



ANNUAL REPORT

2008

BUSINESS MISSION

“The BÖWE Group is positioning itself as a one-stop supplier of hardware, software and services for every aspect of the mailroom. Our position as a global player is secured through decades of experience in the market, combined with progressive product development and the expansion of our portfolio”.

A five-year summary of BÖWE SYSTEC

BÖWE SYSTEC Group in million EUR	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS
Group sales	450.2	470.4	484.7	461.9	307.8
EBITDA	23.3	50.6	63.6	55.8	42.9
EBIT	-27.2	32.4	45.3	36.1	29.3
Earnings before taxes	-58.9	15.0	27.6	26.0	25.4
Group net result for the year	-60.0	17.7	19.3	19.0	10.9
Order intake	447.9	449.0	473.1	471.8	326.4
Order backlog products	60.2	62.6	84.0	95.6	57.4
Investments in property, plant and equipment	42.8	9.9	11.9	10.9	6.2
Investments in intangible assets	11.2	8.8	8.6	13.9	7.5
Investments in financial assets	0.0	3.8	0.0	1.3	9.8
Depreciation and amortization	50.5	18.2	18.4	19.7	13.7
Cash flow from ordinary activities	12.5	36.4	14.1	23.6	41.4
Employees without trainees (annual average)	3,707	3,803	3,541	3,578	2,621
Total net assets	532.0	565.7	581.5	621.7	437.6
Fixed assets	305.1	291.4	330.3	360.2	174.0
Current assets incl. deferred taxes	226.9	274.3	251.2	261.5	263.6
Equity including dividend distribution	95.4	164.2	135.1	143.5	109.1
Accruals	34.3	25.8	32.4	41.7	35.9
Liabilities incl. deferred taxes	402.3	375.7	414.0	420.7	292.6
Figures per share:	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS
Weighted number of no-par value shares (million)	6.600	6.600	6.600	6.595	6.586
Earnings per share (EUR)	-9.70	2.66	2.92	2.88	1.66
Cash flow from ordinary activities (EUR)	1.89	5.52	2.13	3.58	6.29
Dividends (EUR)	-	1.35	1.35	1.35	1.30

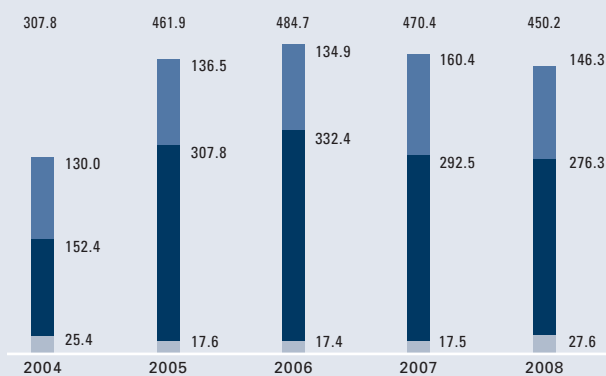
BUSINESS RATIOS

BÖWE SYSTEC GROUP:

Sales development by region

in million EUR

■ EUROPE
■ NORTH AMERICA
■ ASIA AND OTHER



BÖWE SYSTEC GROUP:

Net result for the year and EBIT

in million EUR

■ NET RESULT FOR THE YEAR
■ EBIT

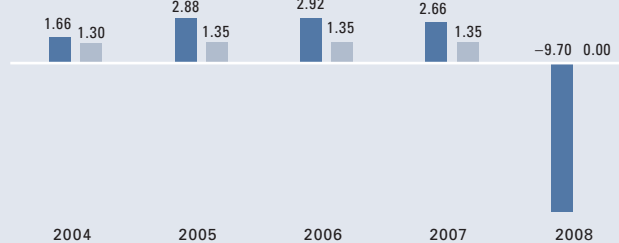


BÖWE SYSTEC GROUP:

Figures per share

in EUR

■ EARNINGS PER SHARE
■ DIVIDENDS



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FOREWORD BY THE MANAGEMENT BOARD



The management board
of BÖWE SYSTEC:
Oliver Bialowons,
Dr. Harald Nippel

Dear shareholders,

2008 was a difficult year for our company. We were unable to continue the same level of growth achieved in recent years. There were essentially two reasons for this:

- Firstly, 2008 was influenced by the economic downturn and consequences of the financial crisis in the second half of the year which impacted on key customer segments of the BÖWE SYSTEC Group. In particular, the fall in demand from banks and insurance companies had a negative effect on sales.
- Secondly, the sharp fall in the US dollar during the course of the year contributed towards a reduction in sales due to currency exchange effects.

At EUR 450.2 million sales were therefore 4% below the figure for the previous year. This includes negative currency exchange effects as well as the positive effects resulting from the inclusion of Lasermax Roll Systems which roughly cancelled each other out. Against the background of the significant deterioration in the general economic conditions this shows that we were essentially able to maintain our market position in our core business.

However, as an industrial company with a high added value and comparatively high level of acquisition-related debt, we are also directly affected by the financial crisis. Consequently, one of the Group's main objectives over the coming years will also be to secure the financing for the future. In this context, with the help of consultants we have initiated an increased efficiency program which will help us make full use of the Group's earnings potential. Another aim of this program is to manage the tied-up capital more efficiently and to quickly release assets which are not required for operational purposes.

The US subsidiary BÖWE BELL + HOWELL posted a disappointing performance. The unforeseen fall in sales caused by the economic situation, together with the resultant reduction in the prospects for long-term growth, led to an adjustment in the corporate value in the sum of EUR 33.5 million. The adjustment will not affect cash flow.

At EUR 23.3 million the operating result, measured against the EBITDA, is unsatisfactory. After adjustment for negative, one-off special effects in the sum of approx. EUR 18 million, the figure came in at EUR 41.3 million, representing a 9.2% return on sales. The aim for next year will be to increase the return on sales back to a level in excess of 10% despite the difficult economic environment.

We are convinced that in 2008 we took important decisions which will enable us to cope with the challenges ahead. We are also convinced that our products are competitive and this has been confirmed through numerous comparison tests with competitor products. Another key stabilizing factor in the economic downturn is the high proportion of the service business as a share of total sales. With a 45% share in 2008 this has also created a good foundation for the year ahead.

The main focus for the year 2009 will be on improving results and returns. We will only be able to improve our profitability through the committed efforts of our employees who are facing a particular challenging time given the difficult economic times. We are confident because we are certain of the excellent skills and loyalty of our employees and on behalf of the Board of Directors we would like to take this opportunity to express our sincere thanks for this.

Ladies and Gentlemen, we look forward to receiving your continued future support along the path to achieving improved results and returns. We would like to thank you for your loyalty.



Oliver Bialowons

Augsburg, June 2009



Dr. Harald Nippel

CORPORATE STRATEGY

The Strategic Objectives of the BÖWE Group

The first years of the new millennium brought a strategic reorientation for BÖWE SYSTEC AG. With the acquisition of a number of enterprises, the company expanded from European market leader for inserting systems to a global total provider of highly-automated printing and mailing centres – so-called mailrooms. Since then, under the BÖWE Group umbrella brand, the group has been clearly positioned as a total provider for the entire mailroom and, with an excellent globally-expanded sales and service network, offers comprehensive and tailored solutions, all from one source.

In the area of high-performance inserting, BÖWE SYSTEC is working on the constant redevelopment and further advancement of its systems, with the aim of strengthening and further expanding its position as technology leader in the market. The inserting business remains the central strategic focus of our operations accounting for the largest proportional share of the Group's annual sales volume. In order to significantly increase the efficiency of the systems, we will be concentrating in the coming years on increasing throughput while at the same time expanding processing flexibility as well as further reducing set-up times. With our eyes fixed firmly on our key markets in North America, Europe and Asia, we intend to further intensify our sales activities.

Lasermix Roll Systems is the world's leading manufacturer of systems for the automation of paper feed at input and further processing at output of digital high-performance printers. Already market leader in the USA, the company is focussing specifically on the further expansion of the European and Asian markets. In addition, Lasermix Roll Systems is working hand-in-hand with the leading global printer manufacturers on making the printing processes more efficient for the customer and increasing the quality of the print output. In this context, the sharply-increasing use of colour printing, higher processing speeds and new printing formats as well as rising cost pressures are the central challenges of the coming years.

As a result of a range of outstanding technologies and solutions in the various areas of mail automation, BÖWE BELL + HOWELL in North America has assumed a significant role as supplier to the postal service providers working for the US Mail. Almost all US mail dispatches today come into contact, one way or another, with hardware or software from BÖWE BELL + HOWELL. This leading market position in North America will also be consciously strengthened in the future and backed up by trend-setting solutions in the entire mail logistics segment.

For some years now, BÖWE BELL + HOWELL has also been systematically launching the technologies tried and tested in the US onto the European market. In order to expand the entire market in Europe, a "Sorting Europe" distribution and competence centre has been established, integrated into the distribution and service network of

BÖWE SYSTEC AG and aimed at exploiting joint synergies. Against the background of the current liberalisation of postal services which is to be implemented in all the Member states by 2013 at the latest, we have adapted our product portfolio accordingly. In the next few years, the focus of our activities in Europe will be on the growing need for mail logistic services for new private postal service providers as well as necessary replacement investment and updates of existing system installations.

In the Card Solutions area of the company, which includes both the personalisation and mailing of plastic cards, we see positive market opportunities due to the continuing growth in card volumes. In addition to the "high-value" cards (ID and bank cards) business segment on which we have focussed to date, we will be concentrating in the future on innovative solutions in the area of telephone GSM cards. In view of current market trends such as TransPromo, the flexibility of the system is playing an increasingly significant role in the card mailing segment, particularly among the service providers customer group. We regard the early recognition of new market trends and the development of future-oriented product features which make it possible for our customers to generate a competitive advantage and secure their competitive capability in the long term as one of our major tasks in the overall segment of Card Solutions.

The BÖWE Group occupies an outstanding position in the fast-growing market for data management in the mailroom, which we intend intensively expanding in the coming years. In the development of smart, pioneering software solutions, close cooperation with customers and hardware specialists of all areas of the company will continue to be the central focus of our activities. We wish to create the optimum conditions which will facilitate our customers in centrally managing, controlling and automating a mailroom, integrating all systems – always against the background of the greatest possible efficiency, integrity and quality in document processing.

Throughout all areas of the BÖWE Group, service has always played an exceptionally important role, not least as a stable and essentially non-cyclical source of turnover and an important foundation for lasting customer relations. Service leads to customer focus – and customer focus is essential for building up customer trust and thus laying the foundation stone for long-term partnership-based customer relations.

Both today and in the future, proven and pioneering technologies, market-oriented innovative strength and close dialog with customers and partners are the essential principles on which our corporate activities are based. By constantly adhering to these principles we intent to continue consistently expanding our market position as a total provider so that, as competent and reliable partners, we can offer our customers cutting-edge technology solutions for all aspects of the mailroom.

COMPANY BOARDS

The management board of BÖWE SYSTEC Aktiengesellschaft:

Oliver Bialowons Stuttgart
Chairman
(since February 1, 2009)

Dr. Claus Gerckens Augsburg
Chairman
(until January 31, 2009)

Michael Meyer Neusäß
Deputy Chairman
(until March 3, 2009)

Dr. Harald Nippel Augsburg

The supervisory board of BÖWE SYSTEC Aktiengesellschaft:

Prof. Dr. Günther Langenbucher Stuttgart
Chairman
(since March 20, 2009)
Chairman of the management board of
Robert Breuning Stiftung, Besigheim near Stuttgart

Johannes Beelen Solingen
Chairman
(until March 20, 2009)
Former director of ZWILLING J.A. Henckels AG,
Solingen

Prof. Dipl.-Ing. Gerd Finkbeiner Neusäß
Deputy Chairman
(since March 20, 2009)
Chairman of manroland AG,
Offenbach a.M.

**Prof. Dr. Dres. h.c.
Adolf G. Coenenberg** Stadtbergen
Professor emeritus of business administration, audit
and controlling at the University of Augsburg

Claus-D. Bunk Schwabmünchen
Employee representative
Chairman of the works' council of
BÖWE SYSTEC Aktiengesellschaft, Augsburg

Roland Hörmann Augsburg
Employee representative
Deputy chairman of the works' council of
BÖWE SYSTEC Aktiengesellschaft, Augsburg

THE BÖWE SYSTEC SHARE



Investor Relations

BÖWE SYSTEC AG views Investor Relations as more than just the obligation to provide its shareholders with regular, comprehensive information as required by the Prime Standard. We consider Investor Relations to be an efficient instrument for also maintaining the same positive image in the capital market that we also have in the markets around the world. That is why we have already been conducting a series of voluntary Investor Relations activities for many years in order to provide the capital market with transparent and detailed corporate data. These include participation in both national as well as international analyst and investor conferences as well as a series of individual meetings with fund managers and representatives of the trade press. Our aims in this respect are to maintain the existing contact with shareholders and at the same time to attract potential investors in the BÖWE SYSTEC share. As such, in the fiscal year 2008 the management board gave presentations of the company in Munich, Frankfurt, Paris and London on a number of occasions.

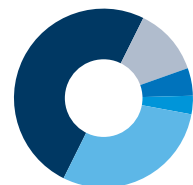
The financial calendar for the year 2009 as well as the contact addresses for the Investor Relations Department can be found on the rear cover page.

International shareholder structure

One of the indications for the success of our Investor Relations measures can be seen by the international nature of our shareholder structure. Of the 6.6 million outstanding BÖWE SYSTEC shares 39% are held in foreign custody accounts. Of this, three investment companies have shareholdings above the compulsory notification limit of 3%: the Spanish firm of Bestinver Gestion as well as the US American companies Harris Associates and Tweedy, Browne.

As in previous years WANDERER-WERKE AKTIENGESELLSCHAFT, with a 50.1% stake, remains the largest shareholder in BÖWE SYSTEC AG. Since according to the definition by the Deutsche Börse only these shares are not included for the purpose of calculating the free-float, the free-float remains unchanged at 49.9% or 3.29 million shares.

SHAREHOLDERS
STRUCTURE
as at March 2009



50.1%	WANDERER-WERKE AG
12.2%	BESTINVER GESTION
5.0%	HARRIS ASSOCIATES
3.5%	TWEEDY, BROWNE
29.2%	OTHERS

DEVELOPMENT OF THE
BÖWE SYSTEC SHARE 2008
by comparison with the SDAX®

■ BÖWE SYSTEC SHARE PRICE
■ SDAX®-INDEX



Coverage by analysts

Further proof of successful Investor Relations is provided in our opinion by the coverage of the company by share analysts from five different financial institutions: Berenberg Bank, CA Cheuvreux, Dresdner Kleinwort, Lampe Bank and WestLB. We believe that this shows how a transparent and active company can also pursue successful Investor Relations without an index listing. In order to supply both analysts as well as investors with fundamental corporate data we not only utilize a detailed website (www.boewe-systec.de) but also e-mail distribution lists for the fast and direct dispatch of news and info.

The BÖWE SYSTEC share

There was a totally unexpected turn of events on the stock markets in 2008. The DAX® equities index began the year on 8,100 points, close to its all-time high during the course of the year but shortly afterwards started its sharp downturn. It was hit by several waves of problems with the sub-prime crisis, high commodity prices, the weak US dollar, problems in the banking sector and even failing banks and finally the extremely rapid and sharp collapse in the global economy. The combination of all these factors forced the DAX® down to its year's low of 4,014 points on October 24, 2008. Despite a subsequent recovery the DAX® ended the year on 4,810 points, representing a significant fall of 40.4%, consequently losing as much as it had gained during the two years 2006 and 2007.

The picture was even worse in the Small and Mid-Caps segment, i.e. small and medium-sized enterprises. As is the norm during periods of uncertainty, investors started by selling these stocks which were less liquid. The result of this was that for the full year 2008 the MDAX® fell by 43.2%, the SDAX® by 46.1% and the TecDAX® by 47.8%.

ISIN	DE0005239701
Securities no.	523970
Ticker symbol	BSY
Market	Official dealing
Segment	Prime Standard
Stock exchanges	XETRA and Frankfurt i. p.
Turnover	10,000 to 100,000 shares per day
Sector	Industrial
Index	CDAX® Prime All Shares Classic All Shares
Share type	No-par bearer ordinary shares

FIGURES PER SHARE:

	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS
Capital stock (EUR million)	17.16	17.16	17.16	17.16	17.16
Number of shares with dividend entitlement as of Dec. 31 (million)	6.60	6.60	6.60	6.60	6.60
Earnings (EUR)	-9.70	2.66	2.92	2.88	1.66
Cash flow from current business activity (EUR)	1.89	5.52	2.13	3.58	6.29
Dividends (EUR)	-	1.35	1.35	1.35	1.30
Year's high of the share (EUR)	28.45	52.85	58.99	51.25	42.95
Year's low of the share (EUR)	5.85	27.00	40.55	35.71	35.40
Share price at year end (EUR)	7.90	28.45	51.47	50.84	38.80
Market capitalization at year end (EUR million)	52.1	187.8	339.7	335.5	256.1

This trend also had a clear negative impact on the BÖWE SYSTEC share which started with a year's high of EUR 28.45 at the beginning of January 2008 and then began the fall down to approx. EUR 18 by mid March. The good figures posted in the first quarter then initiated a temporary recovery to above EUR 25 by end May. The collapse in economic activity in the USA which also impacted on the BÖWE Group prompted a retraction of the forecasts for the year, something which clearly explains the marked slide in the share price in October. Since the beginning of November 2008 the BÖWE SYSTEC share price has essentially been drifting sideways, with a year-end closing price of EUR 7.90, reflecting a very unsatisfactory 72% fall.

We are confident that a recovery in the global economy, combined with the internal measures taken, will be reflected in the medium term in improved corporate figures and rising share prices.



CORPORATE GOVERNANCE REPORT

Corporate Governance Report

For BÖWE SYSTEC Aktiengesellschaft, good corporate governance means the responsible management and leadership of the Company with the aim of adding value in the long term. It follows that we have implemented most of the recommendations of the German Corporate Governance Code in the BÖWE Group. Only a few recommendations are not complied with, mainly to avoid redundancy. These exceptions are explained below.

The management board and the supervisory board issued the latest declaration of compliance in accordance with Sec. 161 AktG ("Aktiengesetz": German Stock Corporation Act) in January 2009 on the basis of their talks. The full wording of the Statement can be found on the Company's website www.boewe-systec.de.

Close working relationship between management board and supervisory board

BÖWE SYSTEC Aktiengesellschaft is a company under German law. The Company is managed by the management board and supervisory board. The management board has two members and the supervisory board six. This management system, characterized by the separation of the management and monitoring bodies, pursues the common goal of raising the value of the Company in the long term. The management board and supervisory board of BÖWE SYSTEC Aktiengesellschaft work closely together to this end. Intensive and ongoing dialog between the two bodies is an essential component of our corporate philosophy.

Transparency

The management board and supervisory board of BÖWE SYSTEC Aktiengesellschaft place great importance on transparent management. Investors, customers, employees, capital market traders and the media are regularly kept informed of the situation of the Company and significant developments in its business. The internet is mainly used for this purpose in the interest of comprehensive, equal and prompt reporting.

Reporting on the position and results of BÖWE SYSTEC Aktiengesellschaft mainly takes the form of quarterly reports, in addition to semi-annual and annual reports. In addition to interim reports and the annual report, we also publish a calendar with all financially relevant dates on our website.

BÖWE SYSTEC Aktiengesellschaft issues securities that are authorized for trading on an organized market, and is required by Sec. 10 (1) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) to publish an "annual document" once a year containing all relevant corporate information for the preceding calendar year. This can also be found on the Company's website.

As of December 31, 2008, members of the supervisory board held a total of 1,110 shares. The members of the management board of BÖWE SYSTEC Aktiengesellschaft held a total of 14,900 shares as of December 31, 2008. Further details on shareholdings can be found in the notes to the financial statements in note 12 „Subscribed capital“ (page 91 et seq.).

Corporate governance in fiscal 2009

The Company has intensively examined the requirements of the German Corporate Governance Code, particularly the new requirements of June 6, 2008. The proposal to cap severance payments, which has since become a recommendation, had already been implemented by BÖWE SYSTEC Aktiengesellschaft in the past and will continue to be observed in the future. The supervisory board of BÖWE SYSTEC Aktiengesellschaft also already reviews the Company's interim financial reports.

In accordance with the current declaration of compliance, BÖWE SYSTEC Aktiengesellschaft will comply with almost all recommendations of the German Corporate Governance Code as amended on June 6, 2008 in fiscal 2009. Only the following recommendations are not followed:

2.3.1 Documents relating to the annual general meeting

Not all documents relating to the annual general meeting required by law will be published in their entirety on the Company's website. Besides the agenda, the annual report is provided on the Company's website. The other documents provided for the annual general meeting are displayed as required by law and sent to the shareholders upon request. This approach is deemed more convenient for the shareholders as they receive a printed version of the requested documents.

4.2.2 Management board

The regular review and discussion of the structure of the remuneration system of the management board and the decision passed in this regard is not discussed by the full supervisory board but by the personnel committee. The idea pursued by the supervisory board in setting up committees is to share responsibilities.

4.2.5 and 5.4.6 Remuneration report

The remuneration of the management board and details of share-based compensation are published as required by law in the notes to the financial statements. To avoid redundancy, only a brief summary is given in the corporate governance report, in all other cases reference is made to the disclosures in the notes to the financial statements as both the notes and the corporate governance report are contained in the Company's annual report. The same applies to the remuneration of members of the supervisory board.

5.1.2 Age limit for members of the management board

The supervisory board has not fixed a general age limit for members of the management board. Where necessary, the age of the members of the management board is considered when they are appointed. A strict age limit would not take due account of the individual circumstances.

5.3.2 Setting up committees

The Company has opted not to set up a separate audit committee in order to enhance efficiency as the supervisory board of BÖWE SYSTEC Aktiengesellschaft only has the legally required six members and this already ensures effective work.

5.4.6 Composition and remuneration of the supervisory board

In determining the remuneration of the supervisory board members, the chair and deputy chair are taken into account. The chair and membership in committees is not, however, considered due to the small number of committees.

6.6 Transparency

The Company does not comply with the recommendation to provide details of indirect shareholdings in the Company of each individual member of the management board and each individual member of the supervisory board if this exceeds more than 1% of the total shares issued by the Company as the Company has not received any such notification.

7.1.2 and 7.1.3 Accounting issues

The consolidated financial statements and the interim reports are published in accordance with the legal requirements. The consolidated financial statements are not, however, published within 90 days of the end of the fiscal year, but as a rule at the beginning of the fourth month after the end of the fiscal year in order to avoid being overlooked as a secondary security among all the financial statements of the large groups.

Disclosures on share-based compensation (convertible bonds) are made in the notes to the annual financial statements as provided for by law. To avoid redundancy, reference is made in the corporate governance report to the disclosures in the notes to the financial statements as both the notes and the corporate governance report are contained in the Company's annual report.

Review of fiscal year 2008

Virtually all of the recommendations of the German Corporate Governance Code as amended June 14, 2007 were once again complied in fiscal year 2008. In addition to the aforementioned qualifications for fiscal 2009, in the annual report for 2007 published in April 2008 no additional disclosures on directors' dealings (para. 6.6 of the Code) were made in the corporate governance report. This information is published on the Company's website as required by law.

Remuneration report

In fiscal 2008, remuneration of the management board came to KEUR 708 (prior year: KEUR 1,018). Personalized details giving fixed compensation, performance-related compensation and long-term incentives are given in note 30 of the notes to the consolidated financial statements (page 113 et seq.), to which we refer at this point.

Disclosures on share-based compensation (convertible bonds) can be found in note 9 of the notes to the consolidated financial statements (page 86 et seq.), to which we refer at this point.

The remuneration paid to members of the supervisory board is governed by Art. 14 of the articles of incorporation and bylaws. It is based on the duties and responsibilities of the supervisory board members and the value of the respective dividend. In fiscal



2008, remuneration of the supervisory board came to KEUR 11 (prior year: KEUR 104) in accordance with the articles of incorporation and bylaws. Details can be found in the section "Related party disclosures" (page 113 et seq.).

Directors' dealings

No directors' dealings were reported to the Company in fiscal 2008.

Responsible handling of opportunities and risks

By systematically managing risk, the management board of BÖWE SYSTEC Aktiengesellschaft aims to safeguard the Company's financial independence and raise the value of the Company in the long term. Both within the parent company and at the individual subsidiaries, management's duties therefore include identifying and analyzing risks, and developing strategies to mitigate them, because dealing responsibly with all manner of risk is crucial to the success of the Group. The international business activities of the BÖWE Group require the additional, constant weighing up of opportunities and risks.

The management board of BÖWE SYSTEC Aktiengesellschaft has set up a risk management system that covers all of the Group's subsidiaries. The functionality and accuracy of the system is regularly assessed and updated if necessary. This also includes reviewing the implications of new laws such as the planned reform of the accounting regulations of the German Commercial Code (HGB) by the German Accounting Law Modernization Act (BilMoG), in order to be able to take the appropriate measures where required.

Further details can be found in the risk report of this annual report.

Auditors

In fiscal 2008, the consolidated financial statements, semi-annual report and quarterly reports of BÖWE SYSTEC Aktiengesellschaft were once again prepared in accordance with International Financial Reporting Standards (IFRSs). The separate financial statements of BÖWE SYSTEC Aktiengesellschaft are prepared in accordance with HGB.

The auditor and group auditor are elected in accordance with the legal provisions. The supervisory board proposes a suitable candidate to the annual general meeting. In order to guarantee the auditors' independence, the supervisory board obtains a statement of potential grounds for disqualification or any factors affecting impartiality from the proposed auditor.

The auditor must inform the chairman of the supervisory board without delay or mention in the audit report if grounds for disqualification or any factors affecting impartiality arise during the audit. Moreover, the auditor is required to report without delay on all material findings and events of relevance to the duties of the supervisory board that may arise during the audit. In addition, the auditor must notify the supervisory board if it determines facts in the course of its audit that cannot be reconciled with the declaration of compliance issued by the management board and supervisory board in accordance with Sec. 161 AktG.

REPORT OF THE SUPERVISORY BOARD



Prof. Dr. Günther Langenbucher
Chairman of the supervisory board

In fiscal 2008, the supervisory board performed the tasks required of it by law, the articles of incorporation and bylaws and the German Corporate Governance Code with due care and prudence. It monitored the management board of BÖWE SYSTEC AG's management of the Company, and provided support in issues relating to the financing, planning and strategy of the Company.

As in prior years, it was provided with detailed written monthly reports on business performance and additional verbal and written information deemed necessary to assess important business events and pending decisions. Particular emphasis was placed on transactions between BÖWE SYSTEC AG and its parent company WANDERER-WERKE AKTIENGESELLSCHAFT, in consultation with external legal advisors.

The chairman of the supervisory board exchanged information regularly with the chairman of the management board and was thus always up to date on the business development and financing of the individual group companies, the profitability of the Company and the business planning and group strategy.

Meetings and committees of the supervisory board

The supervisory board met in five ordinary meetings in Augsburg and had one telephone conference in fiscal 2008. With the exception of one meeting where one member excused himself, all members of the supervisory board attended all meetings during the year. The verbal and written reports of the management board on order intake, revenue, order backlog, earnings and other performance indicators of the group companies were regularly the subject of discussion at the meetings. Deviations from targets and potential countermeasures were discussed. Issues relating to the development of the Company and fundamental questions of company policy were explained in detail to the supervisory board. In addition to plenary sessions, the personnel committee also met separately twice. The nomination committee was not convened in fiscal 2008 as this was not necessary during the fiscal year.

Transactions requiring the approval of the supervisory board

The supervisory board discussed the acquisition of a purchase option for the property at the headquarters in Augsburg at several meetings. The transfer of the purchase option serves to safeguard the production and administration facilities in Augsburg. Several loans issued to Wanderer-Werke Beteiligungs- und Verwaltungs GmbH at the beginning of the year were offset for this purpose. The purchase option and associated lease agreement were previously held by WANDERER-WERKE AKTIENGESELLSCHAFT, while BÖWE SYSTEC AG paid rent for the majority of the floorspace of the buildings used on the basis of a subletting agreement. This is why BÖWE SYSTEC AG is now to enter directly into the lease agreement as the lessee, acquiring the purchase option in the process. Following a detailed assessment of the opportunities and risks associated with the transfer of the purchase option, and after obtaining a legal opinion with regard to arm's length issues, the supervisory board unanimously agreed to the entry into the lease agreement and the acquisition of the purchase option.

The supervisory board also analyzed the competitive situation, product portfolio and company strategy of the Scanners division of the US subsidiary BÖWE BELL + HOWELL in the course of the reporting year. The management board was given the authorization to sell this division. The Scanners division does not fall under BÖWE BELL + HOWELL's main area of expertise, and offers no significant synergies.

In order to be able to guarantee the ability of the Group to compete and react to negative market developments in the future, the supervisory board worked on introducing a group-wide program to improve efficiency

and profitability. It discussed the draft concepts with the management board before authorizing the management board to engage an external firm of consultants. It then received regular reports from the management board on progress made and measures implemented.

At its December meeting, the supervisory board advised the management board on the proposed planning for 2009 and underlying premises. Following lively discussion and in light of the deteriorating prospects for the world economy, the supervisory board requested an adjusted 2008 revenue forecast for the US subsidiary BÖWE BELL + HOWELL, which would then also serve as a basis for planning for 2009. This is why the supervisory board unanimously voted to have the planning revised, and to reach a decision in this regard at an ordinary meeting of the supervisory board at the beginning of fiscal 2009.

Control and advisory focus in the supervisory board

In fiscal 2008, the supervisory board received regular reports on BÖWE SYSTEC AG's financing structure, and held in-depth discussions with the management board on available refinancing instruments and their alternatives. Possibilities for hedging or repaying the WANDERER-WERKE Group's loan obligations to the BÖWE Group were discussed in detail with the aid of external legal advisors.

As in previous years, the supervisory board's advisory and monitoring activities focused on the US subsidiary BÖWE BELL + HOWELL. Advice concentrated on concrete measures to save costs and improve earnings in light of the economic downturn in North America. A critical eye was cast over the drop in revenue in the core business with inserting systems. The business models, competitive situations and organizational incorporation into the BÖWE Group of the individual US segments were other salient aspects of advisory and monitoring activities. Overall, the supervisory board demanded that the management board keep a tighter rein on the US sub-group and develop concepts for significantly improving results of operations in light of the unsatisfactory development of earnings.

At several meetings, discussion centered on the BÖWE SYSTEC Group's currency hedging strategy.

The supervisory board also received regular reports on the development of individual European sales and service companies, and advised the management board on the introduction of suitable performance indicators and efficiency standards in the service business. The development of business at the Japanese subsidiary, which was able to significantly increase revenue and earnings year-on-year thanks to a successful major order, was positively received. Measures required at subsidiaries obtaining persistently poor results were critically discussed, and necessary steps were urgently recommended.

Risk management, compliance and corporate governance

The supervisory board discussed the topics of risk management and compliance on various occasions. The board evaluated the existing risk management system, the catalog of questions used within the Group and the risk categories selected. The supervisory board satisfied itself of the basic functionality of the existing risk management system, and advised the management board with regard to further improvements.

As in past years, the supervisory board reviewed its own efficiency by means of a checklist as required by the German Corporate Governance Code.

The supervisory board reviewed the corresponding compliance declarations issued by BÖWE SYSTEC Aktiengesellschaft and addressed deviations from the Corporate Governance Code. Additional information on corporate governance in the Company as well as information about the amount and composition of the individual management board's compensation can be found on page 12 and in the note 30 to the financial statements.



Financial statements/consolidated financial statements/audit reports

The separate financial statements of BÖWE SYSTEC AG, the consolidated financial statements as of December 31, 2008, the management report of BÖWE SYSTEC AG and the group management report together with the bookkeeping underlying these statements were audited by the independent auditors. The auditors have rendered an unqualified opinion. The audit was performed in compliance with the Generally Accepted Standards for the Audit of Financial Statements in Germany as issued by the IDW ("Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf": Institute of Public Auditors in Germany, Düsseldorf). The consolidated financial statements, including the group management report, were prepared in accordance with International Financial Reporting Standards (IFRSs). The auditor confirmed that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315 a (1) HGB ["Handelsgesetzbuch": German Commercial Code]. The auditor rendered the following unqualified opinion on the dependent company report prepared in accordance with Sec. 312 AktG ["Aktiengesetz": German Stock Corporation Act]: "Based on our audit and assessment in accordance with professional standards, we confirm that

1. the actual disclosures contained in the report are correct,
2. the payments made by the Company in connection with transactions detailed in the report were not unreasonably high."

The financial statements of BÖWE SYSTEC AG and the consolidated financial statements as of December 31, 2008, the management report of BÖWE SYSTEC AG and the group management report, the dependent company report and the audit reports as well as the proposal of the management board for the appropriation of profits was presented to the supervisory board for review within the time period allowed. At the meetings of the supervisory board on March 31 and May 11, 2009, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft reported on the audit of the separate and consolidated financial statements, as well as the dependent company report, the focal points of the audit as well as the main audit findings and was available to respond to any questions posed by the supervisory board. The auditor informed the supervisory board of amendments made to the financial statements, in particular the management report, and the audit reports following the meeting on May 11, 2009, in a letter dated July 1, 2009. The supervisory board reviewed the financial statements of BÖWE SYSTEC AG, including the management report, the consolidated financial statements, including the group management report, the dependent company report and the reports and findings of the auditor for the separate and consolidated financial statements as well as the proposal of the management board for the appropriation of profits and found that the management board had acted duly, expediently and efficiently and also complied with the legal requirements pertaining to the audit reports, as well as submitting suggestions and proposals on some points. The supervisory board also found that the management report of BÖWE SYSTEC AG and the group management report were complete. The management board's assessments concur with its reports to the supervisory board and the opinion that the supervisory board has formed.

Acknowledging and considering the reports of the auditor of the separate financial statements and group auditor, the supervisory board gives its approval of the results of the annual audit based on its own review and talks and discussions with the auditor of the separate financial statements and the group auditor. Based on the results of its own review, the supervisory board raises no objections to the separate financial statements, the management report, the consolidated financial statements, the group management report, the declaration of the management board at the end of the dependent company report and the audit report of the auditor. The supervisory board approves the annual financial statements prepared by the management board which are

herewith ratified. The supervisory board also approves the consolidated financial statements prepared by the management board. The supervisory board also supports the management board's proposal to refrain from paying out a dividend for fiscal 2008, and to carry the net retained profit forward to new account. The payout of a dividend from the profit carryforward seems inappropriate given unsatisfactory earnings, uncertain commercial and economic trends and a tense situation at the Company with regard to liquidity.

Changes in the management board

The supervisory board appointed Mr. Oliver Bialowons to the management board of BÖWE SYSTEC AG as Chief Operating Officer (COO) with effect as of December 12, 2008. The supervisory board was persuaded by Mr. Bialowons' management and restructuring experience in Germany and abroad in the aerospace industry, automotive manufacturing industry, retail trade and mail order business. Mr. Bialowons will focus on significantly improving the market positioning and profitability of the BÖWE Group throughout the world in connection with the aforementioned efficiency and income boosting program, the overhaul of the financing setup and the organizational and management realignment, while also ensuring that the ambitious goals for 2009 and 2010 are met.

After fiscal 2008, with effect as of February 1 2009, Mr. Bialowons succeeded Dr. Gerckens as CEO. On June 22, 2009, Peter Goebel was appointed to the management board with effect as of July 1, 2009. He will head the newly created Sales & Services division. In his last position, Mr. Goebel successfully managed our subsidiary in Japan as general manager, and is known as an expert with a wealth of international experience within our field. The supervisory board would like to wish Mr. Bialowons and Mr. Goebel every success with their new positions and responsibilities.

Dr. Gerckens retired from the management board on January 31, 2009 for personal reasons. Mr. Meyer also retired from the management board in March 2009. The supervisory board would like to thank both men for their work for the BÖWE SYSTEC Group over the years and their high level of personal commitment.

The supervisory board would like to take this opportunity to thank the members of the management board and the employees of the BÖWE Group throughout the world for the dedication to the Company during fiscal 2008.

Changes in the supervisory board

Mr. Johannes Beelen, former chairman of the supervisory board, resigned his post and membership of the supervisory board on March 20, 2009. Professor Dr. Günther Langenbacher was elected as provisional chairman of the supervisory board. The supervisory board would like to thank Mr. Beelen for his many years of dedicated work for the good of the Company.

Augsburg, July 1, 2009

THE SUPERVISORY BOARD

Prof. Dr. Günther Langenbacher
Chairman of the supervisory board



OVERVIEW OF THE BUSINESS YEAR



FEBRUARY

In February 2008, William Carroll was appointed Chief Executive Officer (CEO) of the Group subsidiary Lasermax Roll Systems. William Carroll has many years of experience in the digital printing industry, having already held the position as president of the American company Roll Systems Inc. before its merger to create what is now Lasermax Roll Systems.

APRIL

BÖWE BELL + HOWELL acquired the OPEX Postal Technologies division from its erstwhile competitor OPEX Corporations. OPEX Postal Technologies possesses leading-edge systems and software for the mail sorting sector. This allowed the BÖWE Group to further strengthen its position in the North American market for mail sorting systems.

MAY / JUNE

In 2008, the drupa trade fair was again the world's largest exhibition for the print and media industry. For the BÖWE Group, it was the most successful drupa ever, with visitor numbers increasing by 50% compared to 2004. The company's presence at the fair focused on key industry trends, in particular TransPromo and the growth in the software sector. At two adjacent booths, the BÖWE Group and its subsidiary, Lasermax Roll Systems, presented their broad-based expertise in the field of modern mail-room solutions. The product highlights at the BÖWE Group booth comprised, as always, the high-performance inserting systems and, in particular, a Turbo *Premium* which was used for a TransPromo job. This was accompanied by a Marathon *16* inserting system running a transactional mail application and featuring – as a world's first – the new BICOS 2009 computer-assisted interactive control and operating system.

One of the software highlights was document fingerprinting, an innovative procedure which guarantees complete document processing integrity without the need of printing barcodes on the documents. All exhibited systems along with third-party systems from selected partners at the trade fair were integrated into the BÖWE *One* software suite.

SEPTEMBER

In September 2008, BÖWE SYSTEC AG welcomed the first two students to participate in the newly launched dual study program for the Bachelor of Engineering degree in mechatronics. The new integrated degree course combines vocational training with conventional academic studies and allows students to complete their comprehensive academic education and practice-oriented vocational training at the same time. This dual study allows BÖWE SYSTEC AG to train its own specialists and executive staff in



the precise disciplines required, at the same time familiarizing students with in-house structures, workflows and functionalities.

OCTOBER

On October 1 and 2, 2008, BÖWE SYSTEC Japan Ltd. celebrated its 10th anniversary with an impressive and very special type of Open House, combining a variety of traditional and modern elements. The event was opened with a traditional Japanese Shinto ceremony, before the BÖWE SYSTEC subsidiary presented the BÖWE Group's latest technologies. Pride of place was taken by the BÖWE *One* software suite that networked systems at the two Japanese locations Tokyo and Osaka in a live demonstration.

At Graph Expo 2008 in Chicago, BÖWE BELL + HOWELL presented a wide range of solutions for high-performance inserting, sorting, card mailing and software. While the dual-channel Turbo *Premium* that was on display primarily impressed visitors with its enormous speed and precision, the Combo inserting system, officially presented for the first time at this event, won many admirers thanks in particular to the possibility of performing extremely fast job change-overs.

NOVEMBER

BÖWE CARDTEC set a new visitor record at Cartes 2008, the leading international trade fair in the plastic card sector. Focusing on investment protection, flexibility and TransPromo, BÖWE Card Solutions presented its most recent developments in the fields of card personalization, card mailing and software.

"future – present", BÖWE CARDTEC's new trade fair slogan, aims to emphasize that, while the company is fully responsive to customers' current requirements, it is also quick to identify market trends and proactive in gearing its product range accordingly.

DECEMBER

On December 12, 2008, Oliver Bialowons was appointed a member of the managing board of BÖWE SYSTEC AG. In his capacity as Chief Operating Officer (COO), he will complement the existing board members, focusing primarily on increasing profitability in the context of an efficiency enhancement program.



TRANSPROMO

TransPromo.

Innovative mailing trend helps target customers effectively.

Visitors to the BÖWE Group booth at the international drupa 2008 fair in Düsseldorf were able to witness the new trend in direct marketing, TransPromo, which is currently the talk of the trade press and sector experts alike. TransPromo campaigns are regarded as cutting-edge drivers behind modern customer targeting initiatives. Within the strategic alliance known as PrintCity, Océ, a leading global manufacturer of digital



How TransPromo

1

A **telephone operator** sends offers for trips to Spain to a customer whose telephone bill indicates that he or she is making frequent lengthy foreign calls to Madrid.

2

Or a **credit card company** might send customers whose purchases are mainly made in sports shops information about sports equipment, trekking holidays or special insurance policies.

printing systems, paper manufacturers UPM-Kymmene and Lasermax Roll Systems, specialists in pre- and post-processing systems, joined forces with the BÖWE Group in the Digital TransPromo Competence Center. Océ was printing the documents on paper rolls live at the trade fair and these were then further processed at the BÖWE Group booth using a Turbo *Premium*, the flagship among our range of high-performance inserting systems. The paper was supplied by UPM-Kymmene, while Lasermax Roll Systems provided the necessary roll systems.

Transaction + Promotion = TransPromo

But what exactly does TransPromo mean? By combining transaction mail such as invoices, bank statements and delivery notes with additional promotional content – all in one and the same document – the sector aims to generate significant added value in its document mailing operations, turning cost-incurring transaction documents into a profitable marketing tool. In addition to the transaction-related message, the recipient's attention is automatically drawn to a customer-specific promotional slogan – a clear advantage over direct mailing consisting of separate promotional letters, which often end up in the waste paper basket unopened. A special software program prepares the important customer information and the tailored promotional message and arranges them on the document, making sure that both matches and that optimum use is made of postal charges.

High postal charges mean that dispatching transaction documents is usually a very expensive affair. One way of avoiding this while simultaneously saving on printing costs is to send the transaction documents by e-mail. However, depending on the age of the target group and the sector the dispatching company belongs to, the willingness of customers to accept this new type of information provision widely varies. Therefore it still appears to be necessary to send a large number of transaction documents in printed form. And even if this were not absolutely necessary, companies would be thoughtlessly risking the loss of an important way of communication with their customers if they were to switch over fully to online dispatch. To enhance the cost-benefit ratio, the transaction

works

3

The concept is becoming increasingly popular for the mailing of important cards such as **credit cards, health insurance cards and payTV cards**, since the enhanced level of attention these generate among recipients makes them perfect means for the marketing of additional products, ideally tailored precisely to the personal preferences of each individual consumer.



and the promotional information have previously been included in the same letter, for example by adding an advertising brochure to an invoice without raising the postal charge. And while customers usually spend an average of 40 seconds studying an invoice, the accompanying promotional information will often end up in the waste paper basket unread.

This is precisely the area addressed by modern TransPromo concepts. The objective is always to ensure that the attention given to the transaction-related message is extended to the advertising message. For this to happen, it must not just be perceived by the recipient, but must also arouse his or her genuine interest. It goes without saying that the promotional information needs to be perfectly tailored to the personal preferences of each individual consumer. This requires a carefully maintained database for management of the customer data. Data pertaining to transaction mail such as invoices allow certain conclusions to be drawn in respect of a customer's personal preferences. These can then be used as the basis for tailored offers and promotional information. Provided that the promotional message or tailored offer attracts the interest of the recipient of the invoice, what is normally a negative experience can be transformed into something positive.





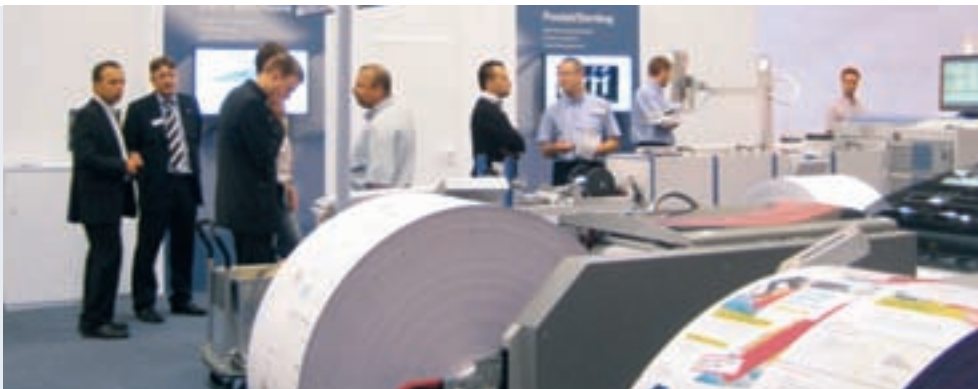
White space marketing

Not only senders of transaction contents appreciate the additional benefits to be had by integrating promotional messages in the personal documents delivered to their customers. A practice in the USA that is catching on here is that a service provider offers to assume the printing and dispatch costs on behalf of the originator of a transaction document in return for the right to market the free advertising space on the paper. Experience so far has shown that, despite the high initial costs, this so-called “white space marketing” can be extremely profitable for service providers.

Attention-grabbing design

With TransPromo mailings, there is no longer any need to separate the functional design of the transaction mail from the elaborate layout of the promotional brochure. What is called for is simply the successful, targeted integration of the advertising information in the transaction document. It goes without saying that it would be no good basing this approach on the usually very basic, monochrome design of conventional transaction documents. An attention-grabbing layout is required, with color and appealing designs playing a crucial role. Innovative digital printing technologies such as ink-jet printing are hardly more expensive than conventional monotone printing methods.

And even the staff of a call center can profit from a clever, colored design, for example if they can draw a caller’s attention to a number that stands out clearly on the page instead of asking him or her to search for an order number hidden among a plethora of other information. Call times are minimized and customers can find their way around better and are generally more satisfied with the service offered.



A highlight at drupa 2008: the high-performance Turbo *Premium* inserting system processes a TransPromo mailing "live".

Step by step

At drupa, the BÖWE Group, Océ, Lasermax Roll Systems and paper manufacturers UPM-Kymmene presented a jointly developed, systematic approach to the practical implementation of TransPromo concepts. The aim is to familiarize the customer step-by-step with what is still an unusual form of communication. First of all, the layout of documents such as invoice forms has to be aligned with the corporate design of the sending company. Free space on the page can be used for corporate information or other useful details. In subsequent documents, additional information can be placed on the same spot on the page so that the recipient gets used to the form's new design. Recipients realize that relevant information will now appear at the same place every time. In the final step, it is possible to include promotional messages which should ideally take the recipient's purchasing behavior and affinities into account.

Enormous growth potential

Even in times of media overkill, the communication medium TransPromo can help attract recipients' attention so that promotional messages reach the intended target. The benefits for the sending company are obvious: vastly improved promotional impact by addressing the customer's individual preferences, excellent support of cross- and up-selling campaigns, minimization of production costs, and thus a more efficient dispatching of transaction mail. Exciting times lie ahead for TransPromo communication.



DRUPA 2008



„one world – one drupa“.

Participation in the leading international trade fair a success.

From 29 May to 11 June 2008, the print and media industry convened at drupa, the leading international trade fair held in Düsseldorf. 391,000 visitors from 138 countries took the opportunity to gather information on the latest products, trends and developments from the sector. 1,971 exhibitors from all around the world came to Düsseldorf to present their latest products to a specialist audience. The more than 800 visitors who paid a visit to the BÖWE Group booth represented an increase of more than 50 percent of the 2004 figure, an all-time record for the drupa fair.

Modern mailroom technologies

Paper management and modern mailroom technologies took center stage alongside the print media industry at drupa 2008. At two adjacent booths, the BÖWE Group and its subsidiary, Lasermax Roll Systems, presented their broad-based expertise in the field of modern mailroom solutions.

The product highlights at the BÖWE booth included the Turbo *Premium* and Marathon *16* high-performance inserting systems.

The TransPromo application running on the Turbo *Premium* received particular interest. Customers were enthused about the latest record-breaking performance data for the Turbo *Premium* which, in the dual-channel configuration exhibited, demonstrated up to 22,000 insertions per hour. In the application shown at the fair, 4 sheets per envelope were processed, producing an impressive feed rate in the input channel of up to 88,000 documents an hour.

The Marathon *16* inserting system was running a transactional mail application. For the very first time, new BICOS 2009 was used in such a system. The computer-assisted operating system provides additional options and even greater ease of handling. Integration in the BÖWE *One* software suite allowed to demonstrate how all machine and document data can be centrally recorded and evaluated. This approach greatly increases transparency when processing sensitive data.



The BÖWE Group also displayed an Enduro inserting system for document processing in the mid performance range. This system, mainly used for frequently changing jobs and featuring many different types of enclosure, was shown for the first time with the new 310 SPEED₂ cutting system. Additionally, it was also operated for the first time by the BICOS 2009 operating system.

Information desks illustrating the sectors of mail sorting and plastic card processing rounded off the BÖWE Group's comprehensive and successful drupa participation.

The Software Competence Center

Without any doubt, software is the key to a successful mailroom integration. Ideally, all the systems and processes are coordinated on a single, OEM-independent platform. At drupa 2008, the BÖWE Group provided a number of successful demonstrations of how this can be achieved using the BÖWE *One* software suite. All exhibited systems along with various third-party systems of selected partners were integrated in the BÖWE *One* software suite at the trade fair.

One of the software highlights was document fingerprinting, an innovative procedure which guarantees complete document processing integrity without the need to print barcodes on documents. The new BICOS 2009 operating system was featured for the first time worldwide. Thanks to the new VEKtor and JETVision reading technologies, both BÖWE Group and partner systems were incorporated live in BÖWE *One*, thus making it possible to demonstrate how machine and document data can be recorded and quality checks performed.



PRODUCT INNOVATIONS

New product features. Innovations for the future.

In an effort to remain competitive and reinforce its position as a technology leader in the market, BÖWE SYSTEC AG presented a series of innovative product developments at both the drupa 2008 trade fair in Düsseldorf, the leading international trade fair for the print and media industry, and Graph Expo 2008 in Chicago, one of the biggest international trade fairs for the printing and post-print sectors in the American and Canadian markets. The new solutions are all about finding an effective way to enhance



productivity in document processing, and help to achieve substantial increases in our inserting systems' throughput. With the future in mind, new components have been developed and proven system elements optimized. These innovations span the entire feed process, from cutting and merging all the way to assembling the documents to be processed.

380HS cutting system

Various modifications to the tried-and-trusted 380 STREAM high-speed cutting system have increased processing speeds by as much as 30%, while maintaining the same levels of reliability. In particular, the use of a rotary cutter has considerably reduced cutting cycle times. Optimization of the material acceleration, transport, braking and positioning processes has contributed to this significant increase in performance.

If required, the new cutting system can be equipped with extras such as the VEKtor camera reading system. A double-blade cartridge for strip-cutting can also be retrofitted at little cost and effort.

Merger 4580

Once cut, the paper output of the 380HS high-speed cutting system obviously needs to be transferred to and processed by the next system component at an adequate speed if the performance and efficiency of the system as a whole is to be increased. The Merger 4580 was developed with the aim of maintaining secure and efficient processing in this performance range.

Key innovations include the fitting of a single, powerful suction belt to ensure that the material is transported in a safe and stable manner. Servo motors governing paper feed, transport and transfer ensure that documents are transferred smoothly and precisely from the cutter and passed on to the next component, the assembly station, in a continuous process. An output sensor monitors the paper's passage to the assembly station. In addition, this monitoring function facilitates the installation of new applications and reduces set-up times in the long term. Adjustments to settings are stored in the BICOS computer-assisted operating system where they can be retrieved at any time.



The new 4880 assembly unit is equipped with the latest drive and transport technologies.

4880 assembly station

The final link in the feed process is the assembly station, whose job it is to form document sets, i.e. to assemble several documents for a particular recipient. The assembly station receives documents from the merger, arranges them into groups and finally passes them on to the folding unit.

If performance and efficiency are to be enhanced across the entire feed process, the assembly station too must satisfy the new requirements of the overarching concept. The new 4880 assembly station is equipped with the latest drive and transport technologies. Servo motors and pneumatic components ensure that all the stages of the process (receiving, assembling, transferring) are coordinated in such a way as to ensure that documents are processed safely and carefully, even at the highest feeding speeds.

Compatibility with a wide range of different formats, and extended features such as assembling top-down/bottom-up give the new assembly station exceptional flexibility. Motorized machine set-up incorporating download functions makes for shorter set-up times, simple operation, and increased system efficiency and productivity.



Flexible 5553 enclosure feeder for the Turbo *Premium* inserting system

Market demands in respect of mailrooms are becoming increasingly complex, especially in the field of enclosure processing. Service offices face the daily challenge of having to process enclosures of widely differing textures and quality extremely quickly, often with little time to prepare. In particular, frequently alternating enclosure types, thin, high-gloss and heavy paper quality, as well as paper in C5 format are major challenges that the high-performance document processing segment must confront time and again if it is to develop technical solutions and new concepts in inserting systems.

Appearing for the first time at Graph Expo 2008 – the new enclosure feeder for the high-performance Turbo *Premium* inserting system.



With its new 5553 enclosure feeder, BÖWE SYSTEC now has a solution tailored to the requirements of the market. Adjustment processes have been significantly curtailed in a bid to enhance productivity. A teach-in function allows the system to measure the thickness, surface structure and dimensions of the enclosure at the touch of a button and adjust itself fully automatically to the enclosures to be processed. This function is a key criterion for use in mailrooms with widely differing application requirements and frequently alternating types of enclosure.

To maintain flexibility and stability in enclosure processing, suction belts are used to fix C5 formats or heavy enclosures better in place when they are picked up, and to ensure greater control and more reliable transport. An electronic sensor built into the draw-off plate controls the pick-up and transport of the enclosures and can adjust itself automatically if necessary. This ensures constant draw-off conditions and optimized separation of individual enclosure types.

In addition, the mechanical thickness control facility used in the past has been replaced by an electronic, self-adjusting procedure, and the reading area extended to cover the entire document.

Its new enclosure feeder is helping BÖWE SYSTEC to consolidate the market position of the Turbo *Premium* as a high-performance system for a wide range of applications.

BÖWE Group software.**Well equipped for the future.**

The BÖWE Group once again set new standards with its software solutions in 2008. Today, the Group is reaping the benefit of having identified the trend towards automation in the mailroom early on and keeping tabs on developments in this area. The cross-process management and control options now available allow companies to achieve maximum efficiency, integrity and quality in document processing. In economically demanding markets, we provide our customers with an instrument that enables them to cut costs and continually improve their processes.

**BÖWE One software suite**

The modular BÖWE One software platform provides customers with a universal concept for monitoring and controlling all the process stages in the mailroom. Pre-print editing of data helps save on postage while allowing processing capacities to be fully exploited. Seamless monitoring and recording of each individual document eliminates errors and guarantees integrity. Centralized monitoring and control of the entire production process makes for greater transparency and productivity. Moreover, at the 2008 drupa fair, BÖWE SYSTEC demonstrated in impressive fashion how other vendors' systems (e.g. production printers) can be integrated in BÖWE One across locations via the JETVision reading system.

BICOS 2009 launched

The BÖWE Group also introduced BICOS 2009, a new version of its control and management operating software. BICOS 2009 serves as an intelligent interface between the operator and the high-performance inserting system, and is also used to capture and analyze production statistics of relevance to BÖWE One. Its intuitive operation and efficient programming helps to further increase productivity. Detailed capture and evaluation of operating data also leads to even greater transparency in the mailroom.

With its range of software solutions, the BÖWE Group's customers are well-equipped to meet the challenges of the future. We aim to continue along this growth path and maintain our commitment to developing our software solutions in focused fashion – at all times in close cooperation with our customers.



CARD SOLUTIONS

BÖWE Card Solutions.

Customer-specific card solutions are on the rise.

In the Card Solutions sector, the 2008 business year was characterized by the launch of numerous new product solutions in the three segments of card personalization, card mailing and software.

Highly efficient parallel processing in the field of card personalization

In the light of the growing diversity of card designs, card service providers are increasingly faced with the challenge of personalizing ever smaller batch sizes while keeping on top of costs and deadlines. A new function of the BC-alpha² high-performance personalization system allows different personalization jobs to be processed in parallel, thus reducing set-up times dramatically. This makes the BC-alpha² the perfect solution for handling both high-volume card runs and the very small jobs that occur on a daily basis.

Individual targeting of customers using TransPromo

By integrating promotional information tailored to the recipient in the accompanying letter, innovative card issuers are using the dispatch of plastic cards to customers as a vehicle for effective cross- and up-selling campaigns featuring additional or higher-value



products. In this way, the enhanced level of attention generated when the customer receives a personalized card can be transferred to the additional offers contained in the accompanying letter. While in the past, efficiency, flexibility and optimum integrity were the key requirements for automated card mailing systems, these now also have to be equipped for the implementation of TransPromo campaigns: customer-specific contents together with the design and composition of every individual card mailing enhance the effectiveness of the advertising measures. Careful positioning of the card within the mailing leaves more space for content that is emotionally associated with the document. This trend was clearly reflected in the number of PCS card mailing systems ordered, contributing to record orders received in 2008.

Trend toward multifunction cards

Whereas in the past, plastic cards mainly served a single purpose and were furnished with the relevant information only when they were initially issued, the multifunction cards of the future will combine different applications such as cashless payment and access to local public transport networks. These cards must be capable of receiving updates while in the possession of the owner and be adaptable to changing demands. Depending on requirements, it must be possible for new applications to be assigned to the card, or for existing applications to be modified or deleted. Updates such as these can be carried out at ATMs, online, or via a mobile telecommunications network. With BC-lifecycle, BÖWE CARDTEC has developed a secure, easy-to-use software solution for card service providers which permits central management of the corresponding changes and updates and their automatic transfer to the chip card.

Another market trend involving plastic cards is known as instant issuing. Here, cards are personalized during the application process and then issued to the customer. Aside from the image gain, card issuers are hoping that their cards will be used immediately and more intensively than before. BC-instant is an intuitively operated software solution that supports all the necessary sub-processes, from customer data capture via centralized authentication and data editing all the way to direct, on-site card personalization.



Maximum speed in
chip personalization.

Forward-looking solutions for plastic cards

2008 was marked by numerous product innovations, demonstrating once again that, while BÖWE's Card Solutions division is fully responsive to its customers' current requirements, it is also quick to identify market trends and adapt its product range accordingly. And in 2009 too, we shall continue to do everything in our power to offer our customers forward-looking plastic card solutions.



TRAINING



Vocational training.

A new path towards a brighter future.

In the 4th century B.C., Diogenes von Sinone asserted that “the foundation of every state is the education of its youth.” That this axiom applies to success in business too is an irrefutable fact. Investments in young talents provide a double benefit. The company trains its own specialists and executive staff in the precise disciplines required, and at the same time familiarizes students with in-house structures, workflows and functionalities. What is more, time-consuming and costly on-the-job training in the positions subsequently occupied by these graduates is avoided. Intensive development programs are not only of great importance to the company itself, but also testify of the company’s commitment to young people in the job market.

Back in 2008, BÖWE SYSTEC AG decided to tread new paths by creating trainee vacancies for the dual program of studies in mechatronics as part of the “hochschule dual” project run by the Bavarian universities of applied sciences. Here, students combine vocational training as a mechatronics engineer with a Bachelor of Engineering degree in mechatronics at Augsburg’s university of applied sciences. This new approach exploits the synergies of practical vocational training and the multi-disciplinary, scientific/academic approach of a conventional university education. In September 2008, BÖWE SYSTEC created two trainee vacancies for this combined study program in mechatronics.

The company also made the necessary arrangements to include the discipline of draftsman in its vocational training program as of September 2009. With the continued active support of our own trainee workshop and the considerable skills of staff from our technical departments, we aim to nurture talents from our own ranks who can be integrated straight into working processes upon completing their training. Thus, the future looks bright both for our trainees as well as for the company.

ENVIRONMENTAL STATEMENT



Environmental management.

Responsibility for our employees and the environment.

In 1998, the company introduced a long-term environmental management program in Augsburg which, a year later, was granted DIN EN ISO 14001 certification for the first time. Since then, BÖWE SYSTEC has taken its responsibility to the environment and ecological awareness very seriously, both in day-to-day operations and in decisions relating to company policy.

BÖWE SYSTEC AG implements an annual list of projects with measures ranging from environmentally compatible waste disposal and recycling, saving resources and materials, reducing emissions and pollutants and saving energy to promoting a healthier lifestyle and improving ergonomics and safety at work – for the sake of all our employees and our natural resources. Compliance with legal requirements is the bare minimum. We want to take the initiative to drive sustainability processes, monitor them systematically, and then evaluate them once they have been implemented successfully.

Whether in production or administration, all employees are encouraged to adopt a responsible attitude towards and to respect environmental issues, and to live out this principal at work. Our corporate environmental policy comprises ten written rules. In order to sensitize each and every employee to health and environmental issues, we also organize an annual “Take your bike to work” competition in which BÖWE SYSTEC AG employees can win attractive prizes.

Last but not least, we strive to comply with current and future requirements in terms of energy consumption, emissions and ergonomics at product level, too. All the systems we produce are designed to minimize paper damage and processing flaws. Ongoing paper processing and reprints are managed intelligently by the software, allowing considerable savings in paper to be made.

BÖWE SYSTEC GROUP MANAGEMENT REPORT FOR 2008



Business and economic environment

With more than 20 marketing subsidiaries and several manufacturing companies, BÖWE SYSTEC is a global provider of mailroom solutions. The product portfolio includes inserting, mail sorting and verification systems, print pre- and post-processing as well as various other devices related to automatic mailing systems. In addition to cutting edge systems, BÖWE SYSTEC offers its customers tailored software solutions for production monitoring and analysis, for networking different production systems and locations and for optimizing manufacturing processes, as well as a comprehensive range of services.

The international nature of the Company's operations mean that they are strongly affected by exchange rate fluctuations between the euro and the currencies of relevance for the individual sales markets. The US dollar, Japanese yen and pound sterling are of particular importance to the BÖWE Group. In fiscal 2008, more than 60% of BÖWE SYSTEC's business was generated in the North American market. For this reason the performance of the USD against the EUR weighs heavily on the revenue and earnings of the Group. The dollar was highly volatile in fiscal 2008. This had a tangible, predominantly negative effect on BÖWE SYSTEC's consolidated financial statements.

Management and control

The management board of BÖWE SYSTEC AG is also the managing body of the BÖWE SYSTEC Group. The management board is responsible for the strategic management of the Company, with the objective of achieving profitable growth with competitive products and services and raising the value of the Company in the long term. The duties of the management board members are dictated by its rules of procedure. The chairman of the management board is responsible for the overall development of the Company and corporate communications.



The supervisory board advises the management board on issues relating to the management of the Company, with both bodies working together closely for the good of the Company. It monitors management within the framework given by the law, the articles of incorporation and bylaws and the rules of procedure, taking into account the recommendations of the German Corporate Governance Code, and is involved in approving decisions of fundamental importance.

Full details of the compensation received by the management board and supervisory board are given in the remuneration report in note 30 of the notes to the consolidated financial statements

Management system and value management

Business activities are aimed at increasing market share in all markets relevant to BÖWE SYSTEC in the interest of sustainable growth, and improving earning power. At the same time, the balance sheet structure must be improved and net financial debt reduced. These factors give rise to the main performance indicators.

The earning power of the Company must rise above and beyond the development of revenue as determined by the market. This is indicated by earnings before interest, taxes, depreciation and amortization (EBITDA) combined with the EBITDA return on sales (EBITDA / revenue), calculated in accordance with IFRSs. By actively managing costs and making efficient use of resources, a level of profitability is strived for that is competitive at an international level.

In addition, the ongoing reduction of operating net assets and improvement of return on capital employed (EBITDA / operating net assets) is considered essential to raising the value of the Company.

Economic situation

A phase of robust global economic expansion came to an end in 2008. The escalation of the crisis on the financial markets sent shockwaves through the global economy, and resulted in an unusually strong downward trend. In industrial nations, the economy increasingly slowed from the middle of 2008 following a sharp spike in production at the beginning of the year. The growth of the emerging economies also halted in the course of the year. Global economic activity all but collapsed in the fourth quarter of 2008. In Germany, manufacturers of capital goods such as plant and machinery suffered most from the drop in economic activity at the end of the year.

Development of the sector and competitive environment

The consolidation of service providers observed in recent years has had a particularly strong influence on the development of the BÖWE Group's business. An increasing number of companies are centralizing their mail distribution in one mailroom or outsourcing the task to external mailing centers. The result is a concentration of larger volumes of mail at a few centers, creating the conditions for the efficient use of high-performance inserting systems.

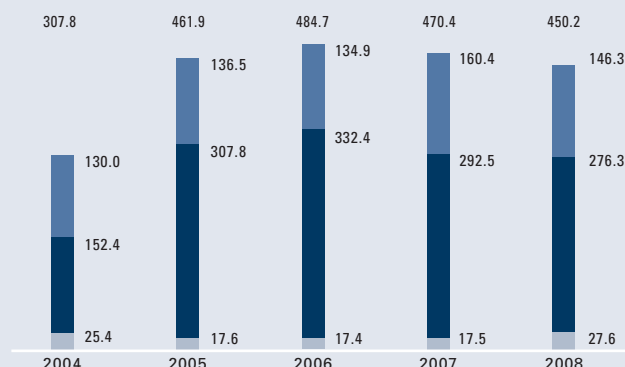


BÖWE SYSTEC GROUP:

Sales development
by region

in EUR million

■ EUROPE
■ NORTH AMERICA
■ ASIA AND OTHER



For the BÖWE Group, this means an increase in market volume for mailroom management systems and related services. Service providers are now among BÖWE SYSTEC's largest target groups.

Neither service providers nor many other customers in the field of mailroom management have escaped the consequences of the growing financial crisis. A drop in their business activities combined with increasingly restrictive conditions for the provision of credit led to the increasing postponement of investment towards the end of 2008. This in turn led to a downturn in orders throughout the mailroom management sector.

Business development of the BÖWE SYSTEC Group

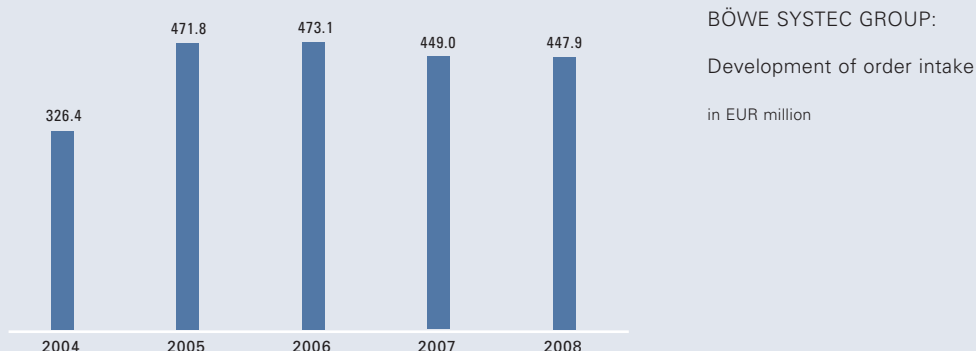
There were no changes to the consolidated group of the BÖWE SYSTEC Group in fiscal 2008. There have been no significant changes since the acquisition of the remaining 50% share in Lasermax Roll Systems (LRS) at the beginning of the second half of 2007. This made LRS, the global leader in print pre- and post-processing, a wholly-owned subsidiary of the BÖWE Group which has therefore been fully consolidated in the Group's consolidated financial statements.

Development of revenue

The BÖWE Group recognizes revenue in the regional segment in which the sale with the respective third party is realized and therefore not necessarily in the region in which the products are installed. For example, deliveries to general sales agents abroad are recorded as German sales as the goods are billed in Germany and leave the Group there.

Group revenue for fiscal 2008 fell 4.3% to EUR 450.2 million. At EUR 17 million, the drop in revenue mainly occurred in the final quarter of the fiscal year. The positive effect from the full consolidation of Lasermax Roll Systems of around EUR 19 million for the whole of 2008 was completely offset by negative exchange rate effects of the same value, mainly caused by the US dollar.

As in the prior year, more than 60% of group revenue was generated in North America. However, revenue in the region fell 5.5% to EUR 276.3 million, accounting for 80%



of the total revenue lost by the Group. The drop in revenue stemmed above all from business with inserting applications produced in the US, and the scanner business. The growth in revenue associated with the acquisition of LRS' business was unable to fully compensate for the negative exchange rate effects. Adjusted for these two one-off effects, revenue fell 4.5% on the prior year.

Revenue from business in Germany was more stable, falling only 2% on the prior year to around EUR 58 million. In this case, the fall in revenue with sorting systems was partially offset by additional services business. The European segment saw a 13% drop in revenue to EUR 89 million, particularly in the sales regions of France, UK and Italy. Japan (Rest of World) achieved a 58% increase in revenue contributed to the Group to around EUR 28 million, mainly due to the completion of a major project.

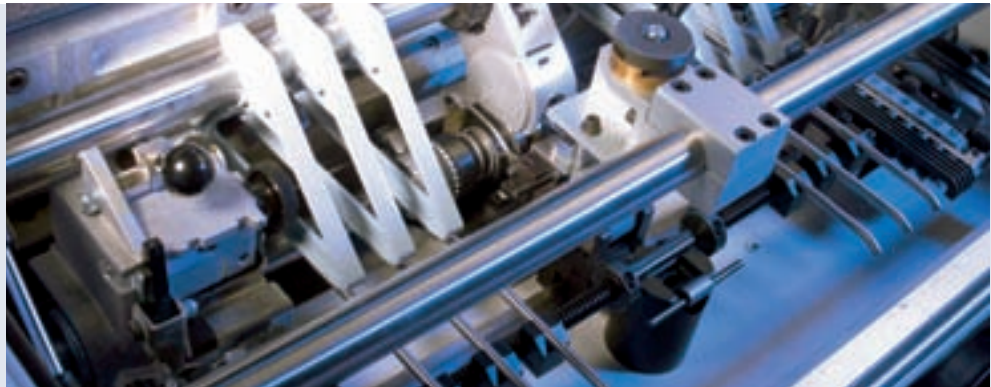
Group service revenue remained almost constant, and reached a volume of EUR 203 million and a share of 45% in fiscal 2008. The service business represents a stable source of revenue for the BÖWE SYSTEC Group that is largely insulated from fluctuations in the economy.

Order intake

In the past fiscal year, the BÖWE Group received orders worth EUR 447.9 million (prior year: EUR 449.0 million). Negative exchange rate effects totaling EUR 12.4 million were offset by positive effects amounting to EUR 21.9 million from the full consolidation of Lasermax Roll Systems for the whole year. The fourth quarter saw a significant drop in orders compared to the first three quarters of 2008, falling well short of the comparable figure for the prior year.

North America accounted for 61% of consolidated order intake, totaling EUR 274.2 million. The comparable prior-year value of EUR 265.7 million was exceeded thanks to positive effects from LRS, while orders received by the US subsidiary BÖWE BELL + HOWELL fell 5% due to organic factors.





In Germany, order volumes remained steady at EUR 56.0 million. In Europe, orders fell around 12% year-on-year to EUR 91.3 million. This mainly affected the subsidiaries in the UK, the Benelux nations and France, which had enjoyed considerable success in the prior year. Delays in the liberalization of the postal markets of some European countries resulted in particular in a significant drop in orders for sorting solutions. The order intake of the Japanese subsidiary developed particularly well. As a result, the value for the Rest of World region rose by approx. 22% on the prior year to EUR 26.4 million.

Order backlog

The BÖWE Group's order backlog came to EUR 60.2 million at the end of 2008, EUR 2.4 million lower than at the end of the prior year. This drop, stemming from the poor intake of new business at the end of the year, was partially offset by positive exchange rate effects totaling EUR 2.0 million.

More than half of the Group's order backlog at the end of the year was from customers in North America. At the equivalent of EUR 35.0 million, the order backlog of the US subsidiaries fell slightly short of the prior-year figure of EUR 37.1 million.

The order backlog of group companies within Germany came to EUR 7.7 million at the end of the fiscal year, down from EUR 9.3 million at the end of December 2007. On the other hand, the BÖWE Group was able to increase its order backlog in the rest of Europe by EUR 2.5 million to EUR 11.7 million.

The Rest of World region saw its order backlog fall to the equivalent of EUR 5.8 million as of the 2008 balance sheet date, all in the Japanese market.



Capital expenditure

The BÖWE SYSTEC Group invested EUR 54.0 million in fiscal 2008 after EUR 18.7 million in the prior year. At EUR 42.8 million, the vast majority of capital expenditure went towards property, plant and equipment. This primarily includes the assumption of the lease agreement for property at the Group's main offices in Augsburg in connection with the acquisition of a purchase option. This decision was made in order to safeguard the Company's premises in the long term.

Investment in intangible assets came to EUR 11.2 million, EUR 2.4 million more than in the prior fiscal year. This primarily concerned development projects aimed at improving competitiveness.

Investment was offset by EUR 50.5 million of amortization, depreciation and write-downs (prior year: EUR 18.2 million). EUR 33.5 million of this sum stemmed from the impairment of goodwill for BÖWE BELL + HOWELL.

Research and development

Innovation plays a key role in the competition between providers for mailroom management systems. BÖWE SYSTEC has established a position as a technological leader within the industry on the back of its aspiration to maintain a state-of-the-art product portfolio while simultaneously meeting the specific wishes of clients through innovative new developments. The BÖWE SYSTEC Group attaches corresponding importance to research and development.

At the end of the fiscal year, 306 employees were engaged in research and development throughout the Group. At EUR 16.6 million, research and development expenses are equivalent to 6.7% of product sales.

Development activities span the entire product portfolio. This includes high-performance inserting systems, systems for personalized cards and mailing of plastic cards, print pre- and post-processing, mail verification and sorting systems, high-performance scanners and software for automating and optimizing mailroom systems.





The proven modular concept for the hardware sector remains a cornerstone of BÖWE SYSTEC's product philosophy. This enables innovations to be integrated without delay into the existing portfolio and system series. It also allows us to flexibly address the needs of customers while nevertheless securing high productivity and flexibility with BÖWE SYSTEC's own production. In addition, it protects customers' investments as the customer is able to add higher-performance innovations to its systems and system components at any time. The *BIPS* automated job conversion tool helps customers of BÖWE SYSTEC reduce refitting times and thus make the mailroom both flexible and highly productive. BÖWE SYSTEC therefore offers customers in the services market the technological preconditions for facing the challenges of rapidly changing jobs in the mailroom.

New developments in the hardware sector are aimed at increasing the productivity of document processing, and greatly improve the throughput volumes of inserting systems. This involves the development of new components and the forward-looking optimization of tried-and-tested systems elements. Innovations span the entire distribution process, from cutting and collation to collection of the documents to be processed. Productivity gains stem from increased processing speeds and reduced installation and refitting times for components. The focus is on improving the productivity of the entire system.

BÖWE SYSTEC's development activities in the field of software are aimed at the ongoing trend towards automation in the mailroom. Increasingly, software solutions are being used to control and monitor mailroom production processes, to monitor plant quality and integrity and to network individual manufacturing sites. These tools for saving costs and continuously improving processes are in a permanent process of improvement and expansion by our software developers. *BICOS 2009* represented the completion of a new generation of control and management software. It serves as an intelligent interface between the operator and the high-performance inserter, while at the same time recording and analyzing manufacturing performance indicators. The newly developed *JETVision* scanning system allows third-party systems (e.g. industrial printers) to be integrated into the BÖWE *One* software platform, offering the client a single concept for the monitoring and controlling of all mailroom work processes.



It is becoming increasingly clear that successful solutions require a combination of hardware and software, a development spotted by BÖWE SYSTEC in its infancy. This is why these two fields work so closely together at BÖWE SYSTEC. The trend towards high-quality documentation, the increased use of color printing and the emergence of TransPromo communication are a reflection of the desire on the part of customers to only send out high-quality documents. To this end, documents with printing errors, soiling or an incorrect logo must be removed from the mailing process. The VEKtor camera scanning system enables documents to be scanned almost in their entirety while the inserting system is in operation. The software then compares the quality of the document with the customer's specifications, initiating the automatic redirection of the document by the inserting system in the event of a discrepancy.

Development activities in the field of card solutions are characterized by the launch of a range of product innovations in the three divisions card personalization, card mailing and software solutions. The BC-alpha² high-performance personalization system now allows the highly efficient parallel processing of various personalization jobs, thus representing an efficient personalization solution for the increasing diversity of card designs and sinking batch sizes. TransPromo communication also constitutes an important market trend in the plastic cards sector.

Development activities in the field of card mailing systems allow a much greater degree of freedom in the design and composition of each individual card mailing, while at the same time safeguarding efficiency and a high level of integrity. These new developments put BÖWE SYSTEC in an ideal position in the field of automated card mailing for the implementation of TransPromo campaigns.



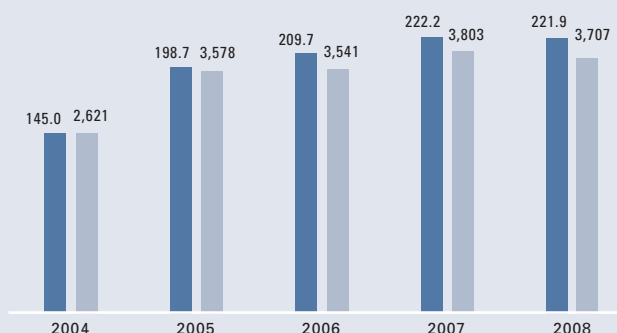


BÖWE SYSTEC GROUP:

Personnel expenses
and employees

in EUR million

■ PERSONNEL EXPENSES
in EUR million
■ EMPLOYEES (annual average)



Employees

At the end of 2008, the BÖWE Group employed 3,684 employees throughout the world. Compared to the prior year this corresponds to a decrease of 102 staff. Companies based in Germany saw their workforce fall by 23 to 965 employees, while companies in other countries employed a total of 2,719 people (prior year: 2,798).

Thanks to all employees and employee representatives

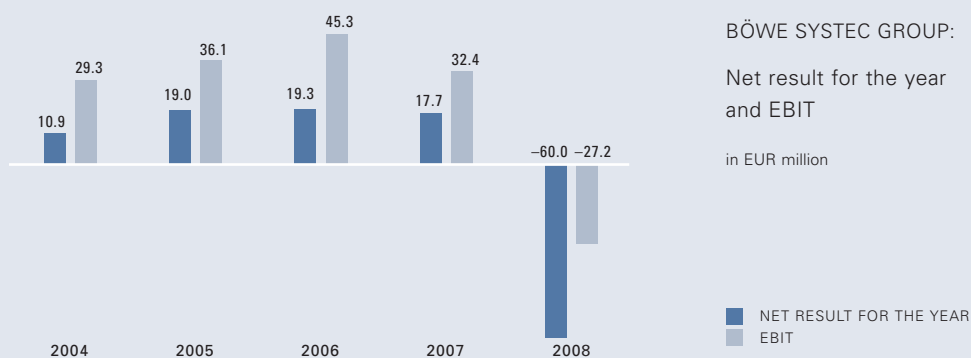
The management board would like to thank all employees for their commitment and their hard work in the fiscal year. Through their initiative and technical know-how they made an important contribution towards our Company's success. Thanks are also due to the workforce representatives for the stable climate of mutual trust, and the understanding of working together for the good of the Company. In order to remain competitive at a global level, it will be important to be able to react flexibly to changes in the market and fluctuations in demand.

Earnings situation

The development of the BÖWE SYSTEC Group's results in fiscal 2008 was heavily influenced by the economic downturn and the impact of the financial crisis in the second half of the year. Group revenue of EUR 450.2 million meant that the originally planned increase on the prior year could not be realized. It also became necessary to make a EUR 33.5 million adjustment to the goodwill of BÖWE BELL + HOWELL. The net loss for the year came to EUR 60.0 million in the year under review following a net profit of EUR 17.7 million in fiscal 2007, mainly due to the impairment of goodwill and precautionary adjustments of loans totaling EUR 17.3 million.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Earnings before interest, taxes, depreciation and amortization (EBITDA) in fiscal year 2008 totaled EUR 23.3 million compared with EUR 50.6 million in the previous year. The drop of around EUR 27.3 million was due in part to the EUR 12.8 million reduction in gross profit. This was down on the prior year, mainly due to revenue, with a slightly



decreased gross margin on revenue. On the other hand, other operating expenses rose EUR 13.7 million on account of non-recurring expenses stemming from the restructuring and focusing on the core business, impairments of other assets and increased exchange rate losses. Total selling and administrative costs were reduced by around EUR 2.3 million while forward-looking research and development costs rose by EUR 0.9 million. Total other operating income fell, due entirely to the reduction in exchange rate income. Due to these changes, the EBITDA return on sales fell to 5.2% from 10.8% in the prior year.

Due in particular to the impairment of goodwill and other non-recurring expenses in connection with ongoing restructuring measures, group earnings before interest and taxes (EBIT) recorded a net loss of EUR 27.2 million, down from an EBIT of EUR 32.4 million in the prior year. In the regional segment of Germany, EBIT came to EUR 7.7 million, once again the largest share of Group earnings as in the prior year (EUR 13.9 million). The return on EBIT was at 6% after 12% in the prior year. The European segment declined significantly with EBIT of EUR 2.3 million (prior year: EUR 6.0 million) and a return on sales of 2.3% (prior year: 5.6%). The drop in sales as a consequence of the economic crisis and the necessary impairment of goodwill led to a significant decrease in EBIT in the US, the largest segment in terms of revenue, to EUR –31.2 million (prior year: EUR 12.2 million). EBIT in the Rest of World segment improved in fiscal year 2008 from EUR 0.5 million to EUR 0.9 million.

Expenses/other operating result

Overheads in fiscal year 2008 totaled EUR 136.6 million, a fall of EUR 1.5 million on the previous year. In proportion to revenue, overheads rose from 29.3% in 2007 to 30.3% in 2008.

Other operating income and expenses resulted in a net expense of EUR 8.6 million, following a net income of EUR 6.1 million in the prior year.

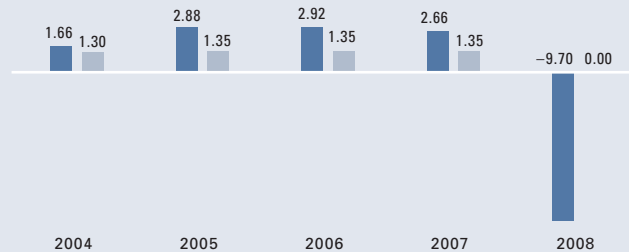


BÖWE SYSTEC-GROUP:

Figures per share

in EUR

■ EARNINGS PER SHARE
■ DIVIDENDS



Financial result

The balance arising from other interest income and interest expenses accumulated to an expense of EUR 14.4 million compared with EUR 18.2 million in the previous year. This improvement was mainly due to the issue of a hybrid loan amounting to EUR 40 million in December 2007. In the prior year, the profit of Lasermax Roll Systems which was reported at equity contributed EUR 0.9 million to results in the first half of the year.

Income taxes

Income tax expenses came to EUR 1.1 million, while the prior year saw tax income of EUR 2.7 million. The main individual items included in this item comprise non-recurring special income from the reversal of tax provisions from prior years that are no longer required.

Net income for the year and earnings per share

The Group reported a net loss for the year of EUR 60.0 million, compared with a net income of EUR 17.7 million in the prior year. Of the net income for the year, EUR 4.0 million (prior year: EUR 0.1 million) is attributable to the bearers of hybrid capital which was placed in December 2007 to reinforce the capital base of the Group. With an unchanged weighted average of 6.6 million shares in fiscal year 2008, earnings per share came to EUR -9.70 (basic and diluted) compared with EUR 2.66 in the previous year.

Appropriation of net retained profit for 2008

The supervisory board and management board of BÖWE SYSTEC AG will propose carrying the net retained profit for 2008 forward to new account at the annual general meeting to be held 2009.

Net assets and financial position

The development of the BÖWE SYSTEC Group's net assets and financial position in the past fiscal year was heavily influenced by the economic downturn and the impact of the financial crisis in the second half of the year. Poorer prospects for growth made it necessary to make a EUR 33.5 million adjustment to the goodwill of BÖWE BELL + HOWELL.



Cash flow developed less favorably, amounting to EUR 12.5 million in fiscal year 2008, EUR 23.9 million down on the prior year.

The consolidated balance sheet of the BÖWE Group reported net assets of EUR 532.0 million as of the end of fiscal 2008, a fall on the prior year of EUR 33.7 million. In addition to exchange rate effects, particularly in connection with the translation of the separate financial statements of companies in the US, which are prepared in US dollars, the partial impairment of goodwill and loans played a significant part in the drop in net assets.

Current assets fell EUR 31.2 million on the prior fiscal year to EUR 206.8 million. Almost unchanged inventories of EUR 103.6 million were offset by a EUR 12.5 million fall in current receivables and other assets to EUR 95.5 million, as well as a EUR 18.8 million drop in cash and cash equivalents to EUR 7.7 million.

Non-current assets fell from EUR 327.7 million at the end of the prior year to EUR 325.1 million at the end of 2008. This includes on the one hand a EUR 35.7 million increase in property, plant and equipment to EUR 68.6 million. This mainly reflects the assumption of the lease agreement for property at the Group's main offices in Augsburg. On the other hand, the impairment of loans caused financial assets to drop EUR 16.2 million to EUR 0.8 million.

Intangible assets fell EUR 21.7 million as a result of the adjustment of goodwill as of the balance sheet date. Exchange rate effects increased non-current assets by EUR 12 million in a year-on-year comparison.

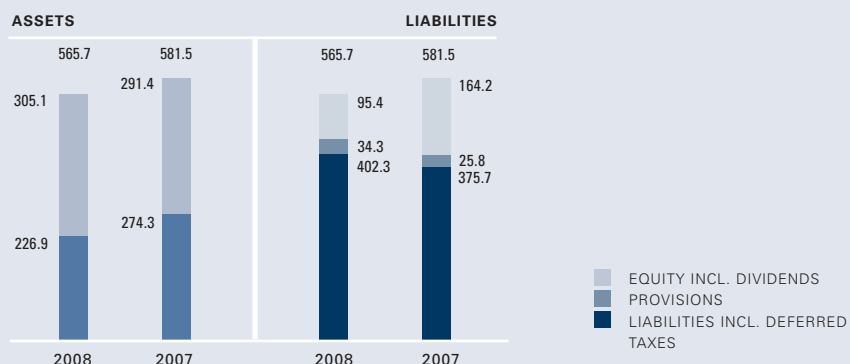
The equity and liabilities side of the consolidated balance sheet mainly saw a change in the residual term of liabilities and a reduction of equity compared to the prior year. In the course of fiscal 2008, BÖWE SYSTEC AG was unable to comply with the financial covenants in four loan agreements. For this reason, all financing affected by the breach of covenants is reported as current. In the course of a series of discussions with banks, said banks waived the exercise of rights such as special termination rights on account of the breach of covenants in the course of fiscal 2008 and as of December 31, 2008.

BÖWE SYSTEC GROUP:

Balance sheet comparison
with prior year

in EUR million

■ NON CURRENT ASSETS
■ CURRANT ASSETS INCL.
DEFERRED TAXES



While the BÖWE Group's current liabilities rose to EUR 316.5 million as of the end of 2008 (prior year: EUR 169.7 million), non-current liabilities fell EUR 111.7 million to EUR 120.1 million. Compared with the end of the prior year, liabilities therefore rose overall by EUR 35.1 million, mainly due to the assumption of a lease agreement in Augsburg.

Within current liabilities, the EUR 153.5 million increase in current financial liabilities to EUR 199.4 million was offset by a EUR 9.1 million revenue-related fall in trade payables to EUR 22.0 million.

The reduction in non-current liabilities is mainly due to the drop in non-current financial liabilities, which fell EUR 111.2 million since the prior-year balance sheet date to EUR 78.5 million.

A detailed financing concept, that matches the previous financing structure in terms of nature and scope, was drawn up with the financing parties in the course of extensive talks. In mid-June 2009, the financing parties gave their support in principle to the financing concept, subject to a loan being granted by KfW as part of the refinancing measures. The corresponding decision-making bodies at KfW have also given their consent.

The BÖWE Group's equity came to EUR 95.4 million at the end of 2008, EUR 68.8 million lower than at the value for the prior year. The reduction of equity was mainly due to the net loss for the fiscal year of EUR 60.0 million as well as the payment of a EUR 8.9 million dividend for fiscal 2007. The equity ratio fell from 29.0% to 17.9%.

The development of the Group's net financial liabilities was strongly influenced by reduced cash flow from operating activities and measures to safeguard the Company's headquarters in Augsburg. The total net financial liabilities of the BÖWE Group came to EUR 270.2 million, up from EUR 209.1 million at the end of fiscal 2007.

Dependent company report

We hereby declare that BÖWE SYSTEC AG received appropriate consideration in return for any legal transaction with affiliates in accordance with the circumstances known to us at the time the legal transactions were effected.



Risk management

Business activity is inextricably linked to the management of opportunities and risks. An effective risk management system supports the BÖWE SYSTEC Group by identifying and actively managing opportunities and risks at an early stage. In light of the dynamic development of the markets in which BÖWE SYSTEC's customers are active and the increased complexity of the business model, the effective management of risk is indispensable.

The management board of the BÖWE SYSTEC Group has established a standard, group-wide risk management system with a view to identifying, assessing and managing relevant risks at an early stage on the basis of the requirements of the appropriate standards. Risk management is an integral part of the BÖWE SYSTEC Group's planning and management.

The risk management system is not an inflexible body of rules and regulations. It is dynamically adapted to suit the changing conditions of the markets we serve. The BÖWE SYSTEC Group sees its risk management system as an ongoing process that is constantly adapting to the organization of the Group, the markets and current economic conditions, and is always under development.

In order to counter the strategic and operational business risks at home and abroad on the basis of uniform standards, all foreign companies have been integrated into the existing risk management system.

In the reporting period there were no risks that could have jeopardized the continuing existence of the BÖWE SYSTEC Group. The individual financial risks constitute the most significant category of risk. From a current perspective, this risk category alone could give rise to risks that jeopardize the continuing existence of the Group in the future.





Significant risks

Industry-specific risks

As a company with international activities and representation, BÖWE SYSTEC is dependent on the development of the economy in the sales markets which it serves. In particular the special relevance of the US for the global economy has a direct and an indirect impact on the business of the BÖWE SYSTEC Group. With a share of roughly two thirds of the Group's order intake and revenue, North America is the largest market for BÖWE SYSTEC. The dramatic collapse of the US economy has had a serious impact on the BÖWE Group's unit sales. The credit crunch has had a particular impact on banks' and insurance companies' investment in their mailrooms. The negative development of results at the US subsidiary BÖWE BELL + HOWELL resulted in the revaluation of goodwill and the carrying amount of the investment in the consolidated financial statements for 2008.

In the short and medium term, the BÖWE SYSTEC Group benefits from its relatively high proportion of services, which make a steady contribution to revenue and earnings even in challenging economic times.

The banking crisis in the US spread beyond that country's borders to affect the entire global economy in the past year. BÖWE SYSTEC sees itself confronted with the consequences of the crisis as financial institutes are an important customer segment for the Company worldwide. There was a noticeable reticence among these customers in the fiscal year 2008 to make investments in capital goods. However, as these postponed capital outlays generally represent investments in long-term capital goods promising higher efficiency, BÖWE SYSTEC expects a higher number of orders in coming years.

In the medium term the tight financial situation of this market segment will favor the concentration of mail services on service centers and internal mailing centers which in turn will favor the use of systems from the BÖWE product portfolio.

Due to its high coverage of the market, the BÖWE SYSTEC Group has laid the groundwork for the sustainable generation of a large portion of its revenue, even in difficult market conditions.



Research and development

Constantly adapting the product and service portfolio to current developments and customer requirements in the relevant markets is essential to future success. Research and development projects around the world also work tirelessly on refining the product portfolio.

Market, customer and competition analyses are used as a basis for the further development of the existing portfolio of products, services and software solutions.

Financial risks – Interest and exchange rate risks

The BÖWE Group generates a large portion of its order intake and revenue abroad and by far the largest portion of this in the US. The devaluation of the US dollar against the euro in the past fiscal year is therefore having a massive impact on the consolidated figures for the order intake, order backlog and sales revenue.

The changes in foreign exchange rates are having a far weaker impact on the earnings of the BÖWE SYSTEC Group. Approximately half the revenue generated in North America stems from services for which the associated costs are also denominated in US dollars. The situation with product sales is similar. BÖWE SYSTEC maintains factories in the USA for the production of inserting and mail-sorting systems as well as a number of software companies. Consequently, the cost of sales for our products is also denominated in dollars. With locations in North America and Europe, two of the most important economic and currency zones, the BÖWE group believes it is well-equipped for future currency fluctuations on the one hand and for disparate economic developments on the other.

The Group treasury mainly hedges against exchange rate risks using derivative financial instruments, in close cooperation with the operating units. The BÖWE SYSTEC Group also limits exchange rate risks by encouraging natural hedging measures within the Group.

However, the fall in the US dollar also promises a competitive advantage for American providers over manufacturers in the euro zone. For European competitors in the mailroom management market, this is reflected in the sustained pressure from US competitors to reduce prices. The management of BÖWE SYSTEC counters this risk of



falling margins by taking continuous action in order to reduce costs and to maintain or even improve profitability.

Liquidity risks

In the course of fiscal 2008, BÖWE SYSTEC AG was unable to comply with the financial covenants stipulated in four loan agreements. For this reason, all financing affected by the breach of covenants is reported as current. In a series of discussions with banks, said banks waived the exercise of rights such as special termination rights on account of the breach of covenants in the course of fiscal 2008 and as of December 31, 2008. Based on the results of the talks held with the providers of finance involved in Germany, we continue to rely on their constructive support for the BÖWE SYSTEC Group.

In order to relieve existing credit lines in Germany, the finance providers also agreed to a moratorium on repayments due in December 2008 until further notice, even if the repayments could have been made using the existing free credit lines as of December 31, 2008. A standstill for repayments of EUR 8.5 million and EUR 4.2 million to be made under contract on June 30, 2009 and December 31, 2009 respectively was also agreed.

The covenants agreed to for the syndicated loan of BÖWE BELL + HOWELL were also not complied with for the first time in December 2008. In the talks held with local banks, the exercise of rights arising from the breach of the covenants was waived, and a contractual amendment agreed to with renegotiated covenants.

The consolidated financial statements were prepared assuming the continued existence of the Company as a going concern on the basis of the financing concept agreed to in Germany with the financing parties with the consent of KfW.

Liquidity was released by optimizing working capital, which will serve to reduce the BÖWE SYSTEC Group's level of debt, on the basis of an efficiency improvement concept launched in 2008 and supported by a team of consultants.

If the measures provided for in the restructuring concept cannot be implemented on the planned scale or within the planned schedule, it will only be possible to safeguard the liquidity and therefore the existence of the Group by means of further financing measures in the future.

Refinancing risks

Refinancing risks arise when a company is no longer able to obtain the funds that it requires to meet its obligations on the capital market. In addition to cash inflow from operating activities, we also hold credit lines with leading banks. The non-payment of a dividend for fiscal 2008 was also aimed at improving the Group's debt and liquidity situation.

Credit risks

Default risks relating to trade or financial receivables carry the risk of existing financial receivables being satisfied late or defaulted entirely.



The strong customer structure means that receivables are only defaulted in exceptional cases. Receivable amounts are also permanently monitored as part of working capital management.

Opportunities

As already described above, the exploitation of opportunities can have a positive influence on the BÖWE SYSTEC Group's revenue, earnings and liquidity. In the opinion of the BÖWE SYSTEC management board, these include the following opportunities:

- Rapid liberalization of European postal markets resulting in an increased demand for sorting
- Introduction of the intelligent mail barcode by the US postal service boosting demand for scanning and processing software in the US
- Introduction and consistent application of improved management instruments allowing the realization of additional and previously unidentified potential margins

Disclosures pursuant to Sec. 315 (4) HGB [“Handelsgesetzbuch”: German Commercial Code]

We refer to the information in notes 12 and 30 for details on capital and the basic features of the remuneration system of the management board.

The appointment and dismissal of members of the management board is regulated in Sections 84, 85 AktG [“Aktengesetz”: German Stock Corporation Act] and in Art. 6 of the articles of incorporation amended July 3, 2007. In accordance with Art. 6 of the articles of incorporation the management board comprises at least two persons, otherwise the supervisory board determines the number of members of the management board. Amendments to the articles of incorporation are carried out in accordance with Sec. 179, 133 AktG as well as Art. 13 articles of incorporation, version dated July 3, 2007; under the latter provision the supervisory board is authorized to pass resolutions on amendments and additions to the articles of incorporation providing these relate only to the wording.



SUBSEQUENT EVENTS | OUTLOOK

Subsequent events

On January 20, 2009, the supervisory board of BÖWE SYSTEC AG granted the wish of the former chairman of the management board, Dr. Claus Gerckens, and released him from his responsibilities and duties within the BÖWE Group for personal reasons, with effect as of January 31, 2009. Dr. Gerckens therefore retired from the management board of BÖWE SYSTEC AG as of that date.

The supervisory board appointed Mr. Oliver Bialowons as Dr. Gerckens' successor in the position of chairman of the management board as of February 1, 2009.

With effect as of March 3, 2009, Mr. Michael Meyer was released from his duties and responsibilities for the BÖWE Group, therefore retiring from the management board of BÖWE SYSTEC AG as of that date. Mr. Bialowons assumed responsibility for the Technology portfolio on a provisional basis. The termination of both employment contracts led to a one-off expense of EUR 1.1 million for BÖWE SYSTEC AG.

The management board would like to thank Dr. Gerckens and Mr. Meyer for the many years of successful work on behalf of the Company.

On June 22, 2009, the supervisory board made Peter Goebel an ordinary member of the management board with effect as of July 1, 2009. Mr. Goebel will head the newly created Sales & Services division.

After the end of the fiscal year there were no other events of special importance which will have a major impact on the course of business for BÖWE SYSTEC AG.

Outlook

The global economy will shrink significantly as a consequence of the crisis on the financial markets. In Germany, manufacturers of capital goods such as plant and machinery suffered most from the drop in economic activity at the end of the 2008. At the same time, economic output shrank by 2.1%, and analysts expect the German economy to continue to shrink in 2009. Economists forecast growth of around 5% to 6% for GDP. A drop of around ten percent on the prior year is anticipated for global exports. The US economy is expected to generally remain weak in 2009, while slight growth seems possible for 2010. Forecasts are currently subject to an unusually high level of uncertainty. This is due in no small part to the crisis on the financial markets, whose duration and impact on the real economy is difficult to estimate. Future economic development is largely dependent on the prompt implementation of economic and financial stimulus packages in individual countries.

In the fall of 2007 the member states of the EU agreed not to fully open up the European postal markets until the beginning of 2011. Thus the dismantling of the national postal monopolies originally planned by the EU Commission for the beginning of 2009 has been delayed for another two years. Individual member states, particularly those in eastern Europe, have been allowed to protect their markets from foreign competition until the end of 2012. For BÖWE SYSTEC this means that the potential sales from the liberalization of the postal markets will be delayed, particularly for mail sorting systems.

OUTLOOK

Market observers also anticipate a fall in the volume of mail as companies reign in spending on advertising. An increase in the volume of mail as a consequence of the deregulation of the German postal market on account of potential competitive pressure on delivery fees is not to be expected for 2009. Personalized mailing, a segment of particular importance to BÖWE SYSTEC, is forecast to develop more favorably than the overall market in the medium term.

We therefore anticipate a drop in demand in the systems business for fiscal 2009 on account of economic conditions. In the service industry however, which has contributed around 45% of group revenue in recent years, we see a contribution to revenue that is largely independent of the economy, with no significant change in the number of machines installed in the market anticipated.

Planning for fiscal 2009 anticipates a drop in revenue on the basis of current uncertainty regarding future economic development. The effect of lower revenue on earnings is already being combated using flexibility with regard to costs in corporate divisions. In order to avoid redundancies wherever possible, shorter working hours have already been introduced in the first quarter of 2009 at the German manufacturing companies. Similar measures are also being taken at manufacturing companies outside of Germany. The measures introduced to improve efficiency and reduce costs should facilitate a significant improvement in operating results as of 2010. The medium-term target for results remains an average group-wide EBITDA of more than 10%. Due to the economic conditions and the debt situation of the BÖWE Group, particular attention will be paid to cash management. Financing costs will continue to play a central role on account of financial liabilities resulting from acquisitions in recent years. They will rise in 2009 on account of the severity of the situation on the financial markets.

Reference to uncertainty regarding the outlook

The above forward-looking statements and information are based on current expectations and certain assumptions. These forward-looking statements involve known and unknown risks and uncertainties. Numerous factors, a number of which lie outside the influence of the BÖWE SYSTEC Group, could have an impact on business activities and results. These factors may result in the BÖWE SYSTEC Group's actual performance and results varying significantly from forecasts.





CONSOLIDATED FINANCIAL STATEMENTS

BÖWE SYSTEC AKTIENGESELLSCHAFT, Augsburg
Consolidated financial statements as of December 31, 2008

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CONSOLIDATED BALANCE SHEET

ASSETS	Note	2008	2007
		KEUR	KEUR
A. CURRENT ASSETS			
I. Cash and cash equivalents			
		7,746	26,549
II. Receivables and other assets			
1. Trade receivables	(5)	82,057	95,398
2. Lease receivables	(6)	938	1,138
3. Income tax refund claims		2,162	1,179
4. Derivative financial instruments	(15)	866	184
5. Other assets	(7)	9,461	10,073
		95,484	107,972
III. Inventories	(4)	103,606	103,452
		206,836	237,973
B. NON-CURRENT ASSETS			
I. Receivables and other assets			
1. Lease receivables	(6)	1,133	1,404
2. Other assets	(7)	3,906	4,511
		5,039	5,915
II. Intangible assets			
1. Goodwill	(2)	128,535	154,590
2. Trademarks and patents	(2)	63,060	61,071
3. Client base		7,262	10,355
4. Capitalized development work		22,775	19,794
5. Other intangible assets		9,511	7,215
6. Prepayments		548	340
		231,691	253,365
III. Property, plant and equipment		68,630	32,973
IV. Investment property	(3)	4,772	5,079
V. Financial assets			
1. Securities		747	742
2. Loans		0	16,228
3. Derivative financial instruments	(15)	22	18
		769	16,988
VI. Deferred tax assets	(22)	14,246	13,408
		325,147	327,728
		531,983	565,701

EQUITY AND LIABILITIES		2008	2007
		KEUR	KEUR
A. CURRENT LIABILITIES			
I. Financial liabilities	(8)		
1. Liabilities to banks		153,881	38,845
2. Bonds	(9)	150	133
3. Other financial liabilities		43,001	6,556
4. Lease liabilities		2,384	416
		199,416	45,950
II. Trade payables		21,974	31,099
III. Current income tax liabilities		8,918	10,872
IV. Other liabilities			
1. Deferred revenue		35,792	34,679
2. Accruals		30,756	31,841
3. Other liabilities		10,215	10,251
		76,763	76,771
V. Derivative financial instruments	(15)	1,293	460
VI. Provisions	(10)	8,150	4,580
		316,514	169,732
B. NON-CURRENT LIABILITIES			
I. Financial liabilities	(8)		
1. Liabilities to banks		15,880	111,833
2. Profit participation rights		36,000	36,000
3. Bonds	(9)	251	306
4. Other financial liabilities		160	40,402
5. Lease liabilities		26,200	1,136
		78,491	189,677
II. Derivative financial instruments	(15)	0	50
III. Provisions	(10)	26,147	21,215
IV. Deferred tax liabilities	(22)	15,437	20,814
		120,075	231,756
		436,589	401,488
C. EQUITY			
I. Subscribed capital	(12)	17,160	17,160
II. Capital reserve	(13)	33,459	33,457
III. Revenue reserve		94,934	86,280
IV. Revaluation reserve		5,026	5,026
V. Income and expenses recorded directly in group equity		-30,937	-35,026
VI. Group net result attributable to shareholders of the parent company		-64,000	17,564
Equity attributable to shareholders of the parent company		55,642	124,461
VII. Hybrid capital	(14)	39,752	39,608
VIII. Group net result attributable to owners of hybrid capital		4,000	144
IX. Dividend distribution		-4,000	0
Equity attributable to owners of hybrid capital		39,752	39,752
		95,394	164,213
		531,983	565,701

CONSOLIDATED INCOME STATEMENT

		2008	2007
	Note	KEUR	KEUR
Revenue	(17)	450,236	470,410
Cost of sales		-298,726	-306,076 *
Gross profit		151,510	164,334
Selling and distribution costs		-55,471	-55,136
Administrative expenses		-64,569	-67,236
Research and development costs		-16,565	-15,683 *
Other operating income	(18)	6,361	7,419
Other operating expenses	(20)	-14,968	-1,276
Impairment losses on goodwill	(2)	-33,500	0
Earnings before investment income, interest and taxes (EBIT)		-27,202	32,422
Income from joint ventures accounted for at equity		0	871
Other interest and similar income	(21)	2,273	2,098
Interest income from leases	(21)	151	127
Impairments of loans	(15)	-17,343	0
Interest and similar expenses	(21)	-16,782	-20,473
Earnings before taxes (EBT)		-58,903	15,045
Income taxes	(22)	-1,097	2,663
Group net result for the year		-60,000	17,708
Attributable to:			
- shareholders of the parent company		-64,000	17,564
- owners of hybrid capital		4,000	144
Group net result for the year		-60,000	17,708
Earnings per share (basic and diluted)		EUR -9.70	EUR 2.66

* Prior-year figures adjusted

CONSOLIDATED CASH FLOW STATEMENT

	2008	2007
	KEUR	KEUR
Net result for the period	-60,000	17,708
+ Depreciation and amortization of non-current assets	50,506	18,196
+ Write-downs on loans	17,343	0
+ Net interest income/loss	14,358	18,248
+ Income taxes	1,097	-2,663
+/- Increase/decrease in provisions	538	3,718
+/- Other non-cash income and expenses, net	11,760	-2,969
+/- Loss/gain on disposal of non-current assets and from deconsolidation	243	-192
-/+ Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	10,901	9,414
+/- Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	-11,645	4,775
- Share of net profit of associate	0	-871
+ Dividends received from associate	0	1,083
- Interest expenses	-15,621	-18,375
+ Interest income	879	2,225
- Income taxes	-7,896	-13,893
= Cash flow from operating activities	12,463	36,404
+ Cash received from disposals of property, plant and equipment	1,795	1,461
+ Cash received from disposals of intangible assets	0	928
- Cash paid for investments in property, plant and equipment	-19,047	-9,756
- Cash paid for investments in intangible assets	-10,300	-8,800
+ Cash received from disposals of financial assets	0	16
- Cash paid for investments in financial assets	0	-3,793
- Cash paid for the acquisition of consolidated entities and other business units	-5,472	-10,993
= Cash flow from investing activities	-33,024	-30,937
+ Cash received from capital increases	0	39,440
- Dividends paid	-12,910	-8,910
- Change in lease liabilities	3,129	693
+ Cash received from the issue of bonds and from borrowings	0	23,230
- Cash repayment of bonds and borrowings	-19,883	-20,486
= Cash flow from financing activities	-29,664	33,967
Net change in cash and cash equivalents	-50,225	39,434
- Changes in cash and cash equivalents due to exchange rate fluctuations	-1,354	-1,397
+ Cash and cash equivalents at the beginning of the period	6,225	-31,812
= Cash and cash equivalents at the end of the period	-45,354	6,225
Composition of cash and cash equivalents at the end of the period		
+ Cash	7,746	26,549
- Liabilities to banks due on demand	-53,100	-20,324
	-45,354	6,225

SEGMENT REPORTING

Geographical segments are the primary format for the segment reporting of the Group, as the risks and equity yield of the Group are influenced by differences in the various geographical regions. The Mailroom Management segment represents the secondary segment reporting format.

The Group is divided into the following geographical segments: Germany, Europe, USA, Rest of World (RoW).

	PRIMARY SEGMENTATION 2008				
	Germany	Europe	USA	RoW	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
External sales	57,579	88,764	276,281	27,612	450,236
Internal sales	71,388	13,132	12,345	36	96,901
Total sales	128,967	101,896	288,626	27,648	547,137
Segment EBIT	7,704	2,293	-31,225	915	-20,313
Unallocated expenses					
Unallocated income					
Group EBIT					
Interest expenses					
Interest income including interest income from leases					
Write-downs of loans					
Income from joint ventures accounted for using the equity method					
Income taxes					
Net result of the Group for the year					
Segment assets	144,823	80,935	314,408	18,834	559,000
Unallocated assets					
Segment liabilities	39,802	37,850	55,164	5,494	138,310
Unallocated liabilities					
Capital expenditures	38,768	4,010	10,623	587	53,988
Capital expenditures from the enlargement of the consolidated group					
Depreciation and amortization	2,632	1,357	46,378	72	50,439
Unallocated depreciation and amortization					
Impairment loss on goodwill included in EBIT	0	0	33,500	0	33,500

Geographical segments

The tables below present sales and profit and certain information on assets and liabilities regarding the geographical segments of the Group for the fiscal years ended December 31, 2008 and 2007.

		PRIMARY SEGMENTATION 2007						
Consolidation	Consolidated	Germany	Europe	USA	RoW	Total	Consolidation	Consolidated
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
0	450,236	58,607	101,755	292,542	17,506	470,410	0	470,410
-96,901	0	62,484	4,945	24,869	582	92,880	-92,880	0
-96,901	450,236	121,091	106,700	317,411	18,088	563,290	-92,880	470,410
-162	-20,475	13,850	5,994	12,153	540	32,537	2,644	35,181
	-7,370							-3,491
	643							732
	-27,202							32,422
	-16,782							-20,473
	2,424							2,225
	-17,343							
		871	0	0	0	871	0	871
	-1,097							2,663
	-60,000							17,708
-51,015	507,985	110,443	98,270	349,751	15,053	573,517	-46,994	526,523
	41,341							39,178
	549,326							565,701
-42,775	95,535	25,779	44,484	57,989	3,767	132,019	-32,523	99,496
	341,054							301,992
	436,589							401,488
0	53,988	4,391	4,216	9,726	110	18,443	254	18,697
		0	12,298	7,169	0	19,467	0	19,467
-240	50,199	2,549	1,821	13,604	165	18,139	-250	17,889
	307							307
	50,506							18,196
0	33,500							

STATEMENT OF CHANGES IN GROUP EQUITY

	Subscribed capital	Capital reserve	Revenue reserves	Revaluation reserve
	KEUR	KEUR	KEUR	KEUR
As of January 1, 2007	17,160	33,459	76,186	5,026
Dividends for the prior year	0	0	0	0
Net result for the period	0	0	0	0
Change in income and expenses recorded directly in equity	0	0	0	0
Change in consolidated group	0	0	0	155
Changes in reserves	0	0	10,094	-155
Borrowing of hybrid capital	0	0	0	0
Capital procurement costs for hybrid capital	0	0	0	0
Stock option program	0	-2	0	0
As of December 31, 2007	17,160	33,457	86,280	5,026
As of January 1, 2008	17,160	33,457	86,280	5,026
Dividends for the prior year	0	0	0	0
Net result for the period	0	0	0	0
Change in income and expenses recorded directly in equity	0	0	0	0
Changes in reserves	0	0	8,654	0
Stock option program	0	2	0	0
As of December 31, 2008	17,160	33,459	94,934	5,026

Statement of recognized income and expenses in Group equity for 2008

Change in fair value of financial instruments used for hedging purposes and recorded in equity

Actuarial gains and losses from defined benefit obligations and other post-employment obligations

Translation reserves for foreign subsidiaries

Income and expenses recognized directly in Group equity

Earnings after tax

Total of net result for the period and income and expenses of the period recognized directly in equity

Income and expenses recorded directly in Group equity						
Change in fair values of financial instruments used for hedging purposes	Actuarial gains and losses from defined benefit pension obligations	Translation reserve	Group net result attributable to parent company	Equity attributable to the parent company	Hybrid capital	Total group equity
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
246	-2,509	-13,764	19,251	135,055	0	135,055
0	0	0	-8,910	-8,910	0	-8,910
0	0	0	17,564	17,564	144	17,708
-273	1,235	-19,961	0	-18,999	0	-18,999
0	0	0	0	155	0	155
0	0	0	-10,341	-402	0	-402
0	0	0	0	0	40,000	40,000
0	0	0	0	0	-392	-392
0	0	0	0	-2	0	-2
-27	-1,274	-33,725	17,564	124,461	39,752	164,213
-27	-1,274	-33,725	17,564	124,461	39,752	164,213
0	0	0	-8,910	-8,910	-4,000	-12,910
0	0	0	-64,000	-64,000	4,000	-60,000
27	-4,857	8,919	0	4,089	0	4,089
0	0	0	-8,654	0	0	0
0	0	0	0	2	0	2
0	-6,131	-24,806	-64,000	55,642	39,752	95,394

2008		
Before taxes	Tax effect	Net
KEUR	KEUR	KEUR
42	-15	27
-7,902	3,045	-4,857
8,919	0	8,919
1,059	3,030	4,089
		-60,000
		-55,911

2007		
Before taxes	Tax effect	Net
KEUR	KEUR	KEUR
-464	191	-273
1,638	-403	1,235
-19,961	0	-19,961
-18,787	-212	-18,999
		17,708
		-1,291

BÖWE SYSTEC AKTIENGESELLSCHAFT, AUGSBURG – NOTES TO THE

I. Basis of preparation

BÖWE SYSTEC Aktiengesellschaft is headquartered in Augsburg and is filed in the commercial register of the Augsburg district court under HRB 61. The address of the Company is Werner-von-Siemens-Strasse 1, 86159 Augsburg, Germany.

The parent company is WANDERER-WERKE AKTIENGESELLSCHAFT with registered offices in Augsburg, Germany, which at the same time is the ultimate parent of the Group.

The purpose of the Company is the development, manufacture and sale of machines and equipment for the automated processing of high volumes of mail and the provision of related services. The most important products are inserter systems, mail verification and mail sorting systems as well as rolling and unwinding systems. In most cases, the products are combined to form complex systems controlled by integrated software. All these products are used in the mailroom and are therefore combined in the Mailroom Management segment.

The consolidated financial statements of BÖWE SYSTEC Aktiengesellschaft for the year 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted in the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [‘Handelsgesetzbuch’: German Commercial Code]. All pronouncements of the International Accounting Standards Board whose adoption is mandatory have been considered.

As a result of various projects, the IASB and the IFRIC have enacted a series of amendments to various standards and interpretations and promulgated new standards and interpretations that are generally applicable for fiscal years beginning on or after January 1, 2009. Standards issued by the end of the fiscal year 2008 and revisions of existing standards and interpretations whose adoption is not mandatory until January 1, 2009 or later were not adopted in the consolidated financial statements as of December 31, 2008. With the exception of additional disclosures in the notes, this did not have any material impact on the consolidated financial statements.

The consolidated financial statements have been prepared in euro. Unless otherwise specified, all amounts are stated in thousands of euro (KEUR). The income statement has been prepared using the function of expense method.

All assets and liabilities are carried at historical or amortized cost, with the exception of derivative financial instruments that are carried at fair value.

The consolidated financial statements and group management report prepared by the management board as of December 31, 2008 were authorized for issue to the supervisory board at the meeting of the management board on June 30, 2009.

II. Basis of consolidation

The consolidated financial statements are based on the financial statements of the subsidiaries included in the Group as of December 31, 2008, which have been prepared according to uniform accounting policies.

From January 1, 2003 capital consolidation for subsidiaries included in the consolidated financial statements for the first time is performed according to the purchase method of accounting pursuant to IFRS 3 (Business Combinations). This involves measuring the identifiable assets, liabilities and contingent liabilities in full at their fair value at acquisition date. The cost of the shares acquired is offset against pro rata equity of the subsidiary measured at fair value. Any debit difference remaining after offsetting is disclosed as goodwill under intangible assets, while any credit difference is posted to income.

If in connection with the inclusion of a subsidiary in the consolidated financial statements not all shares of the new subsidiary were acquired by the BÖWE SYSTEC Group, but the minority shareholders have put options for the shares outstanding, the first-time capital consolidation is carried out based on the premise that these put options have already been exercised at the point in time when control was obtained over the new subsidiary. The assumed exercise price of the put options increases the acquisition cost of the purchased entity and is considered in the context of capital consolidation when determining goodwill. As a result, the assumed purchase price obligation is measured at fair value in accordance with IAS 39. Any differences between the exercise price assumed at the time of first-time consolidation and the actual purchase price upon acquisition are recorded in profit or loss under either "other operating income" or "other operating expenses".

When using the equity method of consolidation, the shares are shown in the balance sheet at amortized cost to reflect changes in the share of the Group in the net assets after the acquisition date and impairment losses. Losses which exceed the Group's interest in joint ventures accounted for using the equity method are not recorded unless they represent an obligation.

Intercompany receivables, liabilities and provisions, intercompany profits and losses between group entities as well as intercompany sales or other income and corresponding expenses are eliminated. The income tax implications are considered in the course of consolidation by recognizing deferred taxes.



III. Consolidated group

Besides BÖWE SYSTEC Aktiengesellschaft, the consolidated financial statements include by means of full consolidation all entities in which BÖWE SYSTEC Aktiengesellschaft holds the majority of the voting rights, directly or indirectly. The entities are included in the consolidated financial statements from the date when the possibility of control was obtained.

Changes in the consolidated group

There were no changes in the consolidated group in the fiscal year 2008. In the fiscal year 2007 the shares in Lasermax Roll Systems AB previously held by a Swedish entity were acquired by a group entity and the Group now holds all voting rights in that entity. All shares of Lasermax Roll Systems AB were therefore included in the full consolidation as of July 1, 2007.

Revenue of Lasermax Roll Systems AB amounted to EUR 50.7 million in the fiscal year 2007, of which approximately EUR 25.4 million was considered in the 2007 consolidated financial statements. Lasermax Roll Systems AB contributed the equivalent of EUR 0.9 million to group net profit in the first half of 2007 and EUR 2.3 million in the second half of the year.

IV. Accounting policies

The financial statements of all the consolidated entities are included using uniform accounting policies. The financial statements prepared in accordance with local principles are adjusted to the IFRS accounting policies applied throughout the Group. The accounting policies used were the same as in the prior year.

The preparation of the consolidated financial statements taking the promulgations of the IASB into account requires assumptions and estimates to be made which have an effect on the carrying amounts of recognized assets and liabilities, income and expenses and contingent liabilities.

Assumptions had to be made in particular for the determination of the fair values of call/put options as well as the future probability of the tax risks actually occurring. Other assumptions and estimates relate to useful lives, the recognition and measurement of provisions, the probability of future tax relief being realized as well as the determination of cash flows, growth rates and discount factors in connection with impairment testing.

The actual figures may vary from the assumptions and estimates made. Changes are recognized as and when better information is available.

Intangible assets

Intangible assets are franchises, industrial rights and similar rights, the client base, capitalized development costs as well as goodwill.

Intangible assets purchased separately or internally generated are only recognized if it is probable that a future economic benefit will flow to the entity from the use of the asset and the cost of the asset can be determined reliably.

Intangible assets purchased separately or internally generated are initially recognized at cost. For the purpose of subsequent measurement, intangible assets with a finite useful life are measured at cost less accumulated amortization and impairments.

Intangible assets with an indefinite useful life (goodwill and trademarks) are measured at cost less impairment.

Development costs are recognized as an asset immediately if and when the recognition criteria stipulated in IAS 38 are satisfied and they are developments of significant new components including software. The costs directly attributable to the development were recognized including appropriate development-related overheads.

Capitalized development costs are written off as of the date on which the project concerned is ready for series production. As a rule, a product life cycle of five years is taken as a basis. Research costs and development costs that cannot be capitalized are expensed in the period in which they are incurred. As a rule, the development costs are recognized when the beta version is completed.

The net carrying amounts of the intangible assets, useful lives and amortization methods are reviewed at the end of each fiscal year and adjusted if necessary.

Intangible assets with a finite useful life are amortized over a period of two to eight years. Internally generated and purchased software is assumed to have a customary useful life of one to five years.

Amortization of intangible assets includes cost of sales, selling costs, administrative expenses as well as research and development costs.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in accordance with IAS 16. Depreciation is charged on a straight-line basis over the useful life.

The cost of self-constructed assets contains all costs that are directly attributable to the production process as well as pro rata overheads that support the production process. Such assets are held, for example, for exhibition and demonstration purposes or under lease agreements.

The carrying amounts of property, plant and equipment are tested for impairment when there is any indication that the carrying amount of an asset exceeds its recoverable amount.



An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on derecognition is determined as the difference between the net disposal proceeds and the carrying amount and recognized in profit or loss in the period in which the item is derecognized.

The net carrying amounts of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

When each major inspection is performed, the cost is recognized as a replacement in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied.

The useful lives for buildings range between 20 and 40 years, for technical equipment and machines between 5 and 20 years. Furniture and fixtures are depreciated over 2 to 20 years, leasehold improvements over 10 years.

Borrowing costs

All borrowing costs were recognized in profit or loss both in the fiscal year 2008 and in the comparative period.

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. In the BÖWE SYSTEC Group, two rented properties satisfy these criteria. They are accounted for according to the option in IAS 40 using the alternative allowed method at amortized cost.

The customary useful life of these properties is assumed to be 20 and 37 years respectively. Depreciation is charged on a straight-line basis.

Impairment of intangible assets, property, plant and equipment and investment property

At each balance sheet date it is assessed whether there is any indication that the assets disclosed in the balance sheet may be impaired. If any such indication exists or when annual impairment testing for an asset is required, an estimate is made of the asset's recoverable amount in order to determine the extent of any impairment loss. The asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. To determine the value in use, the estimated future cash flows from this asset or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects the risks specific to the asset. Impairment losses are recognized in the income statement in those expense categories consistent with the function of the impaired asset. Impairments of goodwill recognized in profit or loss are shown separately in the income statement in the item "Impairment losses on goodwill".

With the exception of goodwill, a previously recognized impairment loss is reversed to profit or loss if there is any indication that the impairment no longer exists or could have decreased. The reversal is posted as a gain in the income statement. The increase in value or the reduction of an impairment loss of an asset is, however, only recorded to the extent that the carrying amount that would have existed net of amortization or depreciation had no impairment losses been recognized is not exceeded. Impairment losses recorded on goodwill as a result of impairment tests are not reversed.

Goodwill and intangible assets with an indefinite useful life (trademarks) are reviewed for impairment at least annually as of December 31 or more frequently if there is any indication that the carrying amount may be impaired. Any impairment loss is immediately recorded as an expense.

Impairment of goodwill and intangible assets with an indefinite useful life is determined by comparing the carrying amount of the cash-generating unit to which the goodwill or the indefinite lived intangible asset is allocated with the recoverable amount of the cash-generating unit.

If a subsidiary is disposed of, the associated goodwill is included when determining the gain or loss on disposal of the subsidiary.

Leases in the BÖWE SYSTEC Group

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets from finance leases under which all the risks and rewards incidental to ownership of the transferred asset are substantially transferred to the BÖWE SYSTEC Group are recognized at the lower of the fair value of the leased asset or the present value of minimum lease payments at the inception of the lease. The corresponding liability to the lessor is disclosed in the balance sheet as a finance lease obligation.

Lease payments are thus apportioned between the interest expenses and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized in profit or loss.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as lessor

In a number of countries the Group leases products to customers under agreements, the terms of which mean that the risks and benefits of ownership are substantially transferred to the customers. In these cases the finance lease payments payable by the lessees at the inception of the lease are recognized at the present value of the minimum lease payments for the non-cancellable minimum period of the lease. At this point in time, the leased assets are therefore derecognized from group assets.

Income from operating leases is recognized in the income statement on a straight-line basis over the term of the lease and disclosed under other operating income.



Financial instruments

Financial assets with fixed or determinable payments and fixed maturity that the entity intends and has the ability to hold to maturity other than loans and receivables originated by the entity are classified as held-to-maturity financial assets. Financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margins are classified as held-for-trading financial assets. Derivative financial instruments are also classified as held for trading unless they are designated as a hedging instrument and are effective as such. Gains or losses from financial assets held for trading are recognized in profit or loss. All other financial assets, apart from loans and receivables originated by the entity, are classified as available-for-sale financial assets.

Held-to-maturity investments are disclosed under non-current assets unless they are due within 12 months of the balance sheet date. Financial assets held for trading are disclosed under current assets. Available-for-sale financial assets are disclosed under current assets if management intends to sell them within 12 months of balance sheet date.

To date, the Group has not made use of the option to designate financial assets upon initial recognition to financial assets at fair value through profit or loss.

Purchases and sales of financial assets are recognized using trade date accounting, i.e. the date on which the entity entered into the obligation to purchase or sell the asset.

When a financial asset is recognized initially, it is measured at cost. This comprises the fair value of the consideration and – with the exception of financial assets held for trading – the transaction costs.

Changes in the fair value of held-for-trading financial assets are recorded in profit or loss. For this purpose, the fair value of a financial instrument is the amount that can be generated from the asset in an arm's length transaction between knowledgeable and willing parties, under current market conditions. Fair value corresponds to market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate actuarial methods such as recognized option price models or discounting future cash flows with the market interest rate.

Held-to-maturity investments are measured at amortized cost using the effective interest rate method. If it is likely that financial assets measured at amortized cost are impaired, the impairment loss is recognized in profit or loss. If an impairment loss recorded in a prior period decreases and the decrease in the impairment loss (or reversal of the impairment loss) can be objectively related to an event occurring after the impairment loss, the reversal is recognized in profit or loss. A reversal cannot, however, exceed the carrying amount that would have been recognized without the impairment.

Loans and receivables originated by the entity and not held for trading are measured at amortized cost less any necessary valuation allowances.

Available-for-sale financial assets are marked to market. Unrealized gains and losses are disclosed under equity in the item "Income and expense recognized directly in group equity", net of a tax portion. The item "Income and expense recognized directly in group equity" is released to profit or loss either upon disposal or if it is impaired.

Non-current financial assets

As in the prior year, this item contains securities that are classified as held-to-maturity investments and therefore measured at amortized cost.

Loans to related parties which do not belong to the BÖWE SYSTEC Aktiengesellschaft consolidated group but to the consolidated group of WANDERER-WERKE AKTIENGESELLSCHAFT are also disclosed here. The loans have a term to maturity of more than one year. Measurement is at amortized cost less any necessary impairment losses.

If there is any indication of an impairment, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount is written down taking the allowance account for the impairment of receivables into consideration. The impairment loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The new carrying amount of the asset may not exceed the amortized cost at the time the impairment loss is reversed. The impairment loss is reversed through profit or loss.

Inventories

Inventories are measured at the lower of cost and net realizable value. Besides direct materials and labor costs, costs of conversion contain a proportion of materials and labor overheads as well as pro rata administrative expenses incurred to support the production process. Borrowing costs are not included in costs of conversion.

Materials and supplies are generally measured using the moving average method. If the estimated net realizable value of the inventories falls below cost, the lower value is stated; write-downs are recorded for obsolete or excess stocks.

Repayments made by customers are recorded as liabilities; repayments made by group entities are included in other assets.



Long-term construction contracts

Future receivables from long-term construction contracts are recognized according to the percentage of completion method. The percentage of completion per contract is calculated by comparing the accumulated costs with the total costs expected (cost-to-cost method).

If the sum of accumulated contract costs and reported profits exceeds repayments received, the construction contracts are recognized on the assets side as future receivables from long-term construction contracts under trade receivables. Any negative balance is reported under trade payables. Recognizable losses are expensed immediately.

Receivables and other assets

Receivables and other assets are measured at their amortized cost after recognizing appropriate valuation allowances, if necessary.

If there is any indication of an impairment, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount is written down taking the allowance account for the impairment of receivables into consideration. The impairment loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The new carrying amount of the asset may not exceed the amortized cost at the time the impairment loss is reversed. The impairment loss is reversed through profit or loss.

An impairment loss is recognized through the provision for the impairment of receivables for any indication relating to trade receivables that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired receivables are derecognized when they are assessed to be uncollectible.

Derivative financial instruments, hedges and financial risk management

The BÖWE SYSTEC Group operates internationally and is therefore exposed to currency risks from exchange rate fluctuations of the transactions entered into in various currencies. Customary market instruments such as forward exchange contracts and currency options are used to hedge these risks. These hedges cover recorded, pending and planned deliveries. The USD and JPY are the main currencies hedged in this way. These agreements generally have a term of up to one year.

Derivative financial instruments such as interest swaps and interest caps are used to hedge risks associated with fluctuations in interest rates. These hedges are only entered into with contractual parties which enjoy impeccable credit ratings in order to reduce the effects of changes in interest rates on the borrowing costs of loans subject to floating interest rates.

The fair values correspond to the price at which third parties would assume the rights or obligations from the financial instruments. The fair values are determined as of the balance sheet date on the basis of quoted market prices or by means of actuarial calculations based on customary models.

Derivative financial instruments are used exclusively to hedge financial risks and not for speculative purposes. All derivative financial instruments are recognized at fair value. If there is no hedge relationship, changes in fair value are taken to profit or loss.

For the purpose of hedge accounting, hedges are classified as follows and, if the strict criteria for hedge accounting are satisfied, accounted for as follows:

■ **Fair value hedge accounting:**

To hedge the fair value, a gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item, the derivative financial instrument is revalued at its fair value and the resulting gain or loss is recognized immediately in profit or loss.

■ **Cash flow hedge accounting:**

Changes in fair value from a hedge are recognized directly in equity, net of deferred taxes. Amounts that are recognized directly in equity are recognized in profit or loss in the period in which the hedged transaction affects the net profit or loss of the period, e.g. in which the hedged finance revenue and costs are recognized or a forecast sale or purchase is carried out.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for entering into the hedge. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows.

Derivative financial instruments are concluded in close cooperation with the management board. The dual control principle is applied to every transaction processed. Monitoring is part of the monthly reporting process.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less.



Deferred taxes

Deferred taxes are accounted for using the balance sheet liability method according to IAS 12 (Income Taxes).

This involves creating deferred tax items for all temporary accounting and measurement differences between the carrying amounts for IFRS purposes and the tax bases of the assets and liabilities. They are not created if the temporary difference arises from goodwill or the initial recognition of other assets and liabilities in a transaction (that is not a business combination) which affects neither the accounting profit nor the taxable profit or loss.

A deferred tax asset is recognized for all taxable temporary differences arising from shares in subsidiaries or associates and interests in joint ventures, unless the parent company can control the reversal of the temporary difference and the temporary difference will probably not reverse in the foreseeable future.

Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is highly probable that they will be used.

The basic prerequisite for any recognition of deferred taxes is that it is probable that taxable profit will be available against which the unused tax losses or temporary differences can be utilized. Deferred tax assets are only reversed if it is more probable that the tax benefit will be forfeited than that it will be utilized.

Deferred taxes are recognized on the basis of the tax rates applicable in the countries concerned and not discounted.

Deferred tax assets and deferred tax liabilities are netted in the consolidated balance sheet if and only if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied on the same taxable entity by the same taxation authority.

Pensions and other post-employment benefits

The Group operates various pension schemes. BÖWE BELL + HOWELL Holdings Inc. has also agreed to provide certain additional post-employment medical care for certain employees.

Payments for defined contribution obligations as well as contributions to statutory pension funds are recognized as an expense upon maturity.

The pension provisions for defined benefit plans are determined using the projected unit credit method taking expected pension and salary increases into account. The calculation is based on actuarial assumptions about biometric data.

Actuarial gains and losses are offset directly against equity in the year in which they occur.

The amount disclosed is the present value of the defined benefit obligation after offsetting against plan assets measured at fair value.



Provisions

Other provisions contain all obligations resulting from past events towards a third party provided 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. The amount carried is the best estimate of the probable outflow of resources from the present obligation as of the balance sheet date. Non-current provisions are disclosed at present value, discounted at market interest rates which reflect the risk and period of time that will elapse until the obligation is settled.

Liabilities

Liabilities are generally recorded at amortized cost. Liabilities from finance leases are recognized at the inception of the lease at the present value of future lease payments during the non-cancellable minimum period of the lease. With the exception of long-term construction contracts, payments on account made by customers are disclosed separately.

Share-based payments

The cost of share-based payments is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is calculated using a binominal model.

The cost of share-based payments is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become irrevocably entitled to the award (vesting date). The cumulative expense recognized for share-based payments at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of BÖWE SYSTEC Aktiengesellschaft of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement of cumulative expense recognized as at the beginning and end of that period.

Revenue recognition

The sale of goods and services is recognized upon delivery or after ownership has been transferred in another way.

Revenue is disclosed at the fair value of the consideration received or yet to be received net of discounts and other sales deductions as well as VAT.

Interest income is recognized using the effective interest method.

Rental income arising on investment property is accounted for on a straight-line basis over the lease terms.

Earnings per share

Pursuant to IAS 33, basic earnings per share are calculated by dividing net result of the Group by the weighted average number of ordinary shares of the parent company outstanding during the year

	2008	2007
Earnings	KEUR	KEUR
Basis for the basic earnings per share (Net result attributable to the shareholders of the parent)	-64,000	17,564
Number of shares	No. of shares	No. of shares
Weighted average number of ordinary shares for the basic earnings per share	6,600,000	6,600,000
Earnings per share	EUR	EUR
Earnings per share (basic and diluted)	-9.70	2.66

In the reporting year and in the prior year, the convertible bonds issued in connection with the share-based payments did not have any material effect on the earnings per share; there was no dilutive effect.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

V. Foreign currency translation

The consolidated financial statements are prepared in euros, which is both the functional currency and the presentation currency of the Group. Business transactions which are settled in currencies other than the euro are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate ruling at the balance sheet date and any resulting exchange gains or losses are posted to profit or loss.

To hedge against certain currency risks, the Group enters into forward exchange or option transactions, the accounting of which is presented in "Derivative financial instruments, hedges and financial risk management".

Financial statements denominated in foreign currency of the subsidiaries included in the consolidation are translated into euros on the basis of the functional currency concept pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates). The functional currency is the local currency for all foreign subsidiaries of the Group, since these entities operate independently from a financial, economic and organizational viewpoint. According to this concept, assets and liabilities are thus translated at the closing rates as of balance sheet date, while income and expenses are generally translated at average rates. Any currency translation differences are recorded directly in equity under "income and expenses recognized directly in group equity".

Any goodwill arising on the acquisition of a foreign operation subsequent to January 1, 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following exchange rates were applied in the consolidated financial statements as of December 31, 2008 and 2007:

Currency	Closing rate		Average rate	
	Dec. 31, 2008	Dec. 31, 2007	2008	2007
USD	1.39770	1.47161	1.47066	1.37063
GBP	0.96000	0.73460	0.79656	0.68455
AUD	2.02570	1.67749	1.74154	1.63556
JPY	126.40000	165.01650	152.32917	161.29032
PLN	4.18230	3.59286	3.51531	3.78315
CZK	26.58500	26.57454	24.95742	27.75465
SEK	10.91500	9.43485	9.61685	9.25241
CHF	1.48600	1.65571	1.58701	1.64268
DKK	7.45810	7.45823	7.45594	7.45101
NOK	9.79000	7.96495	8.22495	8.01860

VI. Notes to the consolidated balance sheet

1. Joint ventures accounted for using the equity method

In fiscal year 2007, BÖWE SYSTEC INTERNATIONAL GmbH acquired a further 50% stake in Lasermax Roll Systems AB, Ljungby, Sweden, prior to the acquisition a jointly controlled entity which operates in the field of pre and post paper handling. The shares are accounted for using the equity method (IAS 31.38). As of July 1, 2007, this entity was fully consolidated in the consolidated financial statements of BÖWE SYSTEC Aktiengesellschaft.

Based on the shareholding in this company, the following income and expenses were attributable to the Group until it ceased to account for it using the equity method:

	June 30, 2007
	KEUR
Revenue	12,655
Expenses	– 11,784
Earnings after taxes	871

2. Impairment of goodwill and intangible assets with indefinite useful lives

The goodwill and trademarks acquired from business combinations was allocated to the cash-generating unit for impairment testing at country level. The future realizable amount was calculated as the present value of future cash flows (value in use).

To test the recoverability of the goodwill and the trademarks of the cash-generating unit USA, which makes up the main part of this balance sheet item, the future cash flows were derived from the detailed plan for the next three years. A growth rate of 1.0% was assumed for the period thereafter. The pre-tax weighted average cost of capital used for discounting the forecast cash flows is 11% (prior year: 11%).

Main basic assumptions for the calculation of the value in use of the business units as of December 31, 2008 and December 31, 2007

a) USA

Planned gross margin – The planned gross margin was determined using the average gross profit margins attained in previous fiscal years and raised to reflect anticipated efficiency gains.

Weighted average cost of capital rate – The cost of equity capital is determined using the Capital Asset Pricing Model (CAPM). Borrowing costs were stated at the interest rate of BAA company bonds.

The calculation based on these key assumptions and the effects of the financial crisis and the accompanying economic slowdown gave rise to a need to write down the

goodwill of the USA business unit by EUR 33.5 million. This impairment loss was recognized in profit or loss in the consolidated financial statements as of December 31, 2008.

b) Other

To test other goodwill for impairment, the future cash flows were derived from detailed business plans for the next three years. A growth rate of 1% was assumed for the period thereafter. The cash flows thus determined were discounted with a country-specific weighted average cost of capital before tax of between 9% and 10%.

No impairment loss was identified in the course of the testing as of December 31, 2008.

Significant carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to the respective cash-generating units:

	USA		Germany		Sweden		Japan		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Carrying amount of goodwill	100,730	126,489	7,382	7,382	14,964	16,021	3,373	2,665	2,086	2,033	128,535	154,590
Carrying amount of trademarks	62,646	59,500	0	0	0	0	0	0	0	0	62,646	59,500

According to the management board, a possible change in the key assumptions could lead to the carrying amount of goodwill of a cash-generating unit exceeding its recoverable amount. If the expected cash flows were to decrease by 10%, the carrying amount of goodwill would exceed its actual recoverable amount by EUR 21.6 million in the USA cash-generating unit and by EUR 3.5 million in the Sweden cash-generating unit.

3. Investment property

The fair value of the two properties is their carrying amount.

4. Inventories

	Dec. 31, 2008	Dec. 31, 2007
	KEUR	KEUR
Materials and supplies	19,793	28,165
Work in process	30,753	24,777
Finished goods	53,060	50,510
	103,606	103,452

The methods used in the fiscal year 2008 to determine impairment were the same as in the prior year. Cost of materials recognized as an expense in the fiscal year amounted to KEUR 143,840 (prior year: KEUR 150,588). The write-down on inventories recorded as an expense amounted to KEUR 9,622 (prior year: KEUR 3,259). Cost of materials and the write-down are contained in cost of sales.

5. Trade receivables

As of December 31, 2008, trade receivables with a nominal value of KEUR 82,057 were impaired (prior year: KEUR 95,398).

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

As of December 31, 2008, trade receivables were impaired by KEUR 1,584 (prior year: KEUR 1,353). Movements in the provision for impairment of receivables were as follows:

	Individually assessed as impaired
	KEUR
As of January 1, 2007	1,776
Exchange differences	-65
Charge for the year	748
Utilized	-507
Reversed	-599
As of December 31, 2007	1,353
Exchange differences	14
Charge for the year	816
Utilized	-430
Reversed	-169
As of December 31, 2008	1,584

As of December 31, the ageing analysis of trade receivables is as follows:

	Dec. 31, 2008	Dec. 31, 2007
	KEUR	KEUR
Neither past due nor impaired	52,583	62,594
Past due		
< 30 days	12,430	19,622
31 – 90 days	9,907	8,173
> 90 days	8,721	6,362
Impairment loss	-1,584	-1,353
Carrying amount of trade receivables	82,057	95,398

The item trade receivables contains receivables from long-term construction contracts. Before offsetting against payments on account made by customers, the amount due from customers for construction contracts comes to KEUR 2,758 (prior year: KEUR 18,321).

After deducting payments on account by customers, the balance which is shown under trade payables (prior year: trade receivables) is as follows:

	Dec. 31, 2008	Dec. 31, 2007
	KEUR	KEUR
Cost incurred and estimated earnings	2,758	18,321
less progress billings	-3,260	-17,574
	-502	747

6. Finance lease receivables

The Group offers its customers finance lease arrangements for certain mailroom management systems. The average term of the lease agreements entered into is one to five years.

The interest rate of the lease is fixed for the whole term at the inception of the lease. The weighted average effective interest rate for finance lease receivables was 5.25% as of December 31, 2008 (prior year: 5.56%).

The table below shows the reconciliation of the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date:

	Minimum lease payments		Present value of minimum lease payments	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
	KEUR	KEUR	KEUR	KEUR
Finance lease receivables:				
due not later than 1 year	1,019	1,260	938	1,138
due later than 1 year and not later than 5 years	1,210	1,479	1,133	1,403
due later than 5 years	0	1	0	1
	2,229	2,740	2,071	2,542
less:				
Unrealized financial income	-158	-198	0	0
Present value of receivables from minimum lease payments	2,071	2,542	2,071	2,542

On the balance sheet date, unguaranteed residual values amount to KEUR 792 (prior year: KEUR 1,019). The finance lease receivables due not later than one year include accumulated impairment losses of KEUR 142 (prior year: KEUR 310).

7. Other assets

Other assets contain financial assets which break down as follows:

	Dec. 31, 2008	Dec. 31, 2007
	KEUR	KEUR
Other assets (current)	9,461	10,073
of which financial assets	3,986	4,305
Other assets (non-current)	3,906	4,511
of which financial assets	3,880	4,490
Total financial assets	7,866	8,795

Current financial assets include receivables of KEUR 4,412 due from Wanderer-Werke Beteiligungs- und Verwaltungs GmbH.

	Dec. 31, 2008	Dec. 31, 2007
	KEUR	KEUR
Receivables that are neither past due nor impaired	7,866	8,795
Impairment loss	6,750	1,842
	14,616	10,637
Impairment loss	-6,750	-1,842
Carrying amount of other receivables	7,866	8,795

As of December 31, 2008, other financial assets were impaired by KEUR 6,750 (prior year: KEUR 1,842). Movements in the provision for impairment of receivables were as follows:

	Individually assessed as impaired
	KEUR
As of January 1, 2007	2,319
Exchange differences	-225
Charge for the year	216
Utilized	-468
As of December 31, 2007	1,842
Exchange differences	84
Charge for the year	5,208
Utilized	-384
As of December 31, 2008	6,750

8. Financial liabilities

This item discloses profit participation capital, convertible bonds, liabilities to banks, a loan borrowed from an insurance company, vendor loans from the acquisition of entities and a collateralized debt obligation (CDO).

The financial liabilities are due as follows and break down by interest arrangement as follows:

As of December 31, 2008	Total	Up to 1 year	1 to 5 years	More than 5 years
	KEUR	KEUR	KEUR	KEUR
<i>Fixed interest rate *)</i>				
Profit participation capital	36,000	0	36,000	0
Bonds	401	150	251	0
Liabilities to banks	54,016	41,637	11,339	1,040
Other financial liabilities	16,327	16,167	160	0
Lease liabilities	26,667	2,062	8,440	16,165
<i>Floating interest rate **)</i>				
Liabilities to banks	115,745	112,244	1,604	1,897
Other financial liabilities	26,834	26,834	0	0
Lease liabilities	1,917	322	1,595	0
	<u>277,907</u>	<u>199,416</u>	<u>59,389</u>	<u>19,102</u>
As of December 31, 2007	Total	Up to 1 year	1 to 5 years	More than 5 years
	KEUR	KEUR	KEUR	KEUR
<i>Fixed interest rate *)</i>				
Profit participation capital	36,000	0	36,000	0
Bonds	439	133	306	0
Liabilities to banks	61,943	11,027	49,588	1,328
Other financial liabilities	22,859	6,556	6,303	10,000
Lease liabilities	1,552	416	1,136	0
<i>Floating interest rate **)</i>				
Liabilities to banks	88,735	27,818	56,917	4,000
Other financial liabilities	24,099	0	24,099	0
	<u>235,627</u>	<u>45,950</u>	<u>174,349</u>	<u>15,328</u>

*)
Loan agreements at fixed interest rates or SWAP and/or CAP derivatives concluded in connection with the hedged transaction.

**)
Loan agreements which are subject to an interest rate risk.

Of these financial liabilities, the following liabilities are denominated in foreign currency:

As of December 31, 2008	Total	US dollar	YEN	Pound sterling	Other
	KEUR	KEUR	KEUR	KEUR	KEUR
Profit participation capital	0	0	0	0	0
Bonds	0	0	0	0	0
Liabilities to banks	88,202	77,858	3,955	0	6,389
Other financial liabilities	27,161	27,161	0	0	0
Lease liabilities	557	0	557	0	0
	<u>115,920</u>	<u>105,019</u>	<u>4,512</u>	<u>0</u>	<u>6,389</u>

As of December 31, 2007	Total	US dollar	YEN	Pound sterling	Other
	KEUR	KEUR	KEUR	KEUR	KEUR
Profit participation capital	0	0	0	0	0
Bonds	0	0	0	0	0
Liabilities to banks	86,453	74,640	4,363	1,366	6,084
Other financial liabilities	27,958	27,958	0	0	0
Lease liabilities	580	0	580	0	0
	<u>114,991</u>	<u>102,598</u>	<u>4,943</u>	<u>1,366</u>	<u>6,084</u>

Profit participation rights

The profit participation rights mature in 2012 and are generally non-cancellable either by BÖWE SYSTEC Aktiengesellschaft or by the holder of the profit participation right before that date. Besides a basic return of 7.5% to 7.9%, the holders of the profit participation rights participate in the profit of the BÖWE SYSTEC Group if certain threshold values are exceeded, in each case dependent on the higher of the net profit or group net profit for the year adjusted for special effects in the form of a 0.5% to 2.0% increase in the interest rate. The claims of the holders of the profit participation rights are subordinated to all other creditors of the Company. Profit participation rights are accounted for at nominal value.

Bonds

The bonds are convertible bonds subscribed to by managers in the BÖWE SYSTEC Group as part of an incentive program. In 2006 a tranche of KEUR 150 was subscribed, in 2007 a tranche of KEUR 156 and in 2008 a tranche of KEUR 115. In this respect please also see the explanations under "Share-based payments/convertible bonds" in note 9.



Liabilities to banks

The interest rates for fixed-interest bearing liabilities to banks range between 4.5% and 7.5%. The Company is exposed to an interest rate risk for the liabilities to banks with floating interest rates. In 2008 the interest rates ranged between 1.1% and 8.2%. The floating interest rates are adjusted at intervals of less than one year. The liabilities to banks have terms until 2019.

Of liabilities to banks, an amount of KEUR 7,858 (prior year: KEUR 8,635) is secured by mortgages and similar rights.

As of December 31, 2008, the Group had unused lines of credit at its disposal of around EUR 32 million (prior year: EUR 73 million).

For part of the liabilities to banks the BÖWE SYSTEC Group has agreed to comply with certain financial covenants. As of December 31, 2008, some covenants were not complied with. The banks concerned have issued standstill agreements.

Other financial liabilities

Other financial liabilities contain a long-term loan borrowed from an insurance company in 2000 with a term of 10 years at fixed-interest rate conditions. The loan is repaid in annual installments of EUR 3.0 million from 2006. Other financial liabilities also contain floating-rate vendor loans from acquisitions of entities, most of which have to be repaid at the end of 2009 and a fixed-interest collateralized debt obligation (CDO) that has to be repaid by 2014.

Certain covenants at the end of each fiscal year were also agreed for parts of other financial liabilities. As of December 31, 2008, some covenants were not complied with. The creditors likewise issued standstill agreements.

Lease liabilities

The BÖWE SYSTEC Group has entered into finance leases and hire-purchase contracts for various items of furniture and fixtures and technical equipment and machinery. The contracts do not contain prolongation options, purchase options or escalation clauses. In connection with the acquisition of a purchase option, BÖWE SYSTEC AG assumed the existing lease for the land and buildings at the Company's headquarters in Augsburg in 2008. This agreement contains a purchase option, but no escalation clause.

The net carrying amounts of the assets from finance leases are attributable to machines and furniture and fixtures of KEUR 4,920 (prior year: KEUR 1,262) and to land and buildings of KEUR 23,750 (prior year: KEUR 0).

The future minimum lease payments from finance leases and hire-purchase agreements can be reconciled with their present value as follows:

	Minimum lease payments		Present value minimum lease payments	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
	KEUR	KEUR	KEUR	KEUR
Finance lease liabilities:				
due not later than 1 year	3,673	472	2,384	416
due later than 1 year and not later than 5 years	14,010	1,203	10,035	1,132
due later than 5 years	21,725	4	16,165	4
	<u>39,408</u>	<u>1,679</u>	<u>28,584</u>	<u>1,552</u>
less:				
Future finance costs	-10,824	-127		
Present value of lease obligations	<u>28,584</u>	<u>1,552</u>		
Amount repayable within 12 months (shown under current liabilities)			<u>2,384</u>	<u>416</u>
Amount repayable in more than 12 months			<u>26,200</u>	<u>1,136</u>

9. Share-based payments / convertible bonds

With the authorization of the annual general meeting of the Company on May 19, 2004 and the subsequent approval of the supervisory board, BÖWE SYSTEC Aktiengesellschaft grants certain senior executives of the Group the possibility to subscribe to convertible bonds of the Company. Besides a basic return of 4%, the convertible bonds contain the right to purchase shares of BÖWE SYSTEC Aktiengesellschaft provided the price of the BÖWE SYSTEC share exceeds that of the S-DAX index on the basis of two reference periods.

Three tranches of the plan are current at the moment, one with a contractual life from December 2006 to July 2009, one with a contractual life from December 2007 to July 2010 and the third with a contractual life from December 2008 to July 2011. The plan set up in October 2006 can give rise to a maximum of 54,600 option rights. The plan set up in December 2007 can give rise to a maximum of 60,000 option rights and the plan set up in December 2008 can give rise to a maximum of 44,400 option rights.

At the time of issue, the fair value of the option rights is EUR 0.18 per share for the first and second tranches and EUR 0.13 per share for the third tranche.

The stock options developed as follows:

	2008	2007
As of January 1	172,800	169,200
Redeemed	-55,200	-53,400
Put	-3,000	-3,000
Granted	44,400	60,000
As of December 31	159,000	172,800
of which exercisable as of December 31, 2008	(0)	(0)

Personnel expenses of KEUR 2 (prior year: KEUR 0) were incurred in the reporting period due to the measurement of all stock option plans at fair value.

10. Provisions

The provisions for pensions and other post-employment benefits disclosed in the statement of changes in provisions are explained in note 11 below.

	Provisions			
	Warranty	Pensions	Other	Total
	KEUR	KEUR	KEUR	KEUR
As of January 1, 2008	3,622	17,337	4,836	25,795
of which current	3,622	0	958	4,580
of which non-current	0	17,337	3,878	21,215
Change for the year	3,037	550	4,923	8,510
Reversed	-23	0	-879	-902
Changes in plan assets	0	-3,134	0	-3,134
Utilized	-3,622	-2,136	-945	-6,703
Interest effects	0	2,653	0	2,653
Offsetting in equity	0	7,902	0	7,902
Exchange differences	35	68	73	176
As of December 31, 2008	3,049	23,240	8,008	34,297
of which current	3,049	0	5,101	8,150
of which non-current	0	23,240	2,907	26,147
	3,049	23,240	8,008	34,297

The provision for warranty obligations was recognized for products sold during the fiscal year. Besides known individual risks, it comprises an assessment of possible returns based on past experience. It is expected that most of these costs will be incurred within the next fiscal year. The assumptions underlying the calculations of the warranty provision are based on the current sales level and information currently available on goods returned within a fiscal year.



Other provisions mainly contain provisions for potential losses from pending transactions as well as obligations belonging to the personnel function such as phased retirement and severance payments. In addition, this item includes anticipated expenses in relation to the program launched in the fall of 2008 to raise efficiency and improve working capital and thereby also liquidity.

11. Pension provisions

The pension provisions are recorded for obligations from future and current post-employment benefits to current and former employees of entities in the BÖWE SYSTEC Group as well as their surviving dependants. Depending on the circumstances of the respective country in which the entity making the pension pledge is based, there are different forms of post-employment provisioning. The main points of reference for benefit obligations are generally length of service, the function of the employee and remuneration. In addition, BÖWE BELL + HOWELL Holdings Inc. has a healthcare plan for pensioners whose obligations are covered by provisions. In addition to that, BÖWE BELL + HOWELL Holdings Inc. has a 401(k) profit-sharing plan for certain employees.

The BÖWE SYSTEC Group has both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the obligation of the entity concerned is limited to the payment of the agreed contributions. In the fiscal year 2008 the cost of defined contribution plans amounts to KEUR 7,299 (prior year: KEUR 8,590).

With defined benefit plans, the entity's obligation consists of fulfilling the commitments made to current and former employees. Such obligations exist both at German and foreign group entities. In the BÖWE SYSTEC Group, defined benefit plans are partly financed via provisions, partly via external funds.

The amount of the pension obligations was calculated using the projected unit credit method. In Germany the R 2005 G mortality tables of Dr. Klaus Heubeck were used. Besides the assumptions about life expectancy in these tables, the principal assumptions used for the actuarial calculations are shown below:

as a %	Germany		Europe		USA		RoW	
	2008	2007	2008	2007	2008	2007	2008	2007
Discount rate	5.75	5.25	5.81	4.58	5.75	6.00	2.00	2.00
Future salary increases	2.00	2.00	0.96	2.17	0.00	0.00	3.00	3.00
Future pension increases	2.00	1.50	2.41	2.57	0.00	0.00	0.00	0.00
Expected return on plan assets	-	-	5.81	6.14	8.50	8.50	-	-

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

In accordance with IAS 19, detailed information is presented below for the pension plans and healthcare plans about how the plans are equipped and how they are considered in the consolidated balance sheet and in the consolidated income statement.

	2008	2007
	KEUR	KEUR
Pension plans	22,253	15,125
Healthcare plans	987	2,212
	23,240	17,337

The following table presents further information on these plans:

	2008	2007
	KEUR	KEUR
Present value of funded post-employment benefit obligations	38,281	38,525
Fair value of plan assets	- 25,069	- 32,448
	13,212	6,077
Present value of unfunded post-employment benefit obligations	10,028	11,260
Carrying amount as of December 31	23,240	17,337
Present value of the benefit obligation as of January 1	49,785	56,127
Cost of the fiscal year		
– Current service cost	473	460
– Interest cost	2,653	2,587
Employee contributions	80	82
Benefits paid	-2,632	-2,669
Past service cost	77	0
Plan curtailments/plan settlements	- 1,406	- 44
Actuarial gains/losses recognized directly in equity	-195	-2,796
Exchange differences	-526	-3,962
Present value of the benefit obligation as of December 31	48,309	49,785
Fair value of plan assets as of January 1	32,448	35,522
Return of the fiscal year		
– Expected return on plan assets	2,334	2,250
Actuarial gains/losses recognized directly in equity	-8,097	-1,158
Employer contributions	800	704
Contributions by plan participants	80	82
Benefits paid	-1,902	-1,835
Exchange differences	-594	-3,117
Fair value of plan assets as of December 31	25,069	32,448
Net benefit obligation as of December 31	23,240	17,337



The Group expects to contribute KEUR 1,580 (prior year: KEUR 589) to its defined benefit plans in the fiscal year 2009.

Plan assets consist of the following components:

	Dec. 31, 2008	Dec. 31, 2007
	%	%
Equity instruments	42.5	47.2
Debt instruments	41.2	41.3
Other assets	16.3	11.5
	100.0	100.0

The actual expenses in the reporting period and the return on plan assets in the prior year total KEUR –5,756 (prior year: KEUR 1,092).

Net benefit cost from defined benefit plans breaks down into the following components (contained in the results of operations of the Group):

	2008	2007
	KEUR	KEUR
Current service cost	473	460
Interest cost	2,653	2,587
Past service cost	77	0
Plan curtailments	–1,406	–44
Expected return on plan assets	–2,334	–2,250
	–537	753

The amounts for the current and previous four reporting periods are as follows:

	2008	2007	2006	2005	2004
	KEUR	KEUR	KEUR	KEUR	KEUR
Defined benefit obligations	–48,309	–49,785	–56,127	–57,125	–35,584
Plan assets	25,069	32,448	35,522	35,459	19,465
Surplus (+)/Deficit (–)	–23,240	–17,337	–20,605	–21,666	–16,119
Experience adjustments of plan liabilities	1,444	1,169	–136	–434	–339
Experience adjustments of plan assets	5,358	–470	696	1,437	215



12. Subscribed capital

The share capital of the Company is KEUR 17,160. It is divided into 6,600,000 shares without par value.

The Company only has one category of shares which do not grant a fixed profit entitlement.

Subject to the approval of the supervisory board, the management board is authorized to increase the Company's share capital once or several times until May 23, 2012 by a maximum amount of KEUR 6,864 in total by issuing up to 2,640,000 new individual bearer shares and/or preference shares without voting rights for contributions in cash (authorized capital I). The shareholders must be granted subscription rights. However, the management board is authorized, subject to the approval of the supervisory board, to preclude any fractional amounts arising from shareholders' statutory subscription rights.

Subject to the approval of the supervisory board, the management board is authorized to increase the Company's share capital once or several times until May 18, 2009 by a maximum amount of KEUR 1,560 in total by issuing up to 600,000 new individual bearer shares and/or preference shares without voting rights for contributions in cash (authorized capital II). The shareholders must be granted subscription rights. The management board is, however, authorized, with the approval of the supervisory board, to exclude fractional amounts from the subscription rights. Furthermore, the management board is authorized with the approval of the supervisory board to preclude the shareholders' subscription rights if the issue price of the new shares does not fall materially short of the market price of shares already listed in the same category at the time when issue price is finalized.

The annual general meeting on May 19, 2004 passed a resolution for a conditional increase of share capital by issuing up to 300,000 new ordinary bearer shares without par value and the corresponding addition to the articles of incorporation and bylaws (share capital, conditional capital). Accordingly, the management board is authorized, subject to the approval of the supervisory board, to issue interest-bearing convertible bonds, once or several times until May 18, 2009, up to a total nominal value of KEUR 780 with a maximum term to maturity of five years. These convertible bonds entitle the purchaser to acquire shares of BÖWE SYSTEC Aktiengesellschaft in accordance with the bond conditions. The statutory subscription right of the shareholders is precluded.

The convertible bonds are offered as a stock option based incentive system for executives in the BÖWE SYSTEC Group. The terms of the bond permit the purchase of company shares at a reduced price if the price of the BÖWE SYSTEC share develops better than the SDAX during the reference period.

The number of subscription rights pursuant to Sec. 192 (2) No. 3 AktG ['Aktiengesetz': German Stock Corporation Act] from these convertible bonds amounts to 159,000 shares. Of these, 54,600 shares can be exercised by the beneficiaries in fiscal 2009, 60,000 in fiscal 2010 and 44,400 shares in fiscal year 2011 – which were subscribed at KEUR 115 in 2008 – provided that the corresponding prerequisites are met.

Regarding the reporting duty pursuant to Sec. 21 (1) WpHG ['Wertpapierhandelsgesetz': German Securities Trading Act] the Company received the following announcements:

WANDERER-WERKE AKTIENGESELLSCHAFT announced pursuant to Sec. 21 (1) WpHG most recently on April 5, 2002 that it holds 53.52% of the voting capital of BÖWE SYSTEC Aktiengesellschaft.

On November 17, 2006, Harris Associates L.P., Chicago, USA, announced pursuant to Secs. 21 (1), 22 (1) Sentence 1 No. 6 WpHG that on November 16, 2006 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 5% threshold and now amounts to 5.02%. These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

On January 8, 2008, Tweedy, Browne Company LLC, New York, USA, announced pursuant to Sec. 21 (1) WpHG that on January 7, 2008 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 3% threshold and now amounts to 3.54%. These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

On October 21, 2008, Financière de L'Echiquier, Paris, France, announced pursuant to Sec. 21 (1) WpHG that on October 17, 2008 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft fell below the 5% threshold and now amounts to 4.9519% (326,826 voting rights). Of these voting rights, 0.034% (2,260 voting rights) is allocable to the Company pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG. On March 2, 2009, the company announced pursuant to Sec. 21 (1) WpHG that on February 26, 2009 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft fell below the 3% threshold and now amounts to 2.772394% (182,978 voting rights). Of those, 0.0298% (1,967 voting rights) is allocable to the Company pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

On November 24, 2008, Bestinver Gestion, S.A., SGIIC, Madrid, Spain, announced pursuant to Sec. 21 (1) WpHG that on October 22, 2008 its share of the voting capital of BÖWE SYSTEC Aktiengesellschaft exceeded the 10% threshold and now amounts to 12.21% (805,698 voting rights). Of these voting rights, 2.24% (147,587 voting rights) is allocable to the Company pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

13. Reserves

The capital reserve primarily contains premiums from the issue of shares. In addition, the imputed value of the conversion rights was accounted for as an equity component and the capital reserve was increased accordingly.

The asset revaluation reserve includes the effect from reversing hidden reserves in the course of the purchase of further shares in BÖWE BELL + HOWELL Holdings Inc. in January 2005.

The revenue reserves primarily include the retained profits of the Group.

14. Hybrid capital

In the fiscal year 2007, BÖWE SYSTEC Aktiengesellschaft issued a subordinated hybrid bond with a nominal value of KEUR 40,000. For an initial period of seven years it is subject to a fixed-interest rate, thereafter to a floating rate of interest. Under the terms of the bond, the bond can be repaid by BÖWE SYSTEC Aktiengesellschaft for the first time after a period of seven years. As the creditors of the hybrid bond do not have ordinary termination rights, the bond has to be disclosed under equity in accordance with IAS 32.16.

If there is a change of control, the offeror is required to announce this immediately. A change of control occurs when one or more persons acting jointly within the meaning of Sec. 30 (2) WpÜG [‘Wertpapiererwerbs- und Übernahmegesetz’: Securities Acquisition and Takeover Act] or one or more third parties (each an ‘acquiror’) acting on behalf of such person have at any time indirectly acquired more than 30% of the voting rights of the offeror, unless the acquiror concerned is not required to make a mandatory offer in accordance with WpÜG.

If there is a change of control, the offeror is entitled to terminate the securities by notification to the creditors observing with a notice period of no less than 15 and no more than 30 days with effect as of the control date. In the event of termination, the offeror is required to redeem the securities on the control date at the early repayment amount per security.

If the offeror has notified the creditors in the change-of-control notification of its intention of applying for confirmation of the rating, and if no such confirmation of the rating is published, the offeror is entitled to terminate the securities by notifying the creditors observing a notice period of no less than 15 and no more than 30 days effective as of the repayment date defined by the offeror in the notification, which may not be less than 30 and not more than 45 days after the rating date. In the event of termination, the offeror is required to redeem the securities on the defined repayment date at the early repayment amount per security.



If the offeror opts not to redeem the securities, the securities bear interest on their total nominal amount as of the control date at an interest rate amounting to the fixed or floating interest rate plus the change-of-control margin in each case, unless the offeror has notified the creditors in the change-of-control notification that it will apply for confirmation of the rating.

If no confirmation of rating has been published by the rating date and the offeror has opted not to redeem the securities, the securities bear interest on their total nominal amount through the rating date following the interest due date at a interest rate amounting to the fixed or floating interest rate plus the change-of-control margin in each case.

The offeror is required to inform the creditors and authorities without delay that the securities bear interest on the total nominal amount and the status of the securities is determined.

15. Financial instruments

Due to its international operations, the BÖWE SYSTEC Group is generally exposed to currency risks, interest, liquidity and credit risks.

Credit risk

The credit risk of financial assets is taken into account through adequate valuation allowances considering collateral that has already been provided. Various measures are taken to reduce the credit risk for primary financial instruments, such as requesting collateral or guarantees. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to risk of default is not significant. The theoretical risk of default corresponds to the book value of the financial assets (see table "Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category"). With the following exception, there is no significant concentration of risk of default within the Group.

WANDERER-WERKE AKTIENGESELLSCHAFT announced by ad hoc notification dated March 27, 2009 that in its professional judgment the management board of WANDERER-WERKE AKTIENGESELLSCHAFT assumes that a loss of more than half of the share capital has occurred.

Loans and other receivables from shareholders of the WANDERER-WERKE Group, which had not been settled by the time these consolidated financial statements were prepared, were written off in full accordingly.

The offeror is requested to inform the creditors and authorities without delay that the securities bear interest on the total nominal amount.

Currency risk

Currency risks from current receivables, liabilities and debts as well as from forecast transactions are generally hedged with forward exchange contracts and currency options. Hedges for value fluctuations in future cash flows from forecast transactions mainly relate to planned sales in foreign currency.

The table below presents the sensitivity of the Group's earnings before taxes and the Group's equity to a reasonably possible change in the US dollar exchange rate. The effects on earnings before taxes relate to the primary financial liabilities in USD. All other variables remain constant.

Change in USD exchange rate	Effects on earnings before taxes		Effects on equity	
	2008			
10%	KEUR	1,838	KEUR	16,763
-10%	KEUR	-2,244	KEUR	-20,489
	2007			
10%	KEUR	1,973	KEUR	14,844
-10%	KEUR	-2,410	KEUR	-18,123

Interest rate risk

The Group is exposed to interest risks both in the euro zone and in the United States of America. To manage the interest rate risk in terms of changes in market interest rates of existing and anticipated floating-rate liabilities to banks, the Company entered into interest swaps and interest caps with maturities until 2017.

Summary of interest rate risks

The table below shows the sensitivity of consolidated profit or loss before tax to a reasonably possible change in the interest rates (due to the effect on the floating interest loans). All other variables remain constant. Group equity is not affected.

Increase/decrease in basis points	Effect on earnings before taxes	
	2008	
100	KEUR	-1,157
-100	KEUR	1,157
	2007	
100	KEUR	-887
-100	KEUR	887

Liquidity risk

The individual group entities prepare liquidity planning on an ongoing basis which shows the estimated cash flows from operating activities.

Unused lines of credit available to the group entities ensure that it has sufficient funds.

	Carrying amount Dec. 31, 2008	Cash flows 2009		
		Fixed interest	Variable interest	Repayment
	KEUR	KEUR	KEUR	KEUR
Primary financial liabilities:				
Bonds, other securitized liabilities, liabilities to banks and collateralized debt obligation and similar liabilities	170,162	2,750	6,500	154,031*)
Profit participation rights	36,000	2,700	0	0
Finance lease liabilities	28,584	1,276	13	2,384
Other interest-bearing liabilities	43,161	1,100	1,400	43,001
Derivative financial liabilities and assets				
Derivative financial liabilities				
– currency derivatives in connection with cash flow hedges	1,293	0	0	1,293
– currency derivatives in connection with fair value hedges	0	0	0	0
Derivative financial assets				
– currency derivatives in connection with cash flow hedges	866	0	0	866
– interest derivatives in connection with cash flow hedges	22	0	0	0

	Carrying amount Dec. 31, 2007	Cash flows 2008		
		Fixed interest	Variable interest	Repayment
	KEUR	KEUR	KEUR	KEUR
Primary financial liabilities:				
Bonds, other securitized liabilities, liabilities to banks and collateralized debt obligations and similar liabilities	151,117	3,295	5,775	38,978*)
Profit participation rights	36,000	2,900	0	0
Finance lease liabilities	1,552	56	0	416
Other interest-bearing liabilities	46,958	1,500	1,300	6,556
Derivative financial liabilities and assets				
Derivative financial liabilities				
– currency derivatives in connection with cash flow hedges	464	0	0	464
– currency derivatives in connection with fair value hedges	46	0	0	46
Derivative financial assets				
– currency derivatives in connection with cash flow hedges	184	0	0	184
– interest derivatives in connection with cash flow hedges	18	0	0	0

The table below shows the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments with a positive and negative fair value of the BÖWE SYSTEC Group:

Cash flows 2010–2013		
Fixed interest	Variable interest	Repayment
KEUR	KEUR	KEUR
17,200	17,200	13,194
5,600	0	36,000
3,910	64	10,035
3,200	0	3,160
0	0	0
0	0	0
0	0	0
0	0	22

Cash flow 2014 and thereafter		
Fixed interest	Variable interest	Repayment
KEUR	KEUR	KEUR
11,400	11,400	2,937
0	0	0
5,561	0	16,165
400	0	0
0	0	0
0	0	0
0	0	0
0	0	0

Cash flows 2009–2012		
Fixed interest	Variable interest	Repayment
KEUR	KEUR	KEUR
14,300	14,300	106,811
8,800	0	36,000
71	0	1,136
3,600	1,200	30,402
0	0	0
0	0	0
0	0	0
0	0	18

Cash flow 2013 and thereafter		
Fixed interest	Variable interest	Repayment
KEUR	KEUR	KEUR
200	500	5,328
0	0	0
0	0	0
1,100	0	10,000
0	0	0
0	0	0
0	0	0
0	0	0

*) These amounts also contain working capital loans which are defined as current. As these loans are generally prolonged for a year each time, there are no repayments.

Additionally, these amounts contain loans for which BÖWE SYSTEC AG had agreed to certain financial covenants which were not complied with as of December 31, 2008.

The banks concerned have issued standstill agreements so there will be no repayments in 2009.

Repayment matches the maturity structure as of the balance sheet date.

Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category

	Measurement category pursuant to IAS 39	Carrying amount Dec. 31, 2008	Amortized cost	Fair value in equity	Fair value in profit or loss
	KEUR	KEUR	KEUR	KEUR	KEUR
Cash and cash equivalents	(LaR)	7,746	7,746	0	0
Trade receivables	(LaR)	82,057	82,057	0	0
Lease receivables	n.a.	2,071	0	0	0
Derivatives designated as hedging instruments	n.a.	888	0	888	0
Other (financial) assets	(LaR)	7,866	7,866	0	0
Securities	(HtM)	747	747	0	0
Loans	(LaR)	0	0	0	0
Liabilities to banks	(FLAC)	169,761	169,761	0	0
Bonds	(FLAC)	401	401	0	0
Other financial liabilities	(FLAC)	43,161	43,161	0	0
Lease liabilities	n.a.	28,584	0	0	0
Trade payables	(FLAC)	21,974	21,974	0	0
Derivatives designated as hedging instruments	n.a.	1,293	0	1,273	20
Profit participation rights	(FLAC)	36,000	36,000	0	0
Financial assets					
Held-to-maturity investments	(HtM)	747	747	0	0
Loans and receivables	(LaR)	97,669	97,669	0	0
Financial liabilities					
Financial liabilities measured at amortized cost	(FLAC)	271,297	271,297	0	0

Net gain or loss by measurement categories

		From subsequent measurement		Net gain or loss	
		Currency translation	Addition to/reversal of impairments	2008	2007
		KEUR	KEUR	KEUR	KEUR
Loans and receivables)	(LaR)	-866	-23,198	-21,655	1,847
Held-to-maturity investments	(HtM)	0	0	15	13
Financial liabilities measured at amortized cost	(FLAC)	-1,242	0	-18,024	-18,046
		-2,108	-23,198	-39,664	-16,186

IAS 17	Fair Value	Carrying amount Dec. 31, 2007	Amortized cost	Fair value in equity	Fair value in profit or loss	IAS 17	Fair value
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
0	7,746	26,549	26,549	0	0	0	26,549
0	82,057	95,398	95,398	0	0	0	95,398
2,071	2,071	2,542	0	0	0	2,542	2,542
0	888	202	0	202	0	0	202
0	7,866	8,795	8,795	0	0	0	8,795
0	747	742	742	0	0	0	742
0	0	16,228	16,228	0	0	0	16,228
0	169,761	150,678	150,678	0	0	0	150,678
0	401	439	439	0	0	0	439
0	43,161	46,958	46,958	0	0	0	46,958
28,584	28,584	1,552	0	0	0	1,552	1,552
0	21,974	31,845	31,845	0	0	0	31,845
0	1,293	510	0	97	413	0	510
0	36,000	36,000	36,000	0	0	0	36,000
0	747	742	742	0	0	0	742
0	97,669	146,970	146,970	0	0	0	146,970
0	271,297	265,920	265,920	0	0	0	265,920

The interest expenses are disclosed in the financial result.

The net gain or loss from the currency translation of the loans and receivables (LaR) contains both exchange rate gains (KEUR 769) and exchange rate losses (KEUR 2,877) and is disclosed in other operating income or expenses.

Impairment losses on loans and receivables result from impairment losses both on trade receivables and also other financial assets. They are disclosed under write-downs of loans (KEUR 17,343), other operating expenses (KEUR 5,088) and selling expenses (KEUR 767).



Fair values

The financial instruments of the Group not accounted for at fair value mainly consist of cash equivalents, trade receivables, trade payables and other liabilities, overdraft facilities and long-term loans.

The carrying amount of cash equivalents and overdrafts approximates fair value due to the high liquidity of the financial instruments. The historical cost carrying amount of receivables and payables subject to normal trade credit terms usually approximates fair value.

The fair value of non-current liabilities is based on the current interest rate for borrowing at similar terms and conditions with the same due date and credit rating. At present the fair value of debt capital corresponds closely to the carrying amount.

		2008			
		Nominal volume Total	due in more than 1 year	Fair value (other assets)	Fair value (other liabilities)
Currency		KEUR	KEUR	KEUR	KEUR
Forward exchange contracts	USD	21,414	532	809	0
Forward exchange contracts	EUR	232	0	0	25
Forward exchange contracts	JPY	7,456	0	0	785
Forward exchange contracts	Other	4,623	0	0	27
Currency options	EUR	3,085	0	57	22
Currency options	GBP	15	0	0	1
Interest rate swaps	EUR	0	0	0	0
Interest rate caps	EUR	9,590	8,010	22	0
Interest rate caps	USD	28,618	0	0	0
Embedded derivative				0	433
Total				888	1,293
– of which current				866	1,293
– of which non-current				22	0
				888	1,293

The fair value of the derivative financial instruments was estimated using the following methods and assumptions:

The fair values of currency swaps were estimated as the present value of cash flows on the basis of the difference between the contractually agreed forward rates and the forward rate prevailing on the balance sheet date. The fair values of the interest hedges are estimated as the discounted value of expected future cash flows.

Depending on their fair value as of the balance sheet date, derivative financial instruments are reported under other assets (positive fair value) or other liabilities (negative fair value) respectively.

2007			
Nominal volume Total	due in more than 1 year	Fair value (other assets)	Fair value (other liabilities)
KEUR	KEUR	KEUR	KEUR
785	0	105	0
0	0	0	0
0	0	0	0
8,687	0	79	47
2,000	0	12	0
12,040	8,590	6	33
27,181	27,181	0	17
		0	413
		202	510
		184	460
		18	50
		202	510

In addition, KEUR 152 was reclassified due to the realization of hedged transactions in the course of the reporting period from total income and expense for the period recognized directly in equity to profit or loss and disclosed in revenue, other operating expenses and net interest in the income statement. The effect on earnings (before taxes) expected for the following reporting period from the amounts recognized directly in equity as of the balance sheet date under accumulated other comprehensive income came to KEUR 28.

The nominal and fair values of derivative financial instruments (hedges) are as follows as of the balance sheet date:

The nominal volume is the imputed volume from which the related cash flows are derived. The risk stems therefore not from the nominal volume but from the related changes in exchange rates and interest rates.

The residual purchase price from the purchase of shares in BÖWE BELL + HOWELL Holdings Inc., USA, will be financed by the previous minority shareholder until 2009. The seller receives a fixed rate of interest and an additional yield. The additional yield is based on the percentage rate by which the BÖWE SYSTEC share price at the end of the first quarter of 2009 exceeds a certain threshold. Pursuant to IAS 39 the additional yield represents an embedded derivative which was initially measured at market value. Subsequently, the embedded derivative is measured at fair value through profit or loss. Fair value is based on the calculations of an external appraiser.

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2008

16. Statement of changes in non-current assets

The non-current assets of the Group developed as follows:

	ACCUMULATED COST						Dec. 31, 2008
	Jan. 1, 2008	Changes in consolidated group	Exchange differences	Additions	Disposals	Reclassifications	
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	
Intangible assets							
Goodwill	166,370	0	8,227	0	0	0	174,597
Trademarks and patents	65,244	0	3,449	0	0	0	68,693
Client base	32,520	0	1,697	891	0	0	35,108
Capitalized development work	24,730	0	654	7,051	0	0	32,435
Other intangible assets	22,314	0	992	2,891	142	150	26,205
Prepayments	340	0	0	358	0	-150	548
	311,518	0	15,019	11,191	142	0	337,586
Property, plant and equipment							
Land and buildings including buildings on third-party land	23,843	0	351	36,107	62	17	60,256
Technical equipment and machines	19,555	0	242	264	146	630	20,545
Leased assets	7,474	0	166	2,667	1,673	-73	8,561
Other equipment, furniture and fixtures	32,134	0	530	1,623	771	109	33,625
Prepayments and assets under construction	917	0	44	2,136	0	-683	2,414
	83,923	0	1,333	42,797	2,652	0	125,401
Investment property	9,507	0	0	0	0	0	9,507
	404,948	0	16,352	53,988	2,794	0	472,494

ACCUMULATED DEPRECIATION AND IMPAIRMENTS

Jan. 1, 2008	Changes in consolidated group	Exchange differences	Additions	Disposals	Reclassifications	Dec. 31, 2008
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
11,780	0	782	33,500	0	0	46,062
4,173	0	282	1,178	0	0	5,633
22,165	0	1,374	4,307	0	0	27,846
4,936	0	196	4,528	0	0	9,660
15,099	0	717	994	142	26	16,694
0	0	0	0	0	0	0
58,153	0	3,351	44,507	142	26	105,895
6,554	0	178	710	31	0	7,411
12,963	0	245	2,172	60	154	15,474
3,571	0	155	1,043	237	0	4,532
27,862	0	434	1,767	529	-180	29,354
0	0	0	0	0	0	0
50,950	0	1,012	5,692	857	-26	56,771
4,428	0	0	307	0	0	4,735
113,531	0	4,363	50,506	999	0	167,401

CARRYING AMOUNTS

Dec. 31, 2008	Dec. 31, 2007
KEUR	KEUR
128,535	154,590
63,060	61,071
7,262	10,355
22,775	19,794
9,511	7,215
548	340
231,691	253,365
52,845	17,289
5,071	6,592
4,029	3,903
4,271	4,272
2,414	917
68,630	32,973
4,772	5,079
305,093	291,417

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2007

	ACCUMULATED COST						Dec. 31, 2007
	Jan. 1, 2007	Changes in consolidated group	Exchange differences	Additions	Disposals	Reclassifications	
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	
Intangible assets							
Goodwill	167,773	16,718	-18,121	0	0	0	166,370
Trademarks and patents	72,752	90	-7,603	5	0	0	65,244
Client base	35,835	430	-3,745	0	0	0	32,520
Capitalized development work	14,915	2,857	-1,092	8,050	0	0	24,730
Other intangible assets	18,127	44	-1,447	405	1,001	6,186	22,314
Payments on accounts	0	0	0	340	0	0	340
	309,402	20,139	-32,008	8,800	1,001	6,186	311,518
Property, plant and equipment							
Land and buildings including buildings on third-party land	24,703	0	-674	296	10	-472	23,843
Technical equipment and machines	24,760	151	-1,389	1,677	1,548	-4,096	19,555
Leased assets	2,698	0	0	2,509	1,303	3,570	7,474
Other equipment, furniture and fixtures	32,215	3,590	-1,294	1,590	2,505	-1,462	32,134
Payments on account and assets under construction	866	14	-62	3,825	0	-3,726	917
	85,242	3,755	-3,419	9,897	5,366	-6,186	83,923
Investment property	9,507	0	0	0	0	0	9,507
	404,151	23,894	-35,427	18,697	6,367	0	404,948

ACCUMULATED DEPRECIATION AND IMPAIRMENTS

Jan. 1, 2007	Changes in consolidated group	Exchange differences	Additions	Disposals	Reclassifications	Dec. 31, 2007
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
11,981	0	-201	0	0	0	11,780
3,521	58	-439	1,033	0	0	4,173
19,322	0	-2,346	5,189	0	0	22,165
1,668	962	-257	2,563	0	0	4,936
14,544	15	-1,316	1,245	73	684	15,099
0	0	0	0	0	0	0
51,036	1,035	-4,559	10,030	73	684	58,153
6,591	0	-295	751	10	-483	6,554
14,261	51	-696	2,830	954	-2,529	12,963
924	0	-56	1,338	796	2,161	3,571
24,678	3,342	-927	2,939	2,337	167	27,862
0	0	0	0	0	0	0
46,454	3,393	-1,974	7,858	4,097	-684	50,950
4,120	0	0	308	0	0	4,428
101,610	4,428	-6,533	18,196	4,170	0	113,531

CARRYING AMOUNTS

Dec. 31, 2007	Dec. 31, 2006
KEUR	KEUR
154,590	155,792
61,071	69,231
10,355	16,513
19,794	13,247
7,215	3,583
340	0
253,365	258,366
17,289	18,112
6,592	10,499
3,903	1,774
4,272	7,537
917	866
32,973	38,788
5,079	5,387
291,417	302,541

VII. Notes to the consolidated income statement

In preparing the consolidated financial statements for the fiscal year 2008 it was found that in the context of elimination of income and expenses the amount recognized for cost of sales in fiscal 2007 had been KEUR 3,722 too high. It should have been classified as research and development costs. We have now corrected this with retroactive effect in accordance with IAS 8.

17. Revenue

Revenue contains the amounts charged to customers for goods and services. Sales deductions such as rebates and discounts are deducted from revenue. Detailed explanations of the geographical distribution of sales revenue are contained in the segment reporting.

This item contains revenue from long-term construction contracts of KEUR 2,758 (prior year: KEUR 7,809).

Revenue includes income from repairs and maintenance of EUR 203.6 million (prior year: EUR 207.3 million).

18. Other operating income

Besides the non-recurring effects described below, other operating income mainly comprises gains on sale, rental income from investment property (KEUR 643, prior year: KEUR 732) and exchange rate gains. Exchange rate gains of KEUR 769 are allocated to the "loans and receivables" measurement category.

The figures of the fiscal years 2008 and 2007 contain the following one-off factors:

	2008	2007
	KEUR	KEUR
Compensation for early termination of rental agreement	2,610	0
Revenue from the sale of licenses	1,104	0
Change in the fair value of the option to acquire shares in Lasermax Roll Systems AB before transition to full consolidation	0	1,500
Measurement of an embedded derivative at fair value	0	79
	<u>3,714</u>	<u>1,579</u>

19. Personnel expenses

The expense items of the consolidated income statement contain the following personnel expenses:

	2008	2007
	KEUR	KEUR
Wages and salaries	181,264	183,426
Expense of share-based payments	2	0
Social security cost and post-employment benefits	35,958	36,557
– of which old-age pensions	(2,216)	(1,324)
Other post-employment benefits	4,720	2,239
	<u>221,944</u>	<u>222,222</u>

20. Other operating expenses

In addition to the one-off effects described below, this position essentially contains operating expenses (including repairs and maintenance) (KEUR 79, prior year: KEUR 40) for investment property with which rental income was generated during the reporting period and exchange losses. The exchange rate losses of KEUR 2,877 are allocated to the “loans and receivables” measurement category, and additional exchange rate losses of KEUR 1,242 to the “financial liabilities measured at amortized cost” measurement category.

The figures of the fiscal years 2008 and 2007 contain the following one-off factors:

	2008	2007
	KEUR	KEUR
Impairment losses on other assets	5,088	0
Consulting services	4,387	0
Loss on the disposal of the scanner operations	1,429	0
Severance payments	1,057	0
	<u>11,961</u>	<u>0</u>

21. Net interest income/lost

	2008	2007
	KEUR	KEUR
Interest income	2,424	2,225
Interest expenses	–16,782	–20,473
Net interest loss	<u>–14,358</u>	<u>–18,248</u>
thereof: from financial instruments in the measurement categories in accordance with IAS 39:		
Loans and receivables	2,409	2,212
Held-to-maturity investments	15	13
Financial liabilities measured at amortized cost	<u>–16,782</u>	<u>–20,473</u>

Interest and similar expenses contains KEUR 925 (prior year: KEUR 933) from the amortization of borrowing costs.

22. Income taxes

	2008	2007
	KEUR	KEUR
Current taxes:		
German	1,286	1,056
Foreign	3,372	-2,165
Total current taxes	4,658	-1,109
Deferred taxes:		
German	408	-335
Foreign	-3,969	-1,219
Total deferred taxes	-3,561	-1,554
Effective income tax expense	1,097	-2,663

At the German entities, the current tax expense consists of corporate income tax plus solidarity surcharge and trade tax. At the foreign entities, the comparable income-based taxes are disclosed.

For the German entities, the corporate income tax rate, including solidarity surcharge, amounted to 15.825% on account of the German Business Tax Reform that entered into effect in the fiscal year 2008. Taking the trade tax into account, the total tax burden of the German entities was around 30%.

At the foreign entities, tax rates range between 13% and 41%.

There were no major changes in tax expense due to changes in the respective local tax rates outside Germany.

In the fiscal year, deferred taxes of KEUR 3,030 (prior year: KEUR -212) were offset directly against equity.

As of the balance sheet date, the Group had unused tax losses of EUR 82 million (prior year: EUR 69 million) for offsetting against future profits. A deferred tax asset of EUR 29 million (prior year: EUR 27 million) was recorded on these losses. A deferred tax asset was not recorded on the remaining EUR 53 million (prior year: EUR 42 million) because future profits were not sufficiently foreseeable. The unused tax losses that have not been considered contain around EUR 5 million which will be forfeited in the next five to ten years. The other losses can be carried forward for an indefinite period of time.

The temporary differences associated with shares in subsidiaries for which no deferred tax liabilities were recognized amount to KEUR 1,533 in total (prior year: KEUR 2,728), as no profit distributions are expected in the foreseeable future. Deferred tax liabilities of KEUR 570 were recognized for anticipated profit distributions and related tax expenses in Germany.

For five entities deferred tax assets were recognized only up to the amount of deferred tax liabilities recorded at the respective entities. The total amount of deferred tax assets written down at these entities of KEUR 1,000 was recognized in deferred tax expenses.

A reconciliation between the reported income tax expense and the expected income tax expense for the fiscal years ended December 31, 2008 and 2007 is as follows:

	2008	2007
	KEUR	KEUR
Net profit before taxes	-58,903	15,045
Theoretical tax expense based on the German total tax rate of 30% (prior year: 38%):	-17,671	5,717
Variations tax effect	-458	288
Tax-free investment income	0	-331
Recognition of assets on previously unrecognized unused tax losses	-963	-2,448
Unrecognized deferred tax assets on unused tax losses	4,734	1,419
Tax income (-) or expenses (+) for prior years	-2,063	-9,776
Non-deductible impairment of goodwill	10,050	0
Non-deductible expenses	7,583	487
Zero-rated income	-61	623
Other	-54	1,358
Taxes on income	1,097	-2,663

The tax income for prior years in the fiscal year 2007 results from the lower estimated probability of the tax risks accrued to date at a foreign group entity.

Deferred taxes due to measurement differences relate to the following balance sheet items:

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
	KEUR		KEUR	
Receivables and other assets	12,984	870	5,895	1,040
Inventories	8,161	58	8,365	57
Property, plant and equipment	4,109	7,656	5,787	545
Intangible assets	0	30,234	207	32,677
Other assets	140	59	610	364
Liabilities	8,110	7,817	3,489	5,247
Pension provisions	5,692	20	2,839	14
Other provisions	717	38	1,171	744
	39,913	46,752	28,363	40,688
Investments in subsidiaries and interests in joint ventures	0	570	0	570
Cash flow hedges	22	47	13	0
Tax credits	95	3	0	0
Unused losses	6,151	0	5,476	0
	46,181	47,372	33,852	41,258
Portion eligible for netting	-31,935	-31,935	-20,444	-20,444
Deferred taxes	14,246	15,437	13,408	20,814

23. Dividends paid and proposed

	2008	2007
	KEUR	KEUR
Dividends declared and paid during the fiscal year (Dividend for 2007: EUR 1.35 (2006: EUR 1.35))	8,910	8,910
Proposal for approval at the annual general meeting (Dividend for 2008: EUR 0.00 (2007: EUR 1.35))	0	8,910

VIII. Other notes

24. Segment reporting

Geographical segments are the primary format for the segment reporting of the Group, as the risks and equity yield of the Group is influenced by differences in the various geographical regions. The Mailroom Management segment represents the secondary segment reporting format.

The Group's geographical segments are determined by the location of the Group's assets and operations. The Group is divided into the following geographical segments:

- Germany
- Europe (Austria, Belgium, Czech Republic, Denmark, Finland, France, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom)
- USA (USA and Canada)
- Rest of World (Australia, Japan and Singapore)

The Group records its sales in the country in which the sales with the respective third party are realized and not in the region in which the products are ultimately installed. For example, sales with general sales agents abroad are recorded as German sales as the goods are billed in Germany and leave the Group there.

25. Notes to the consolidated cash flow statement

Cash and cash equivalents consist of liquid funds (EUR 7.7 million) as well as overdraft facilities (EUR 53.1 million).

26. Operating leases

The Group as lessor:

The Group has entered into rent agreements for the commercial rental of its investment properties. These rental agreements have a remaining non-cancellable rental period of one year. All the rent agreements contain a clause according to which the rent can be adjusted annually based on the prevailing market conditions.

In addition, the Group has lease agreements for the commercial lease of BÖWE SYSTEC products. These lease agreements have a remaining non-cancellable residual lease period of between one and five years. There are no price escalation clauses. Income from leases of KEUR 2,069 was recognized in profit or loss in the fiscal year 2008.

As of the balance sheet date, the receivables from future minimum lease payments on account of non-cancellable operating leases break down as follows:

	2008	2007
	KEUR	KEUR
Less than one year	1,929	2,021
Between one and five years	6,290	4,667
	<u>8,219</u>	<u>6,688</u>

The Group as lessee:

Operating leases relate in particular to rent for certain office properties of the Group. In addition, the Group has entered into leases for various vehicles and technical equipment. The leases expire at various points in time between 2009 and 2015. There are no purchase options upon expiry of the lease either for the rented buildings or the technical equipment. There are options to purchase some of the leased vehicles upon expiry of the lease.

At the balance sheet date, obligations from operating leases are as follows:

	2008	2007
	KEUR	KEUR
Due not later than one year	9,719	11,528
Due later than one year and not later than five years	19,929	27,247
Due later than five years	2,645	13,476
	<u>32,293</u>	<u>52,251</u>

Lease payments of KEUR 12,216 (prior year: KEUR 10,690) were recorded as an expense in fiscal 2008.

27. Other financial obligations

Apart from the obligations from operating leases (Group as lessee) there are no additional other financial obligations that are material.

28. Contingent liabilities

At the balance sheet date, contingent liabilities are as follows:

	2008	2007
	KEUR	KEUR
Liabilities from guarantees and warranties	246	395
	246	395

29. Related party disclosures

For information regarding the financial statements of BÖWE SYSTEC Aktiengesellschaft and its subsidiaries included in the consolidated financial statements we refer to the list of shareholdings.

The parent company of BÖWE SYSTEC Aktiengesellschaft which prepares the consolidated financial statements for the largest group of companies is WANDERER-WERKE AKTIENGESELLSCHAFT, Augsburg.

Goods and service transactions

In the course of the fiscal year, the group entities carried out the following transactions with related parties which do not belong to the Group:

		Revenue from sales and other income	Purchase of goods and other expenses	Amounts owed by related parties	Amounts owed to related parties
		KEUR	KEUR	KEUR	KEUR
Ultimate parent					
– WANDERER-WERKE AKTIENGESELLSCHAFT, Augsburg	2008	283	15,083 ²⁾	457 ¹⁾	1,166
	2007	226	3,455 ²⁾	5,624 ¹⁾	982
Joint venture					
– Lasermax Roll Systems AB ³⁾	2007	33	1,388	20	645
Other transactions					
– Wanderer-Werke Beteiligungs- und Verwaltungs GmbH, Augsburg	2008	1,634	0	1,000 ¹⁾	0
	2007	870	0	12,424 ¹⁾	0

¹⁾ Loans granted at market conditions.

²⁾ This item mainly consists of rent expenses. In addition, a call option was acquired in 2008 (see note 8).

³⁾ Lasermax Roll Systems AB was only a joint venture until June 30, 2007; from July 1, 2007 it is an affiliate.

30. Boards of BÖWE SYSTEC Aktiengesellschaft

The members of the management board of BÖWE SYSTEC Aktiengesellschaft in fiscal year 2008 were:

Dr. Claus Gerckens Chairman (until January 31, 2009)	Augsburg CEO of WANDERER-WERKE AKTIENGESELLSCHAFT (until December 4, 2008) <u>Supervisory board offices or similar offices:</u> EUROKAI KGaA, Hamburg Waltershof Peute Hafen Betriebs-GmbH, Hamburg Lasermax Roll Systems AB, Ljungby, Sweden, Chairman
Michael Meyer Deputy chairman (until March 3, 2009)	Neusäß CTO
Dr. Harald Nippel	Augsburg CFO
Oliver Bialowons (since December 12, 2008)	Stuttgart CEO of WANDERER-WERKE AKTIENGESELLSCHAFT (since December 4, 2008)

The remuneration of the management board breaks down as follows:

	Basic salary		Profit-based compensation	Total	
	Salary	Additional benefits	Bonus	2008	2007
	KEUR	KEUR	KEUR	KEUR	KEUR
Dr. C. Gerckens	256	0	9	265	535
M. Meyer	220	10	0	230	388
Dr. H. Nippel	180	10	0	190	95
O. Bialowons	23	0	0	23	0
Total	679	20	9	708	1,018

Total remuneration paid to the management board is profit-based. It comprised remuneration that is not linked to profits (salary) and a profit-based component (bonus). The annual salary is paid in monthly installments and the amount is agreed for the term of the agreement in each case. Dr. Gerckens' salary was revised as of January 1, 2007 for the period until December 31, 2011, while Mr. Meyer's salary was revised as of January 1, 2006 for a period until December 31, 2010. Dr. Nippel's salary has been fixed for the period from September 1, 2007 to December 31, 2010. Mr. Bialowons's salary has been agreed for the period from December 12, 2008 to December 11, 2011.

The amount of the bonus for Dr. C. Gerckens, M. Meyer and Dr. H. Nippel depends on the respective net profit of the Group for the year, which is reduced by an appropriate return on equity on the basic bonus using the balance as of January 1 of each fiscal year. In addition, a bonus can be paid if certain company profit targets and personal targets are met. This is subject to the approval of the personnel committee of the supervisory board. A bonus is paid to Mr. Bialowons if certain company profit targets and personal targets are met.

The members of the management board can also subscribe to convertible bonds, which are offered to executives in the BÖWE SYSTEC Group as part of a stock option based incentive system. More details are included in note 9. In fiscal year 2008, a convertible bond was due for repayment; it was redeemed at nominal value. The prerequisites for the purchase of shares of BÖWE SYSTEC Aktiengesellschaft were not satisfied.

The fringe benefits stem from the amounts that can be recognized in accordance with tax provisions for private use of company cars and direct insurance. The remuneration in kind was subject to tax payable by the respective management board members.

Pension commitments have been made to Dr. Gerckens and Mr. Meyer.

Dr. Gerckens is entitled to pension payments amounting to 4/3 of the group amount for Group S as created in accordance with the statutes and benefit regulations of the Bochumer Verband. Dr. Gerckens will receive his full pension upon completion of his management board activities at the age of 63, or in the case of occupational invalidity, and a reduced pension under certain circumstances in the case of premature termination or if the employment agreement is not extended. In future, current payments will be adjusted in accordance with the statutes and benefit regulations of the Bochumer Verband. In addition there is an entitlement to payments to surviving dependents in the form of a life-long widow's pension of 60% of the pension and an orphan's pension of 25% of the pension for each child until the children reach a certain age. Together the surviving dependents receive a maximum of 100% of the pension.

Mr. Meyer has a pension entitlement based on his basic salary. The monthly pension corresponds to 2% of the monthly basic salary multiplied by the number of years of service up to an agreed maximum amount. Once this amount is reached, the increase then amounts to 2% each year until retirement age is reached, regardless of the development of his basic salary. Mr. Meyer will receive his pension upon completion of his management board activities at the age of 65 and/or upon receiving an old-age pension from his statutory pension insurance, as well as in the case of occupational invalidity. In addition there is an entitlement to a life-long widow's pension of 50% of the pension.

The pension provisions for the pension entitlements of the management board members total KEUR 2,032 (prior year: KEUR 1,954). The service cost for the fiscal year 2008 amounts to KEUR 73 (prior year: KEUR 72) for Dr. Gerckens and KEUR 40 (prior year: KEUR 42) for Mr. Meyer.

For Dr. Nippel, the Company will pay an annual insurance premium that allows him to make provision for his old age at his own discretion. The claim from this insurance is vested as of its inception. Contributions of KEUR 24 were paid in fiscal year 2008 (prior year: KEUR 8).

Former managers of the legal predecessor of BÖWE SYSTEC Aktiengesellschaft were paid KEUR 39 in 2008 (prior year: KEUR 39). Pension commitments covered by provisions for current and future pension claims of former members of the management board and former general managers of the legal predecessor amounted to KEUR 370 (prior year: KEUR 381).

In the fiscal year 2008 the supervisory board of BÖWE SYSTEC Aktiengesellschaft comprised:

<p>Johannes Beelen Chairman (until March 20, 2009)</p>	<p>Solingen Former director of ZWILLING J.A. Henckels AG, Solingen <u>Other supervisory board offices or similar offices:</u> RWL Verwaltungs- und Beteiligungs-AG, Bremen Rheinische Grundbesitz AG, Mülheim an der Ruhr Meridio Vermögensverwaltung AG, Cologne (chairman)</p>
<p>Prof. Dr. Günther Langenbacher Deputy chairman (until March 20, 2009) Chairman (since March 20, 2009)</p>	<p>Stuttgart Chairman of the management board of Robert Breuning Stiftung, Besigheim near Stuttgart <u>Other supervisory board offices or similar offices:</u> DEKRA AG, Stuttgart Deutsche Beteiligungs AG, Frankfurt/Main WANDERER-WERKE AKTIENGESELLSCHAFT, Augsburg (chairman) Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt/Main Klinge Papierwerke GmbH & Co. KG, Remshalden</p>
<p>Prof. Dipl.-Ing. Gerd Finkbeiner Deputy chairman (since March 20, 2009)</p>	<p>Neusäß Chairman of the management board of manroland Druckmaschinen AG, Offenbach a.M. <u>Other supervisory board offices or similar offices:</u> RENK AG, Augsburg</p>
<p>Prof. Dr. Dres. h.c. Adolf G. Coenenberg</p>	<p>Stadtbergen Professor emeritus of business administration, audit and controlling at the University of Augsburg and professor emeritus at the European Business School <u>Other supervisory board offices or similar offices:</u> Carl Zeiss AG, Oberkochen Forum Media Group, Merching (chairman) MS Rio Branco Schifffahrtsgesellschaft mbH & Co. KG, Hamburg</p>



Claus-D. Bunk Employee representative	Schwabmünchen Chairman of the works' council of BÖWE SYSTEC Aktiengesellschaft, Augsburg <u>Other supervisory board offices:</u> WANDERER-WERKE AKTIENGESELLSCHAFT, Augsburg
Roland Hörmann Employee representative	Augsburg Deputy chairman of the works' council of BÖWE SYSTEC Aktiengesellschaft, Augsburg

The remuneration of the supervisory board is regulated in Art. 14 of the articles of incorporation and bylaws of BÖWE SYSTEC Aktiengesellschaft and contains two components:

- A fixed component of EUR 1,500 annually for all members of the supervisory board
- A variable component dependent on the net dividend paid out in accordance with the dividend resolution of the annual general meeting and which amounts to EUR 0 for each supervisory board member in fiscal 2008. The deputy chairman and chairman receive 1.5 times or 2.0 times the remuneration described above respectively.

The statutory remuneration of the supervisory board for the past fiscal year thus totaled KEUR 11 (prior year: KEUR 104).

In addition, Mr. Beelen received a payment of KEUR 25 for consulting services rendered by him personally.

31. Subsequent events

There were no events after close of the fiscal year 2008 which would be significant for assessing the net assets, financial position and results of operations of the BÖWE SYSTEC Group.

32. Additional disclosure requirements for German parent companies in the IFRS consolidated financial statements pursuant to Sec. 315a HGB

Average headcount during the year

	Group	
	2008	2007
Germany	909	885
Europe	628	613
USA	2,073	2,211
RoW	97	94
	<u>3,707</u>	<u>3,803</u>

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

Corporate Governance

The management board and supervisory board of BÖWE SYSTEC Aktiengesellschaft hereby declare that they have issued the declaration required by Sec. 161 AktG and made it available to the shareholders.

Auditing and advisory expenses

The fee of the group auditor recorded as an expense for the fiscal year amounts to KEUR 343 for the audits of the separate and consolidated financial statements, KEUR 44 for tax advisory services and KEUR 16 for other services provided for the parent or subsidiaries.

Augsburg, June 30, 2009

BÖWE SYSTEC Aktiengesellschaft

Management board

Responsibility statement by the management board

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

Augsburg, June 30, 2009

BÖWE SYSTEC Aktiengesellschaft

Management board



AUDIT OPINION

Audit opinion

We have audited the consolidated financial statements prepared by BÖWE SYSTEC Aktiengesellschaft, Augsburg, comprising the consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, consolidated cash flow statement, statement of recognized income and expenses and statement of changes in shareholders' equity, together with the group management report for the fiscal year from 1 January to 31 December 2008. The preparation of the consolidated financial statements in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the 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 applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Hamburg, July 1, 2009

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Möbus
Wirtschaftsprüfer
[German Public Auditor]

Ludwig
Wirtschaftsprüfer
[German Public Auditor]



BALANCE SHEET OF BÖWE SYSTEC AG ACCORDING TO HGB

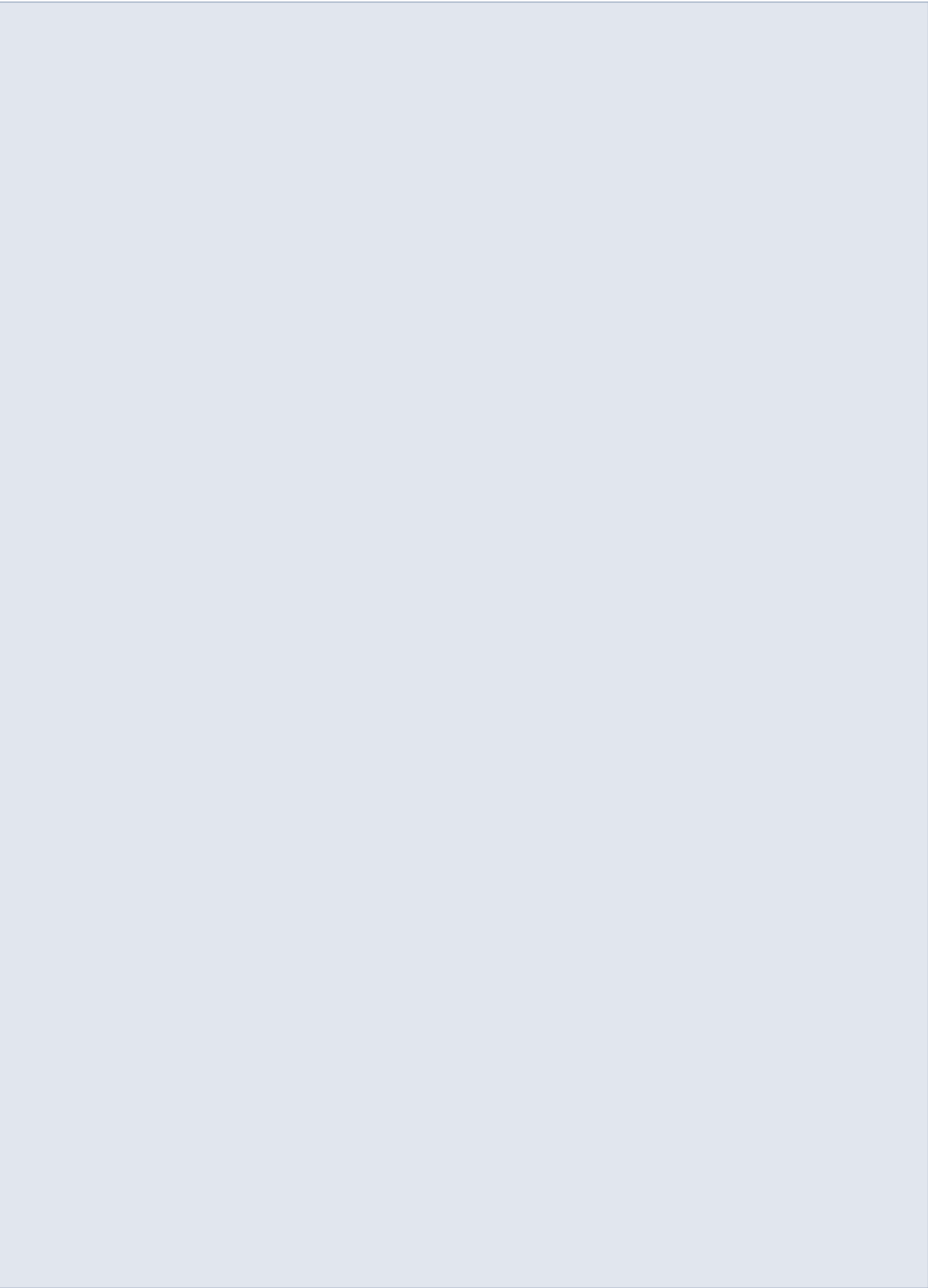
ASSETS	2008	2007
	KEUR	KEUR
A. FIXED ASSETS		
1. Intangible assets	12,977	1,216
2. Property, plant and equipment	9,915	9,368
3. Financial assets	150,238	162,272
	173,130	172,856
 B. CURRENT ASSETS		
1. Inventories	27,574	26,386
2. Receivables and other assets	65,288	63,632
3. Cash	240	6,281
	93,102	96,299
 C. PREPAID EXPENSES		
	176	255
	266,408	269,410

EQUITY AND LIABILITIES

	2008	2007
	KEUR	KEUR
A. EQUITY		
1. Subscribed capital	17,160	17,160
2. Capital reserve	44,169	44,169
3. Revenue reserve	20,190	20,190
4. Retained earnings	482	19,915
	82,001	101,434
B. ACCRUALS		
1. Pensions and similar obligations	4,881	4,720
2. Other accruals	6,211	5,306
	11,092	10,026
C. Liabilities		
1. Bonds	40,413	40,449
2. Profit participation rights	36,000	36,000
3. Liabilities to banks	64,266	49,452
4. Other financial liabilities	16,000	19,000
5. Trade payables	1,216	2,224
6. Other liabilities	15,354	10,825
	173,249	157,950
D. DEFERRED INCOME	66	0
	266,408	269,410

INCOME STATEMENT OF BÖWE SYSTEC AG ACCORDING TO HGB

	2008	2007
	KEUR	KEUR
1. Sales	93,553	82,220
2. Decrease in finished goods and work in process	3,206	-679
3. Own work capitalized	160	80
4. Other operating income	3,208	6,167
5. Cost of materials	-38,946	-34,324
6. Personnel expenses	-36,136	-35,214
7. Amortization of intangible assets and depreciation of property, plant and equipment	-1,128	-1,324
8. Other operating expenses	-20,322	-14,578
9. Investment result	6,842	13,793
10. Amortization of financial assets	-11,974	-2
11. Interest result	-8,467	-7,390
12. Result from ordinary activities	-10,004	8,749
13. Income taxes	-500	467
14. Other taxes	-19	-19
15. Net result for the year	-10,523	9,197
16. Profit carried forward from prior year	11,005	10,718
17. Retained earnings	482	19,915



LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2008

Entity, location	Share %	Currency	Nominal capital in LC	Equity as of Dec. 31, 2008 KEUR ¹⁾	Net result for the year 2008 KEUR ¹⁾
Direct investments					
BÖWE SYSTEC Beteiligungs- und Verwaltungs GmbH, Augsburg	100	EUR	28,200,000.00	18,414	-22,139
BÖWE Systems GmbH, Augsburg	100	EUR	1,000,000.00	955	37
BÖWE SYSTEC AUSTRALIA PTY. Ltd., Sydney, Australia	100	AUD	5,300,000.00	-850	-90
BÖWE SYSTEC BENELUX B.V., Apeldoorn, Netherlands	100	EUR	436,000.00	3,809	89
BÖWE SYSTEC S.A.S., Fontenay sous Bois Cedex, France	100	EUR	840,000.00	3,997	-1,946
BÖWE SYSTEC S.p.A., Fiumicino, Italy	100	EUR	3,300,000.00	1,275	-1,277
BÖWE SYSTEC JAPAN Ltd., Tokyo, Japan	100	JPY	400,000,000.00	7,820	686
BÖWE SYSTEC AUSTRIA GmbH, Vienna, Austria	100	EUR	50,000.00	693	154
BÖWE SYSTEC S.A., Madrid, Spain	100	EUR	60,000.00	11,582	471
BÖWE SYSTEC AB, Sundbyberg, Sweden	100	SEK	15,000,000.00	709 ⁸⁾	-325 ⁸⁾
Indirect equity investments					
BÖWE SYSTEC Vertriebs- und Service GmbH, Oberursel	100	EUR	4,000,000.00	4,000 ³⁾	4,050 ⁴⁾
BÖWE SYSTEC INTERNATIONAL GmbH, Augsburg	100	EUR	6,000,000.00	105,174	-19,007
BÖWE SYSTEC Mailroom Communication GmbH, Augsburg	100	EUR	25,565.00	26 ³⁾	1,756 ⁴⁾
BÖWE Cardtec GmbH, Paderborn	100	EUR	265,000.00	400	-1,780
BÖWE SYSTEC (Schweiz) AG, Volketswil, Switzerland	100	CHF	1,500,000.00	960	240
BÖWE SYSTEC (U.K.) Ltd., Bracknell, United Kingdom	100	GBP	1,200,000.00	-954	601
BÖWE SYSTEC (IR) Ltd., Dublin, Ireland	100	EUR	101.00	14	-10
BÖWE SYSTEC AS, Oslo, Norway	100	NOK	500,000.00	26 ⁷⁾	-128
Oy BÖWE SYSTEC AB, Helsinki, Finland	100	EUR	168,200.00	84 ⁷⁾	-132
BÖWE SYSTEC AS, Herlev, Denmark	100	DKK	600,000.00	107 ⁷⁾	-195
BÖWE SYSTEC NEDERLAND B.V., Apeldoorn, Netherlands	100	EUR	169,000.00	2,165	824
N.V. BÖWE SYSTEC S.A., Merchtem, Belgium	100	EUR	124,000.00	2,546	833
Secumail N.V., Merchtem, Belgium	25	EUR	- ⁹⁾	- ⁹⁾	- ⁹⁾
Secuserv B.V., Apeldoorn, Netherlands	100	EUR	18,000.00	13	0
BÖWE SYSTEC CATALUNYA S.L., Barcelona, Spain	100	EUR	66,000.00	4,165	222
BÖWE SYSTEC Comércio de Equipamentos Para Escritório S.A., Lisbon, Portugal	100	EUR	225,000.00	888 ²⁾	193
SAS Action + Mailing Service, Brix, France	49	EUR	250,000.00	298 ^{5) 6)}	-29 ^{5) 6)}
BÖWE SYSTEC Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw, Poland	100	PLN	1,000,000.00	425 ²⁾	221
InHouseService GmbH, Oberursel	100	EUR	200,000.00	200 ³⁾	150 ⁴⁾
BÖWE C.Z. s.r.o., Prague, Czech Republic	100	CZK	200,000.00	7	0
BÖWE SYSTEC C.Z. s.r.o., Prague, Czech Republic	100	CZK	100,000.00	296	10

Entity, location	Share %	Currency	Nominal capital in LC	Equity as of Dec. 31, 2008 KEUR ¹⁾	Net result for the year 2008 KEUR ¹⁾
Sub-group financial statements of					
BÖWE BELL + HOWELL Holdings, Inc., Chicago, USA:	100	USD	1,000.00	168,101	-2,546
BÖWE BELL + HOWELL, Inc., Chicago, USA					
BÖWE SYSTEC Inc., Hauppauge, USA					
BÖWE SYSTEC Inc., Coquitlam, Canada					
BÖWE BELL + HOWELL Company, Durham, USA					
BÖWE BELL + HOWELL International Ltd., Toronto, Canada					
BÖWE BELL + HOWELL Scanners LLC, Chicago, USA					
BCC Software Inc., Rochester, USA					
BÖWE BELL + HOWELL Postal Systems Company, Chicago, USA					
BÖWE BELL + HOWELL GmbH, Oberursel (formerly Rosbach)					
BÖWE BELL + HOWELL Financial Services Co., Chicago, USA					
BÖWE BELL + HOWELL Puerto Rico, Inc., Puerto Rico					
Sub-group financial statements of					
Lasermax Roll Systems AB, Ljungby, Schweden:	100	SEK	25,000,000.00	15,866	3,176
Lasermax Roll Systems Inc., Chicago, USA					
Lasermax Roll Systems Pte. Ltd., Singapore, Singapore					
Lasermax Roll Systems Ltd., Dorcan, United Kingdom					
Lasermax Roll Systems NV, Sint-Niklaas, Belgium					

1) Equity in financial statements presented in foreign currency is translated at the EUR closing rate as of December 31, 2008 and net profit at the average EUR exchange rate. IFRS values are presented for foreign subsidiaries, HGB values for German companies.

2) After deduction of dividend distribution.

3) After deduction of profit transfer pursuant to profit and loss transfer agreement.

4) Prior to deduction of profit transfer pursuant to profit and loss transfer agreement.

5) Balance sheet date March 31, 2008.

6) In relation to a 100% shareholding.

7) After loss absorption by the parent company.

8) After deduction of loss absorption of subsidiaries.

9) Current financial statements are not yet available.

GLOSSARY

BICOS	The BÖWE Interactive Control and Operating System is the operating and information system which ensures the smooth running of the whole process, thus guaranteeing that the documents are dispatched securely and reliably.
Cross- / Up-Selling	Cross-selling refers to the sale of complementary products or services. Up-selling refers to efforts on the part of the vendor to encourage customers to transition to a higher-value product or service.
Document Fingerprinting	Innovative method that ensures complete integrity in the processing of documents without the need for printed barcodes.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
EBIT	Earnings Before Interest and Taxes.
JETVision	Camera scanning technology that can read and analyze all common code systems and images. In contrast to VEKtor scanning technology, JETVision can be used with third-party systems of any manufacturer, and is easily retrofitted.
Mailing-Centers	Mailing centers are specialized service providers which use high-performance inserting systems to perform the mailing function for other companies.
Mailroom	The concentration of mail production of a company in a mailroom results in volumes of several thousand letters per hour and allows the use of high-performance BÖWE SYSTEC systems.
Mailroom Management	The umbrella term for all areas of software-supported processing of printed paper starting from the cutting into single sheets and the application of plastic cards via folding, assembling and inserting to the automatic filing of the filled envelopes in mailboxes.
PCS	Plastic Card Systems – card mailing systems by BÖWE SYSTEC that reliably apply cards to documents before preparing them for dispatch.
TransPromo	Transaction + Promotion = TransPromo Pure transaction mail (e.g. invoices, account statements, etc.) combined with personalized advertising, both in one document.
Software-Suite	The BÖWE <i>One</i> software suite offers customers a comprehensive solution for monitoring, managing and tracking all documents and items, as well as the mailroom workflow.
VEKtor	Camera scanning technology that can read and analyze all common code systems (OMR, OCR, barcode, data matrix, etc.) as well as images, such as logos or addresses. The technology is compatible with all BÖWE Group high-performance systems.

IMPRINT

Publisher:

BÖWE SYSTEC AG
Werner-von-Siemens-Str. 1
86159 Augsburg, Germany
www.boewe-systec.de

Investor Relations:

Alfred Just
just.controlling@boewe-systec.de

Layout and realization:

www.kaltnermedia.de, Bobingen

Print:

Druckerei Walch, Augsburg

Date of publishing

July 7, 2009

SALES ORGANIZATION

Headquarters

BÖWE SYSTEC AG
Werner-von-Siemens-Str. 1
86159 Augsburg, Germany
Phone: +49 821 5702-0

Subsidiaries

EUROPE

BÖWE SYSTEC Vertriebs-
und Service GmbH
Oberursel, Germany
Phone: +49 6172 49950

BÖWE CARDTEC GmbH
Paderborn, Germany
Phone: +49 5251 18086 18

BÖWE SYSTEC (U.K.) Ltd.
Bracknell, Great Britain
Phone: +44 1 344462100

BÖWE SYSTEC (IR) Ltd.
Dublin, Republic of Ireland
Phone: +353 1 2833500

BÖWE SYSTEC Nederland B.V.
Apeldoorn, Netherlands
Phone: +31 55 5385200

N.V. BÖWE SYSTEC S.A.
Merchtem, Belgium
Phone: +32 2 4560670

BÖWE SYSTEC S.A.S.
Fontenay-sous-Bois Cedex, France
Phone: +33 1 48762301

BÖWE SYSTEC S.A.
Madrid, Spain
Phone: +34 91 3757270

BÖWE SYSTEC S.A.
Sintra, Portugal
Phone: +351 219106610

BÖWE SYSTEC (Schweiz) AG
Volketswil, Switzerland
Phone: +41 43 3994888

BÖWE SYSTEC S.p.A.
Rome, Italy
Phone: +39 06 6500621

BÖWE SYSTEC Austria GmbH
Vienna, Austria
Phone: +43 18934320

BÖWE SYSTEC CZ s.r.o.
Prague, Czech Republic
Phone: +420 225 110 700

BÖWE SYSTEC CZ s.r.o.
Bratislava, Slovakia
Phone: +420 225 110 700

BÖWE SYSTEC Polska Sp. z o.o.
Warsaw, Poland
Phone: +48 22 642 3486

Oy BÖWE SYSTEC AB
Helsinki, Finland
Phone: +358 9 5843 6600

BÖWE SYSTEC AB
Sundbyberg, Sweden
Phone: +46 856421220

BÖWE SYSTEC AS
Oslo, Norway
Phone: +47 23 069333

BÖWE SYSTEC AS
Herlev, Denmark
Phone: +45 44922000

Lasermix Roll Systems AB
Ljungby, Sweden
Phone: +46 372 25600

AMERICA

BÖWE BELL + HOWELL
Durham, U.S.A.
Phone: +1 919 767 6400

BÖWE BELL + HOWELL
Chicago, U.S.A.
Phone: +1 847 675 7600

BÖWE BELL + HOWELL
Bethlehem, U.S.A.
Phone: +1 610 317 4300

BÖWE BELL + HOWELL (CAN)
Toronto, Canada
Phone: +1 416 746 2200

Lasermix Roll Systems Inc.
Burlington, U.S.A.
Phone: +1 781 2292266

ASIA

BÖWE SYSTEC Japan Ltd.
Tokyo, Japan
Phone: +81 3 55739600

AUSTRALIA

BÖWE SYSTEC Australia Pty Ltd.
Sydney, Australia
Phone: +61 2 9651 7904

General representatives abroad

EUROPE

Baltic

4-SYSTECH GmbH, Grünstadt, Germany
Phone: +49 6359 806 507

Greece

Paper Management Company Ltd., Athens
Phone: +30 210 8089 860

Iceland

Nýherji, Reykjavik
Phone: +354 5697700

Malta

Intercomp Ltd., Marsa
Phone: +356 2122 7710

States of the former Yugoslavia, Hungary, Bulgaria, Romania

BÖWE SYSTECH Austria GmbH
Vienna, Austria
Phone: +43 1 8934320

Turkey

SYSTECH Sistem teknolojileri Tic. ve San. AS
Istanbul
Phone: +90 212 2591171

Cyprus

P.C. Orinos Ltd., Nicosia
Phone: +357 22 458400

AMERICA

Argentina, Uruguay

Verlini Sistemas S.R.L., Buenos Aires
Phone: +54 1 14 3930555

Brazil

IDS Sistemas para Processamento
de Documentos LTDA, São Paulo
Phone: +55 11 50845699

Chile

Rep. de BÖWE en Chile Ltda. Santiago de Chile
Phone: +562 2234761

Colombia

DIS Document Image Services Ltda., Bogota
Phone: +571 5302209

Mexico

BÖWE BELL + HOWELL, Toronto, Canada
Phone: +1 416 746 2200

Peru

VACEL SYSTECH S.A.C., Lima
Phone: +511 224 7792

Venezuela

ENSYS SISTEMAS C.A., Caracas
Phone: +58 212 239 5681

ASIA

Bahrain

Business International wll., Manama
Phone: +973 17815444

China/Hong Kong

Spicers Business Machines Ltd., Hong Kong
Phone: +852 25271008

India

CMS Computers Ltd., Mumba
Phone: +91 22 283 80230

Iran

Megaps (PVT) Co. Ltd., Teheran
Phone: +98 218877 1840

Israel

Noy Systems Ltd., Petach Tikva
Phone: +972 3 9134411

Jordan

AOA Arabian Office Automation Co. W.L.L.
Amman
Phone: +962 6 5522298

Korea

Solvus Corporation, Seoul
Phone: +82 2 2164 8500

Kuwait

Innovation System W.L.L., Safat
Phone: +965 2470 111

Lebanon

Badran Brothers, Beirut
Phone: +961 1 360049

■ Subsidiaries
■ General representatives

as per March 2009

Malaysia

Automail (M) Sdn Bhd, Selangor
Phone: +60 3 56338101

Oman

Loay International L.L.C., Ruwi
Phone: +968 24 794700

Pakistan

NSI National System Integrator (Pvt) Ltd.
Karachi
Phone: +922156607703

Philippines

American Technologies, Inc., Metro Manila
Phone: +63 2 723 0601

Russia, GIS-States

4 SYSTEC GmbH
Grünstadt, Germany
Phone: +49 6359 806 507

Saudi Arabia

Al Hilal Electronic Printing CO Ltd.
Al Khobar
Phone: +966 14780373

Singapore

Autopack Pte Ltd., Singapore
Phone: +656 2882112

Syria

GS - George Syriani Co., Damaskus
Phone: +96 311 2133399

Taiwan

Chen & Hsieh Technology Corporation, Taipei
Phone: +886 2 2725 5836

Thailand

Adler Business Systems Co. Ltd., Bangkok
Phone: +662 434 0235

United Arab Emirates

International Empire Traders, Dubai
Phone: +971 439 72122

Vietnam

ITD Innovative Technology Development
Corporation, Ho Chi Minh City
Phone: +84 8 9973951

AFRICA**Algeria**

BÖWE SYSTEC S.A.S.
Fontenay-sous-Bois Cedex,
France
Phone: +33 1 48762301

Egypt

City for Trading & Contracting,
Mohandesseen
Phone: +202 33056933

Kenya

MFI Office Solutions Limited, Nairobi
Phone: +254 20 3251000

Morocco

BÖWE SYSTEC S.A.S.
Fontenay-sous-Bois Cedex, France
Phone: +33 1 48762301

Nigeria

Superflux International Ltd., Lagos
Phone: +234 1 4922328

South Africa

CSX Customer Services a Division
of Metrofile (PTY) Ltd.,
Johannesburg
Phone: +27 11 6639300

Tunisia

BÖWE SYSTEC S.A.S.
Fontenay-sous-Bois Cedex,
France
Phone: +33 1 48762301

OCEANIA**French Polynesia**

OSB Océanienne de Services Bancaires,
Papeete
Phone: +689 540800

New Zealand

BÖWE SYSTEC Australia Pty Ltd.
Sydney, Australia
Phone: +61 2 94277444

FINANCIAL CALENDAR

July 7, 2009	Interim report I/2009
August 5, 2009	Interim report II/2009
August 25, 2009	Annual general meeting 2009, Augsburg
November 5, 2009	Interim report III/2009
November, 2009	Analysts' conference in Frankfurt am Main
April 2010	Press briefing on annual results and analysts' conference
June 2010	Annual general meeting 2010 in Augsburg

BÖWE SYSTEC AG
Investor Relations
Werner-von-Siemens-Str. 1
86159 Augsburg
Germany

Phone: +49 (0) 821 5702-365
Fax: +49 (0) 821 5702-214
E-mail: just.controlling@boewe-systec.de
www.boewe-systec.de

To the shareholders

The BÖWE Group

Group management report

Consolidated financial statement

