elect the members of the Supervisory Board. For this reason, the Supervisory Board of Integralis AG has waived the imposition of such criteria. Accordingly, Integralis AG will not be publishing the status of implementation in new appointments to the Supervisory Board in the Corporate Governance Report.

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 2012

Integralis AG

For the Supervisory Board

Luc Loos

for the Management Board

Georg Magg

Contact persons:
Georg Magg, Heiner Luntz
and Jörg Remien
ir@integralis.com

AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes to the consolidated financial statements, as well as the group management report prepared by Integralis AG, Ismaning, for the financial year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as applicable in the EU, and in accordance with the supplementary applicable provisions of Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the group management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform our audit such 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 principles of proper accounting 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 group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the individual financial statements of the entities included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as applicable in the EU, and the supplementary applicable provisions of Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of Group in accordance with these regulations. 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, 20 March 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

[original German version signed by:]

Maurer	Balghuber
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

INTEGRALIS WORLDWIDE

INTEGRALIS WORLDWIDE

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ORDINARY STOCK

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

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

FINANCIAL CALENDAR FOR 2012

Friday, 30 March 2012
Annual Report 2011
Our Annual Report 2011 will be released

Friday, 11 May 2012
Q1-Report 2012
Our Quarterly Report for the first three months 2012 will be released

Wednesday, 23 May 2012
Annual General Meeting 2012, Convention Centre, Munich

Friday, 10 August 2012
Q2-Report 2012
Our Half Year Report 2012 will be released

Monday, 12 November 2012
Q3-Report 2012
Our Nine Month Report 2012 will be released

Friday, 07 December 2012
Analyst conference, Robert-Bürkle-Str. 3, 85737 Ismaning, Conference area, 5.30 p.m.

IMPRINT

Management Board
Georg Magg, CEO
Heiner Luntz, CFO
Simon Church, COO

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

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

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

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

Design: ad Borsche GmbH, Munich

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