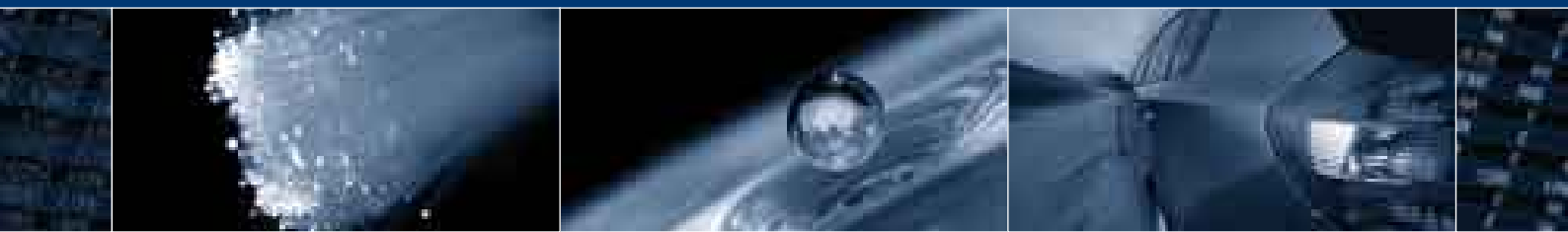


Annual Report 2008



IBS AG
EXCELLENCE
COLLABORATION
MANUFACTURING



Hoehr-Grenzhausen (D) · Neu-Anspach (D) · Boston (USA) · Kaunas (Lt) · Shanghai (PRC)

THE PRODUCTIVITY ADVANTAGE



Key Group Figures

Group	Annual Report 2008	Annual Report 2007
(in K EUR)	01.01.2008 to 31.12.2008	01.01.2007 to 31.12.2007
Net sales	21,879	20,372
Operating income (EBIT)	2,619	2,785
EBT	2,388	1,896
Common stock	6,883	6,883
Shareholders' equity	14,290	12,743
Shareholders' equity ratio	63%	62%
Balance sheet total	22,671	20,497
Cashflow from operating activities	4,378	2,641
Employees	190	177

Key Share Figures

	2008	2007	2006
End of year closing price (Xetra) in EUR	2.22	3.93	3.92
Highest price in EUR based on closing price	3.81	5.30	4.15
Lowest price in EUR based on closing price	2.00	3.24	2.48
Number of shares as at end of financial year	6,883,065	6,883,065	6,787,215
Market capitalisation as at end of financial year in M EUR	15.3	27.1	26.6
Dividend per share in EUR	0.10 e	0.10	-
Earnings per share in EUR	0.35	0.28	0.48
P/E ratio (price earnings ratio) as at end of financial year	6.3	14	8.2
Operative cashflow per share as at end of financial year in EUR	0.64	0.38	0.24

5-year overview	2008 in K EUR	2007 in K EUR	2006 in K EUR	2005 in K EUR	2004 in K EUR
Consolidated turnover	21,879	20,372	19,559	17,706	17,962
Production costs	-9,055	-8,073	-8,382	-7,223	-8,008
Gross profit	12,824	12,300	11,177	10,482	9,954
Sales and marketing	-4,701	-4,317	-4,171	-3,697	-4,007
General administration	-2,646	-2,467	-2,368	-2,251	-2,582
Research and development	-2,873	-2,493	-2,553	-2,823	-3,306
	-10,220	-9,278	-9,092	-8,771	-9,895
EBIT	2,619	2,785	2,398	2,147	-1,439
EBT	2,641	2,623	2,333	1,998	-1,642
Net income	2,388	1,896	3,261	1,401	-3,802
Result per share (undiluted) in EUR	0.35	0.28	0.48	0.21	-0.56
Result per share (diluted) in EUR	0.35	0.27	0.47	0.20	-0.51
Cashflow					
From operating activities	4,378	2,641	1,605	1,754	58
From investment activities	-1,595	-3,347	-1,243	-429	-380
From financing activities	-898	1,506	-310	-1,322	1,360
Investments					
In intangible and tangible assets	-629	-303	-474	-160	-238
In self-created software	-1,156	-1,581	-858	-294	-182
Write-offs					
Of intangible and tangible assets	472	336	568	625	990
Of self-created software	249	224	560	503	405
Shareholders' equity	14,290	12,743	10,449	7,069	5,667
Balance sheet total	22,671	20,497	16,856	14,685	14,488
Shareholders' equity ratio	63%	62%	62%	48%	39%

IBS Profile:

IBS AG, Hoehr-Grenzhausen is one of the world's leading suppliers of cross-company standard software systems and consulting services for industrial quality, production and compliance management. In keeping with the corporate philosophy „The Productivity Advantage“, IBS AG has set itself the goal of developing and implementing computer-aided quality assurance (CAQ), manufacturing execution system (MES), laboratory information management systems (LIMS) and compliance solutions that contribute to optimising its customers' business processes and increasing the productivity of their companies. Founded in 1982, the Company today employs approximately 200 personnel in Europe and the USA. The Company is listed in the Prime Standard of the German Stock Exchange in Frankfurt/Main (ISIN 622840) and is also member of the GEX-German Entrepreneurial Index.

IBS AG software installations amount to over 4,000 worldwide and can be found at companies such as Audi, BOSCH, Daimler, FCI, Goodyear, KEIPER, Siemens, ThyssenKrupp and Tyco Electronics. IBS AG has been certified for its mySAP Business Suite interface software and the IBS Group has also been awarded the „Advanced Industry Optimized“ status in the IBM PartnerWorld Industry Network for the automotive industry.



IBS AG
EXCELLENCE
COLLABORATION
MANUFACTURING



Annual Report 2008

WE manage that

25 %




„Fifty per cent of all industrial companies could increase their operating result by up to 25 % if they integrated IBS AG’s systematic warranty management solution in their business processes.“

Source: Prof. Schmitt, RWTH University Aachen

WE manage that

50 %





„With IBS solutions, industrial companies can reduce their quality costs by up to 50 % .“

Source: Prof. Schmitt, RWTH University Aachen



WE manage that

70 %




**„IBS solutions can reduce defect occurrence
in industrial companies by up to 70 % .“**

Source: Aberdeen Study

WE manage that
100 %



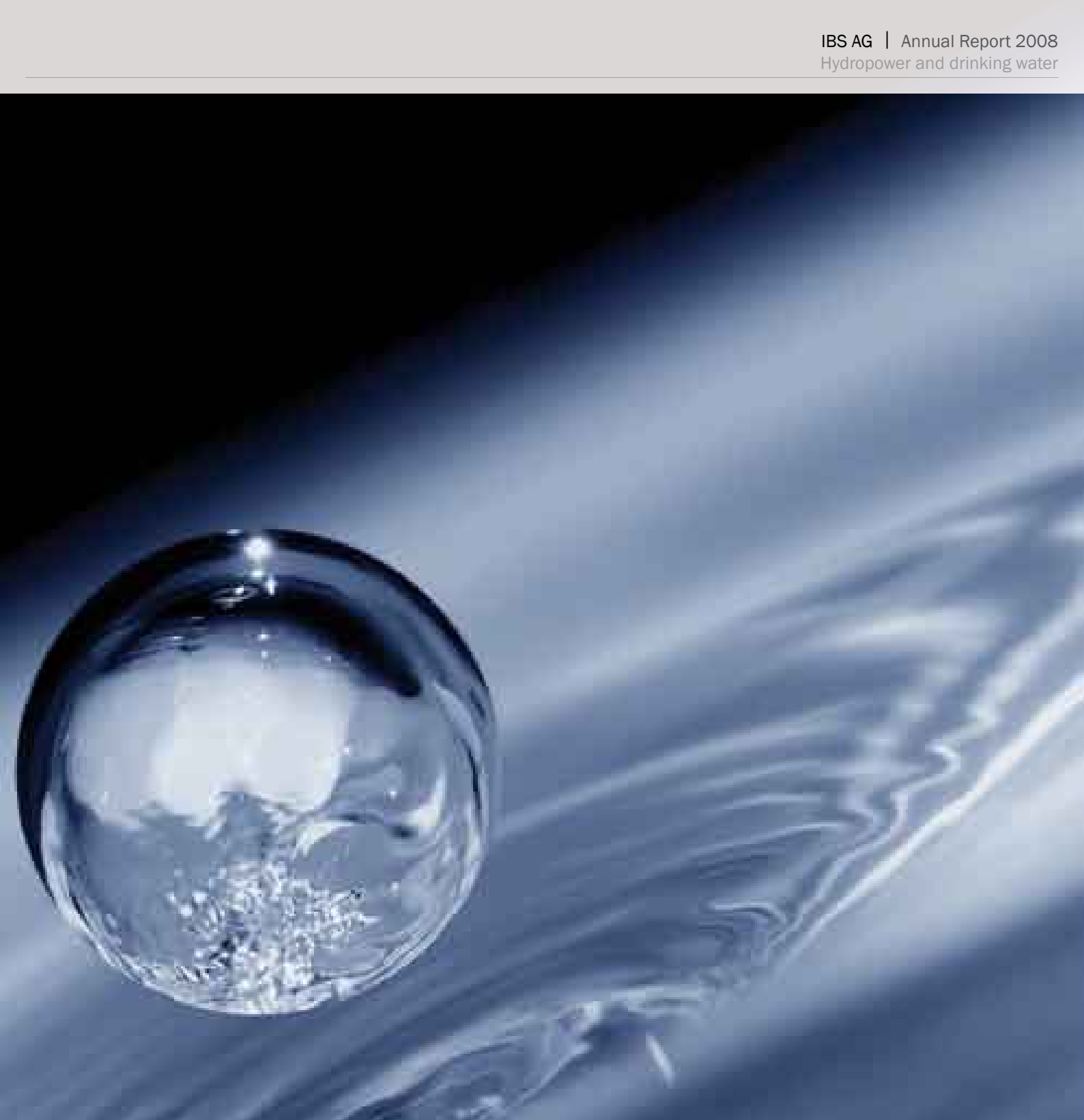


**„IBS AG stands by its partners 100 % .
Among IBS' partners are PSI and Ubisense.“**

WE manage that

1,000,000 l
water





**Each and every one of us uses approximately
1,000,000 litres of water every year.*
Manufacturers of drinking water and
hydropower plants, such as Siemens,
use IBS solutions.**

*Source: RP, Dusseldorf

A close-up photograph of a bundle of fiber optic cables. The cables are bundled together and extend from the top right towards the bottom left. Numerous small, bright points of light in shades of blue and green are visible along the length of the cables, suggesting active data transmission or a specific lighting effect. The background is dark, making the glowing points stand out.

WE manage that

10,000 km

fibreglass cable



With its new broadband network, Deutsche Telekom has transformed Germany into a high-speed nation.

More than 10,000 km of fibreglass cable have been laid to date.*

Manufacturers of fibreglass, such as Tyco, use IBS solutions for the optimisation of their production processes.

*Source: Deutsche Telekom



WE manage that

7,600

financial institutes

There are approximately 7,600 financial institutes in Europe.*

Financial institutes should use the IBS compliance management solution for conformance with regulations and the creation of complete transparency within all business processes

*Source: Association of German Banks (EZB)

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IBS Business Model and Strategy:

IBS AG's key competences comprise software solutions and services for productivity and compliance management.

The IBS AG productivity management solution supports the optimisation of all production, traceability and quality-management processes involved in the product lifecycle. The solutions establish a high degree of transparency, afford process streamlining, and are based on the principles of Lean Management.

The compliance management software controls each of the company processes involved in corporate administration and production, as well as those involving compliance with rules of conduct, laws and guidelines.

IBS AG services range from industry-specific process consulting and solution-oriented integration and interfacing with existing IT landscapes to the final implementation of the IBS solution and professional training of the customer.

IBS solutions are cost-efficient, future-proof IT systems and applications that enable the customer constant accessibility to information within the production process. The systems support supplier development by concent-

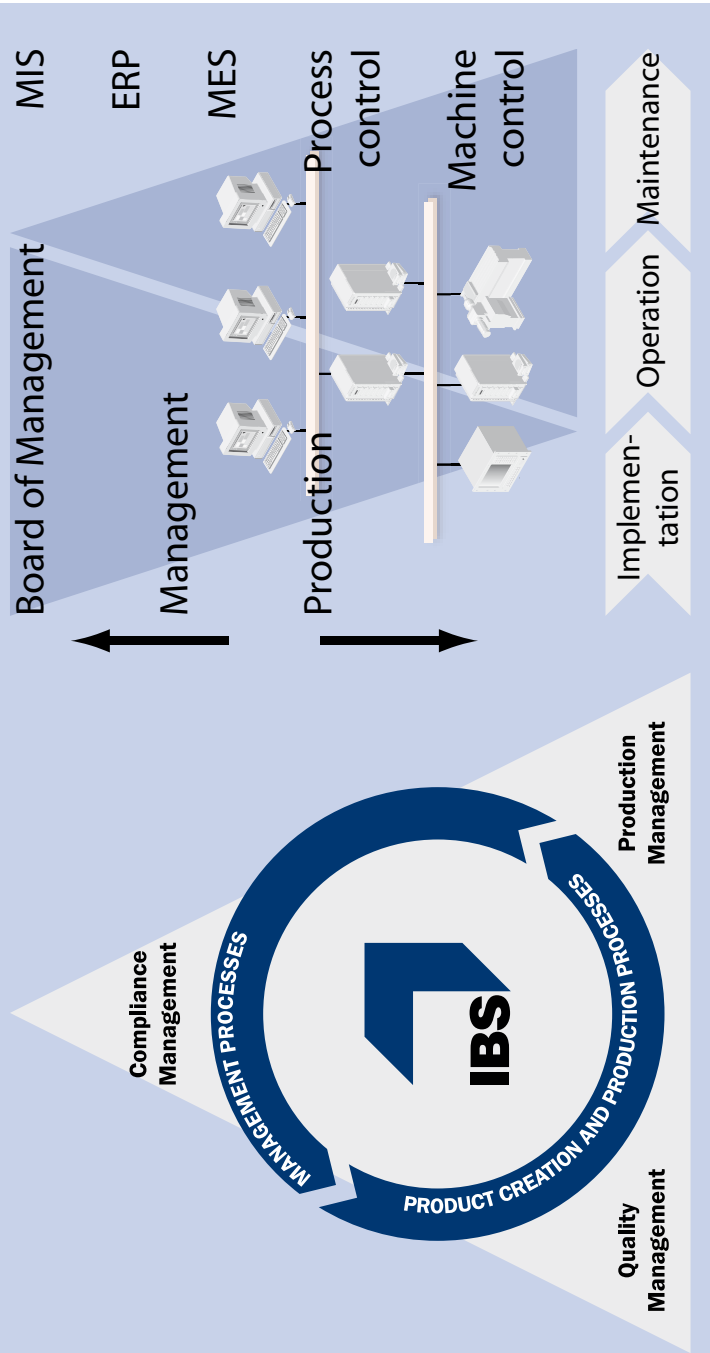
rating on a small number of key suppliers and their largely process-related, IT-technical integration. A reduction of improvident complexities in products, processes and IT architectures leads to cost-optimised complexity management. Flexibilisation of the production process enables a rapid, no-fuss modification of processes and applications. Global production networks give rise to a location-independent standardisation and harmonisation of products, processes and IT architectures. In the current economic climate it is more important than ever for companies to establish and expand their competitive edge. In this way, IBS solutions put their customers in a position to increase their productivity whilst at the same time improving production quality and reducing their overall costs, finally harnessing their so-called rationalisation potentials.

Services

- Implementation
- Training
- Solution-oriented integration
- Industry-independent process consulting

Innovative Software Solutions

Integration in the Company-wide IT Systems



January

February

March

April

May

June

CompliantPro supports **Procter & Gamble, Good-year** and **Jim Beam** with compliance with increased regulatory requirements in the USA.

IBS offers an **industry-specific MES software solution** for companies in the **renewable energies, high-tech** and **electronics industries** - the EN ElectronicNetwork Group purchases the complete, industry-specific MES solution.

Publication of IBS' **2007 Annual Report.**

IBS AG is commissioned with the implementation of a quality management system at the French global player **FCI S.A.** - a milestone in the development of further market potential in France.

IBS presents its cross-sector quality management solutions at **CeBIT 2008** - with the main emphasis on traceability (process traceability).

The Company attends **Control 2008** - the most important specialist trade fair for IBS and Europe's largest trade fair on the theme of quality assurance.

IBS AG concludes a co-operation agreement with **Ubisense AG.**

IBS expands its **presence in China** - a **co-operation with AML** (Asia Management Link Pte. Ltd.) is concluded to expand the Company's sales activities in China.

The IBS Annual General Meeting - approves the actions of the Board of Management and Supervisory Board and passes a resolution on the **first-time payout of a dividend** to the value of 0.10 EUR per share.

Improved IBS communication, thanks to the Company's **new Internet presence.**

January

February

March

April

May

June

July

The Daimler Commercial Vehicles division implements the IBS quality management solution CAQ=QSYS® Automotive as standard software at its Woerth plant.

August

Expansion of the Company's head office in Hoehr-Grenzhausen – **20 additional modern workplaces** are created.

September

Roadshow in Frankfurt – Interested investors and banking representatives are given a forecast for the 2008 financial year.

Symposium at the 62nd IAA International Motor Show for Commercial Vehicles with the involvement of IBS – Matthias Wissmann (President of the German Association of the Automotive Industry (VDA)), Hubertus Troska (Head of the Trucks Europe business unit at Mercedes Benz) and Bela Kast (Managing Director of IBS Business Consulting GmbH) spoke on the theme „Specialisation and Standardisation“.

October

New CompliantPro product release – improved user interface and real-time information retrieval. The next development step is the short-term integration of CompliantPro in the SOA platform.

IBS at the **BMW Group IT trade fair** – The annual BMW Group IT trade fair was first held in 2002. It serves as a forum for the exchange of experiences and visions and offers an opportunity to meet new and interesting contacts.

November

IBS AG presentation at the **2008 German Equity Forum** in Frankfurt am Main – Meetings with financial press analysts and investors.

The **IBS Expertenkreis 2008** establishes itself as the largest quality management event in Germany – with a dinner speech given by Professor Engelbert Westkaemper, head of the Fraunhofer Institute (IPA).

December

IBS AG resolves to channel its consulting competence into its own consulting company, **IBS Business Consulting GmbH**, which is designed to support the expansion and further development of the Company in the field of process consulting.

Around 30,000 software companies exist in Germany. According to a study carried out by PWC, **IBS is among the TOP 100** software companies in Germany.

July

August

September

October

November

December



2008 was once again a very successful and thoroughly dynamic year for IBS AG. We were able to achieve a notable increase in our market share of the growth segments, in particular. We have specially developed an industry-specific software solution for renewable energies, high-tech and electronics companies. In response, we have already received our first orders, inter alia, from SMA Solar Technology AG, the world market leader for solar inverters.

We are striving to foster the continuous further development of IBS AG and the requirements of our customers are the focus of our activities. This is why, after careful planning over the last business year, we decided to found IBS Business Consulting GmbH. Given our high degree of process understanding, the new company will allow us to bundle and expand our consulting competence, whilst improving our competitive position and reducing the cost-intensive involvement of external consultants.

We are working continually on the improvement of our products and services to support the power of innovation and structural changes within the industry. We believe investments in research and development to be very important and with this in mind we provided our customers with no less than four releases of the CAQ=QSYS® Professional and IBS:prisma product ranges during 2008.

Our activities show that our focus on what lies ahead is shaped by determination and we are steadily paving the way for the future. At the same time we are actively promoting our product innovations and well-established core business. Despite the weak business climate at the end of 2008 we can be proud of our outstanding business figures at the end of 2008 and the best fourth quarter in the Company's history. Consolidated turnover rose by seven per cent to 21.9M EUR, compared to the previous year. Earnings before taxes and interest (EBIT) amounted to 2.62M EUR, achieving an EBIT margin of 12 per cent. Earnings per share rose 26 per cent to 0.35 EUR. Cash flow from operating activities increased 66 per cent to 4.38M EUR. We were even prepared for the economic challenges: with over 6.72M EUR in liquid funds (as at 31.12.2008) IBS AG had sufficient leeway to overcome the economic lulls. The Shareholders' Equity ratio also increased to 63 per cent, despite a higher balance sheet total of 22.7M EUR. This gives IBS AG a very sturdy footing, making the Company largely independent of any financial institutions.

Somewhat weathered by the turbulences on the share markets, the IBS share closed at a price of 2.22 EUR the end of the 2008 financial year, which did little to reflect the business success of the Company. You, our shareholders, will certainly be as dissatisfied with this development as we are. We remain convinced, however, that your investment in IBS is a good decision. Based on the good business result we shall be proposing to the Annual General Meeting the payout of a dividend for the 2008 financial year. The dividend payout will probably be in the region of 0.10 EUR per share – as in the previous year. In the name of active price management we would also like to propose to the Annual General Meeting the extension of the empowerment to carry out further share repurchase programs.

Market Development 2008


According to a leading market research institute the growth of the actual gross national product (GNP) in the Euro zone reached 1 per cent. Growth of the German economy weakened considerably during 2008. According to the Federal Statistics Office, the gross domestic product (GDP) rose by 1.3 per cent. Yet our customers – especially those from the automotive industry – were not spared the effects of the financial and economic crisis. Since the competitiveness of all companies relies increasingly on the creation of streamlined, efficient processes, we remained in a position to achieve our business targets. In fact, the trend towards process optimisation is set to increase. The Federation of German Industries (BDI) therefore advised its members in its BDI annual report 2008: „The competitiveness of the industry depends on its companies manufacturing products with greater efficiency and a higher quality, using computer-assisted processes. Each of the processes must be digitalised, automated and networked to a higher degree, enabling time and cost-savings for everyone, as well as increasing added value“. In these challenging times, IBS AG is looking forward to contributing to this technical progress with its innovative software solutions for process optimisation.

Outlook 2009

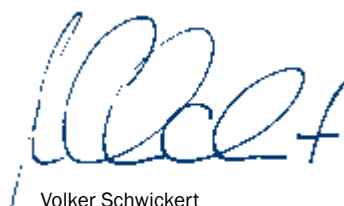
Leading market research institutes are continuing to assess the development of the markets for software and IT services as positive for 2009 – an opinion also adopted by the IBS AG Board of Management. The tense macroeconomic situation worldwide, however, means that IBS AG will also be faced with challenges. These are likely to put increasing pressure on margins and daily rates, in particular. Despite the difficult business environment we embarked upon the new year with orders on hand amounting to 10.3M EUR, which gives us a strong foothold. In view of the aforementioned macroeconomic situation and associated opportunities and risks for the 2009 financial year, the Board of Management anticipates being able to sustain turnover and the operating result at the same high level of the previous year. Stronger inter-quarterly fluctuations, however, are also expected.

The current success story of IBS AG, which started with entrepreneurial spirit over two decades ago, is one that is today contributed to by the Company's shareholders, business partners and employees alike. Each and every one plays an integral part in the sustainable increase in value of the Company.

Many thanks,



Dr. Klaus-Juergen Schroeder



Volker Schwickert



Dr. Klaus-Juergen Schroeder
Chief Executive Officer

Dr. Klaus-Juergen Schroeder has been Chairman of the Board of Management (CEO) of IBS AG since 30th March 1999. After studying mechanical and process engineering at RWTH University in Aachen he was awarded the title of Doctor of Engineering in 1979 and founded the company IBS in 1982. He is considered a mentor for his key advancements in the field of computer-aided quality and production management. In his function as founder of the Company and member of the Board of Management he continues to lead IBS AG both systematically and successfully.



Volker Schwickert
Director of Sales and Marketing

Volker Schwickert has been a member of the IBS AG Board of Management since 30th March 1999 and is responsible for the areas of sales and marketing. In the eight years prior to this he was an authorised signatory of IBS AG. Volker Schwickert studied electrical engineering at the University of Applied Sciences in Koblenz and at the University of Tennessee, USA.

Interview with Prof. Robert Schmitt – RWTH University Aachen

IBS: Professor Schmitt, given the current difficult economic climate, what value do you attach to the quality management theme of guarantee and warranty management?

Prof. Dr. Schmitt: Effectively organised quality management with a standardised structure actually has a very stabilising effect on the current economic situation. Guarantee and warranty management focuses on the customer and as such picks up the impulses coming from the market as a reaction to the product. As paradox as it sounds, studies have shown that when put to the test in case of a guarantee or warranty claim, companies that apply the right approach actually strengthen their relations with the customer whilst at the same time being able to work on the active elimination of product flaws and process vulnerabilities. A second aspect that needs to be highlighted in the current, tense situation: addressing the theme of guarantee and its associated costs has a direct effect on the operating result.

IBS: How important is a warranty management system within the scope of the Aachen Quality Management Model?

Prof. Dr. Schmitt: So-called quality forward and quality backward chains are a core element of the life-cycle-oriented Aachen Quality Management Model. Whereas many companies focussed very successfully on preventative approaches in the past, it is becoming increasingly apparent that field data, in particular, as well as internal sources can paint a very precise picture of the actual quality situation. It is just a case of actually being able to tap these resources! Successful companies show how this information can be used for the continuous improvement of internal processes and future products. A vital component of any promising quality backward chain is well-organised warranty management.

IBS: Where do you see the advantages of a computer-assisted warranty management solution and why should companies choose to have one?

Prof. Dr. Schmitt: In the first instance, the restructuring effectiveness of each and every IT system is a tool that shouldn't be underestimated. This presupposes, of course, the existence of the necessary basic structures and the definition of the related activities in clear processes. Close examination of the theme of warranty management is therefore an opportunity to improve dramatically responsiveness. After all, there are two sides to the warranty management coin: the elimination of the actual failure and the control of cash flow. It is impossible to depict one without the other – and an IT tool can prove indispensable in doing just that

IBS: Many of our customers, such as Porsche, Siemens and Tesa, already use „IBS4Quality: Warranty“ as a computer-assisted warranty management tool. For which industries do you consider computer-assisted warranty management to be of most benefit and how great do you estimate the current market potential to be?

Prof. Dr. Schmitt: Guarantee costs amount to between 5 and 7% of turnover in major companies and some years ago e.g. in the automotive industry, this was on a par with the research budget. These figures differ a somewhat from one industry to the next as they are each subject to different regulation levels. A good example of this is the pharmaceuticals industry. Target-oriented warranty management supports the company in fulfilling its market monitoring obligations and harnessing considerable cost potentials. Remember, the direct warranty costs are only the tip of the iceberg. For many industries the big picture can be up to seven times greater, in consideration of the internal expenditure and opportunity costs. That means that every Euro saved has a seven-fold result on the balance sheet. With this in mind, looking though many an annual report* the provocative thesis could be posed that half of those companies would be able to increase their operating profit by a quarter (in regular years) if they applied the potential of systematic warranty management. As I see it, the foreseeable difficulties within the supply chain make it absolutely vital to address this theme in times of crisis.

(* : based on the 2006 / 2007 annual reports evaluated)

„IBS4Quality: Warranty“

The staggering amount of turnover spent on guarantee and warranty costs and ever-increasing cost pressure are factors that are pushing corporate decision-makers to focus more and more on the theme of „warranty“, recognising in particular the considerable saving potentials associated with the theme. IBS AG is already able to offer companies a computer-assisted, integrated warranty and guarantee management system, ensuring the notable optimisation and greater transparency of warranty-related processes along the complete value-added chain.

Many of our customers, such as Porsche, Siemens and Tesa, are already using „IBS4Quality: Warranty“ as a computer-assisted warranty management tool.



Professor Dr. Robert Schmitt has been employed as professor in the Laboratory for Machine Tools and Production Engineering at RWTH University Aachen since July 2004. He is the Chair of Metrology and Quality Management. After studying electrical engineering, Professor Schmitt took up employment as a research assistant in the Laboratory for Machine Tools and Production. Prior to this he held an executive position in quality control at a leading manufacturer of utility vehicles and later took over the responsibility of the production at a number of the company's production sites, most recently for the assembly of utility vehicles of up to 18 tons. Professor Dr. Schmitt has been a member of the Board of Directors at the Fraunhofer Institute for Production Technology (IPT) since January 2005.

Customer examples: AUTOMOTIVE AND CONSTRUCTION VEHICLE SECTORS

Customer:

BMW AG

IBS solutions:

CAQ=QSYS® Auto-
motive, TAS (Tool
Assistance System)

Benefits:

Automation of the
vehicle assembly
process, reliable
vehicle identifica-
tion

**Customer:**

Caterpillar

IBS solutions:

CompliantPro,
QSi System

Benefits:

Observance of envi-
ronmental and
health regulations

**Customer:**

Daimler AG

IBS solutions:

CAQ=QSYS® Profes-
sional, CAQ=QSYS®
Automotive

Benefits:

Product and pro-
cess safeguarding,
reduction of gua-
rantee and warranty
costs

**Customer:**

LIEBHERR-Internati-
onal AG

IBS solutions:

CAQ=QSYS® Profes-
sional, CAQ=QSYS®
Automotive, IBS:
trace

Benefits:

Optimisation of pro-
duction processes,
quality assurance
thanks to complete
traceability

**Customer:**

Porsche AG

IBS solutions:

CAQ=QSYS® Profes-
sional, CAQ=QSYS®
Automotive

Benefits:

Product and pro-
cess safeguarding,
reduction of gua-
rantee and warranty
costs



Customer examples: AUTOMOTIVE SUPPLIER SECTOR

Customer:

BorgWarner Turbo Systems Engineering GmbH

IBS solutions:

CAQ=QSYS® Professional, CAQ=QSYS® Automotive, IBS: trace

Benefits:

Improvement of quality processes, process safeguarding thanks to complete traceability



Customer:

Brose Fahrzeugteile GmbH & Co. Kommanditgesellschaft

IBS solutions:

CAQ=QSYS® Professional

Benefits:

Quality management support, in particular in the development, coiling, manufacturing and assembly areas



Customer:

Dana Corporation

IBS solutions:

CompliantPro, QSi System

Benefits:

Observance of environmental and health regulations



Customer:

Deutsche Pentosin Werke GmbH

IBS solutions:

CAQ=QSYS® LIMS

Benefits:

Process safeguarding and quality assurance of all raw materials, intermediate products and end products



Customer:

FCI Group S.A.

IBS solutions:

CAQ=QSYS® Professional

Benefits:

Improvement and harmonisation of quality planning and analysis processes



Customer examples: COMPANIES FROM THE ALTERNATIVE ENERGIES, HIGH-TECH AND ELECTRONICS INDUSTRIES

Customer:

EN ElectronicNetwork AG

IBS solutions:

CAQ=QSYS® Professional, IBS:prisma, IBS:trace

Benefits:

Optimisation of all processes involved in the product life cycle – up to the final product delivery

**Customer:**

Evonik AG

IBS solutions:

CAQ=QSYS® Professional, IBS:trace

Benefits:

Reduction of the overall manufacturing process, compliance with quality standards

**Customer:**

Puls GmbH

IBS solutions:

CAQ=QSYS® Professional, IBS:trace

Benefits:

Process safeguarding from the start of production to final delivery

**Customer:**

Siemens AG (Energy Sector)

IBS solutions:

CAQ=QSYS® Professional, IBS:audit

Benefits:

Transparency and replicability of working steps and operations. Reduction of documentation and archiving effort and expenditure

**Customer:**

SMA Solar Technology AG

IBS solutions:

CAQ=QSYS® Professional, IBS:prisma, IBS:trace

Benefits:

Observance and improvement of quality standards



Customer examples: MECHANICAL ENGINEERING AND ALUMINIUM SECTORS

Customer:

Aluminium Werke
Wutoeschingen AG
& Co. KG

IBS solutions:

IBS:prisma,
CAQ=QSYS® Profes-
sional

Benefits:

Quality leadership
in sophisticated alu-
minium products

AWW
WUTÖSCHINGEN

Customer:

Deutz AG

IBS solutions:

CAQ=QSYS® Profes-
sional

Benefits:

Preventative defect
avoidance. Impro-
ved functional sta-
bility and product
reliability


DEUTZ

Customer:

KUKA AG

IBS solutions:

CAQ=QSYS® Profes-
sional

Benefits:

Process optimisa-
tion for the creation
of streamlining and
cost-saving poten-
tials

KUKA

Customer:

Trimet Aluminium
AG

IBS solutions:

IBS:prisma,
CAQ=QSYS® Profes-
sional

Benefits:

Quality improve-
ment by constant
evaluation of all
process-relevant
data

trimet

Customer:

Viega GmbH & Co.
KG

IBS solutions:

CAQ=QSYS® Profes-
sional, IBS:trace

Benefits:

Automatation and
improvement of all
quality-relevant pro-
cesses

viega

Customer examples from the MEDICAL TECHNOLOGY AND CONSUMER GOODS SECTORS

Customer:

Berry Plastics

IBS solutions:

CompliantPro,
QSi System

Benefits:

Observance of all
company-relevant
standards, laws and
guidelines

**Customer:**

Jim Beam

IBS solutions:

CompliantPro,
QSi System

Benefits:

Safeguarding of all
relevant compliance
efforts with a 100%
web-based, multilin-
gual system

**Customer:**

Kimberly Clark

IBS solutions:

CompliantPro

Benefits:

Observance of envi-
ronmental and
health regulations

**Customer:**

Procter&Gamble

IBS solutions:

QSi System

Benefits:

Legally and regula-
tion-compliant ope-
ration

**Customer:**

Yves Rocher

IBS solutions:

CompliantPro

Benefits:

Increase of brand
equity due to
legally-compliant
and regulation-com-
pliant operation.
Reduction of quality
costs



IBS Customer References

IBS continued to implement its comprehensive projects with existing and new customers during 2008 and was also successful in its new customer acquisition. The trend towards process improvement was sustained in all sectors of the industry during 2008. An increasing number of companies are opting for IBS products, thanks to the leading position of the Company's software solutions for the safeguarding and traceability of production and quality processes. Despite our main customer focus being on the automotive industry, recent developments indicate that an increasing number of companies from a variety of sectors, such as the high-tech and electronics industry and the medical technology sector in particular, are also putting their faith in IBS' software solutions.

Aluminium-Werke Wutoeschingen AG & Co.KG

IBS AG was able to further expand its customer portfolio in 2008, to include the renowned aluminium industry customer Aluminium-Werke Wutoeschingen AG & Co.KG (AWW). Since its founding in 1914, the name AWW has been synonymous with innovative and superior products of the highest quality. The company's history had hardly started to unfold when AWW began manufacturing important components for the Graf Zeppelin airships. Today, not only high quality aluminium profiles and innovative system components are manufactured in Wutoeschingen. AWW has also made a name for itself worldwide as market and technology leader in the production of aluminium „slugs“. The company manufactures around 45,000 tonnes of aluminium products per year and achieved an annual turnover of approximately 180 million EUR in 2007, with around 600 employees. AWW's vertical range of manufacture is unique and the company has a broad customer base, which extends to almost all sectors of the European industry. AWW opted to integrate the IBS production, quality and traceability management solution in 2008. The IBS solution will replace the heterogeneous IT system landscape with a homogeneous software system. The implementation of the IBS software is expected to lead to further process optimisation at AWW and make a significant contribution in strengthening the company's quality leadership for its sophisticated aluminium products. The IBS AG solution will enable AWW to collect all relevant information in a standardised MES database. Following acquisition, the data can then be analysed and evaluated and used for process optimisation and defect avoidance.

Beam Global Spirits & Wine, Inc.

Beam Global Spirits & Wine, Inc. is currently the fourth largest premium spirits producer in the world and achieved



Matthias Grossmann
CEO, IBS America, Inc.

Matthias Grossmann is responsible for the general strategy of IBS America, Inc. He oversees all operative aspects of IBS America, Inc., in particular all compliance-related products and activities. In addition he recently spearheaded IBS's expansion to China.

Before joining IBS, Mr. Grossmann directed the manufacturing systems design activities at the Fraunhofer Center for Manufacturing Innovation, an advanced technology collaboration between the Fraunhofer Institute and Boston University. Prior to joining Fraunhofer, Mr. Grossmann worked at the RWTH University Aachen, Germany.

a turnover of 2.5B USD in 2007. The company procured a company-wide licence for the IBS software Compliant-Pro in 2008. The IBS software is currently being implemented at all Beam locations. The company already opted for the the IBS QSi quality management system in 2001 and 2003 and this was implemented at several of the company's European and American locations during that period.



Wolfgang Schneider
Company Management, IBS AG

Wolfgang Schneider started his career at IBS AG in 1989. By 1992 the engineering graduate was taking responsibility for the project management of major projects.

He is a member of the IBS AG executive management and has been responsible for the Business Unit Automotive Solutions since 1998. Wolfgang Schneider studied electronics, control engineering and automation. He is particularly valued for his expertise and long-standing experience in the field of car manufacturing.

Berry Plastics, Inc.

Berry Plastics was founded in 1967 in Evansville (Indiana) under the name of Imperial Plastics. Berry Plastics is a leading manufacturer of injection-moulded plastic packaging, thermoformed products, flexible films and tapes and special coatings. The company has 13,000 employees at its plants in the USA, Mexico, Canada, Italy, Belgium and China. Berry Plastics uses IBS solutions for its quality and compliance management and has purchased a software licence for each of its 13,000 employees.

BMW AG

One of the disciplines in which BMW continues to set standards is in the field of quality control for car manufacturing. The support provided by the IBS solution CAQ=QSYS® Automotive, has enabled BMW to further develop its quality control for vehicle assembly over the last ten years, and this not only efficiently but also with considerable cost-savings. The IBS solution was awarded BMW standard software status in 2008. CAQ=QSYS® Automotive is now due for installation at all BMW car manufacturing plants – which currently amount to ten locations in five countries across four continents – and is set to become the standard software in use there. BMW uses the IBS software CAQ=QSYS® Automotive to aid the constant further development of its production and quality management. The IBS solution is designed to achieve error avoidance in the production process, rendering cost-intensive rework actions a thing of the past. Actions within the production process are only released after correct completion of the preceding (sub-) processes. In this way, the inspection piece (vehicle or vehicle module under construction) is not transferred until all previously assembled parts have been checked in terms of correctness. CAQ=QSYS® Automotive furthermore supports Active Process Control, a process which enables real-time identification and immediate handling of defective components during the production process. The IBS solution ensures that only released parts are assembled in a given vehicle. The huge financial savings potential linked with the application of the IBS solution gives BMW a major competitive advantage, having a favourable effect on the company in view of the current economic situation. The set-up of Service-Oriented Architectures (SOAs) at BMW is designed to offer the company even greater flexibility and a reduction in costs. SOA involves the standardisation of IT structures and consolidation in a complete solution. IBS is currently working to create the necessary framework conditions at BMW for the SOA implementation.

Caterpillar, Inc.

During the third quarter, Caterpillar - the world market leader in heavy construction vehicles - further expanded its compliance management system with IBS America, Inc.'s solution. Caterpillar has not only implemented the QSi system, but also CompliantPro, in order to safeguard quality assurance and ensure compliance with environmental and health and safety regulations in over 40 of its production sites worldwide. The American machinery manufacturer, which opted for its first IBS solution in 1999, has been a valued customer ever since. The group manufactures components and parts in 50 plants in the USA and has more than 60 further representations worldwide, in 23 countries.

Daimler AG

IBS AG achieved a further milestone within the scope of its long-standing co-operation with the Mercedes-Benz Trucks division (Europe / Latin America), when the IBS software solution for quality management at Daimler was awarded the status of "Daimler group standard software". The IBS solution supports Daimler in the identification and elimination of quality problems while at the same time improving efficiency. It furthermore enables standardised defect acquisition and the evaluation of data in all control loops. This simplifies the cross-departmental creation of analyses. When used as standard throughout the complete production process, the IBS solution enables collection and compilation of all vehicle-manufacturing quality data in a homogeneous and standardised software tool. CAQ=QSYS® is a sizeable component that supersedes old, non-transparent structures and uses universal standards to bring greater openness and transparency. The introduction of CAQ=QSYS® is stirring a change of philosophy in terms of the general approach to quality at Daimler. In the past, vehicles with quality defects were blocked manually. The IBS software now enables a restructuring of the quality processes, with an automatic release issued following a concluded inspection for each production step. The introduction of CAQ=QSYS® as standard software highlights the successful co-operation with Daimler AG and the outstanding position that IBS has attained with its solutions for the automotive sector over the years.

Dana Corporation, Inc.

Dana Corporation, a further long-standing IBS customer, purchased an extensive licence for CompliantPro in 2008, in order to maintain and monitor compliance with all of its health and safety and environmental management regulations. The supplier to the automotive industry has launched a pilot project involving 10,000 of its employees at a number of its sites. Should the pilot project prove successful, the company intends to implement the solution for all 35,000 of its employees. Dana Corporation is a leading manufacturer of axles and driveshafts for use in cars, trucks and track vehicles. The company, based in Toledo, Ohio, employs approximately 35,000 personnel in 26 countries and achieved an annual turnover of 8.7B USD in 2007.

Deutsche Pentosin-Werke GmbH

Deutsche Pentosin-Werke GmbH is a north-German-based developer of high-tech lubricants for the international automotive industry and aftermarket. Pentosin lubricants, such as brake fluid, gear oil or motor oil, are used in almost all modern vehicles. High quality, state-of-the-art products have earned Pentosin an excellent reputation with domestic and international car manufacturers. The

IBS Laboratory Information System (LIMS) is the ideal solution for quality assurance at Pentosin-Werke, in safeguarding its material conversion processes. The company is committed to meeting its high-quality, social and environmental requirements. Defect avoidance and environmental protection are of utmost importance to the company, which is also committed to the continuous monitoring and optimisation of the effectiveness of its quality assurance. LIMS automates quality assurance for raw materials, semi-finished products and finished products. Furthermore, the IBS system supports the order-analytical processes (e.g. in the analysis of waste oil) and the evaluation and documentation of research and development results.

DEUTZ AG

The Cologne-based German engine manufacturer DEUTZ AG, founded in 1864, also uses the IBS solution for its quality management. In particular, DEUTZ AG is supported by the IBS FMEA module (FMEA = Failure Mode and Effect Analysis), which is part of the IBS quality management solution. The IBS FMEA module supports preventative defect avoidance with the evaluation of failure consequences and associated risks as early as the planning phase. Thanks to its structured, intuitive operation and modular composition, the FMEA module considerably simplifies the creation of risk analyses. Integrated action tracking ensures essential transparency of the processing status at all times. An FMEA is carried out for the early detection and avoidance of potential risks, e.g. for each new project, as well as for the planning and construction phases. With the help of FMEA, DEUTZ AG has been able to increase the functional assurance and reliability of its products. DEUTZ AG employs more than 5,500 personnel, 1,400 of whom are employed overseas. With over 22 subsidiaries in 130 countries the group achieved an annual turnover of approximately 1.2B EUR in 2007.

EN ElectronicNetwork AG

The EN ElectronicNetwork Group, with its German production and development sites, is one of Europe's leading Electronic Manufacturing Service suppliers. Implementation of the comprehensive IBS solutions CAQ=QSYS®, Prisma and Traceability has begun at the company's Eberbach plant. Introduction of the IBS solutions is aimed at standardising the quality planning and analysis processes in the manufacture and mounting of printed circuit boards. This incorporates complete traceability, from the serial number to the raw material batch number and from the product manufacture to the final delivery of the product to the customer. Visualisation of each individual product step ensures added transparency. Faulty products can be dealt with at a repair workstation, using a Paperless Repair function.



Norbert Wernisch
General Manager, IBS SINIC GmbH

Norbert Wernisch has been Sales Manager at IBS SINIC GmbH since 1996. He is General Manager of IBS SINIC GmbH and responsible for the areas of development, sales und marketing.

FCI S.A.

FCI S.A., a globally operative supplier to the automotive industry, has installed IBS AG's CAQ solutions for its quality management for the first time. Implementation of the IBS solution at the company's Nuremberg plant is the first step towards the improvement and harmonisation of the quality planning and analysis processes within the French group. With a turnover of 1.3B EUR in 2006, FCI is the world market leader in the field of connector production for the automotive industry. The company, with its head office in Versailles, employs 13,500 personnel at its 30 plants. After scrutinising the offers submitted by a range of competitors, the FCI group finally opted IBS. The award of the contact rested on fulfilment of FCI's main criteria, which was investment security. This was secured by IBS AG's wealth of long-standing project experience, and the Company's strong position on the market for CAQ solutions. Furthermore, IBS offers a fully autonomous software solution – completely independent of any third party suppliers. A further important decision criterion was the

trouble-free integration of the IBS solution in FCI's existing ERP (MFGPro) and PLM (Windchill) systems, a constellation already used and field-proven by other globally operative suppliers. The IBS solution supports and optimises each of the product lifecycle processes at FCI, from product development through to the manufacture and on to the point of product delivery to the customer. Integrated implementation of the IBS solution will enable FCI S.A. to achieve group-wide harmonisation of all quality planning and analysis processes. The resulting synergies and increased transparency of the key figures and ratio systems will offer the management more effective control of the individual process sequences. The order illustrates the faith placed by yet another renowned supplier to the automotive industry, in long-term co-operation with IBS AG. At the same time, this project represents a further milestone for IBS in tapping the market for French suppliers to the automotive industry market.

KUKA AG

Augsburg-based KUKA AG is focused on progressive solutions for the automation of industrial production processes. Since its founding over 100 years ago the company has stood for innovation in mechanical engineering and plant technology and is one of the world's leading suppliers of robotics in installation and systems engineering. In 2007 the KUKA group employed more than 5,000 personnel and achieved a business volume of approximately 1.3B EUR across five continents with its solutions for the automation of industrial production processes. KUKA AG has commissioned IBS AG with the implementation of CAQ=QSYS® Professional for its Robotics division. The Robotics division develops, manufactures and sells industrial robots, as well as robot-related services and controls. It goes without saying that KUKA Robotics is an innovation driver in the field of robotics and control engineering. KUKA robots can be used to provide the optimal complement to the human workforce wherever a high degree of quality, safety, speed and precision is required. With IBS' CAQ=QSYS® Professional, KUKA AG has a system that is perfectly suited to meeting the specific requirements of the automation industry, thanks to its process-orientation, ability to integrate and its modularity. Continuous process-optimisation will enable KUKA to harness and benefit from its streamlining and cost-saving potentials.

LIEBHERR Hydraulikbagger GmbH

LIEBHERR Hydraulikbagger GmbH has commissioned IBS AG with the implementation of its quality management system CAQ=QSYS® and traceability solution IBS: trace. The manufacturer of hydraulic excavators is a member of the Swiss-based LIEBHERR International AG corporate group, one of the largest manufacturers of construc-

tion machinery worldwide. The IBS software is primarily designed to optimise the production process, whilst at the same time safeguarding manufacturing quality using complete traceability. The IBS software solution will assist the construction machinery manufacturer in achieving a reduction of lead times in its assembly process. In turn, a reduction of lead-times will enable an increase in production quantities and the number of variants, whilst at the same time reducing stock and production costs. IBS AG software solutions have been implemented at three of the twenty-eight LIEBHERR Group production sites since 2003, namely at Liebherr-Werk Biberach GmbH, Liebherr-Aerospace Lindenberg GmbH and at Liebherr-Mischtechnik GmbH. This latest licence acquisition highlights the long-standing, excellent relations IBS has with renowned industrial customers. LIEBHERR's long-term-oriented and strategic approach of continuously increasing the number of plants working with standardised solutions enables

universal, transparent access to the most important data, helping LIEBHERR reduce its costs and at the same time safeguarding its high quality standards.



Official commissioning of the IBS solution at the LIEBHERR production plant



Achim Buedenbender
Company Management, IBS AG

Achim Buedenbender has been working at IBS AG since 1992. He studied to be a software specialist with main emphasis on computer sciences for the production industry in Worms.

He has been a member of the IBS executive management since 2002 and is responsible for the Business Unit Industrial Solutions. Achim Buedenbender is renowned for his know-how of production and quality management in the discrete industries.

PULS GmbH

PULS is a specialised manufacturer of DIN-standard rail power supplies with its main focus on standard power supplies. The owner-managed company with its headquarters in Munich manufactures both in Europe and in China. As a partner and manufacturer of technologically leading switched power supplies, PULS GmbH supplies its industrial customers with only the highest quality products. The company, which is considered a technology leader due to its innovations, requires a quality assurance system spanning from the start of production to final product delivery. PULS attaches great importance to safeguarding its ability to act, as well as its delivery reliability, its production stability and the shortening of lead times in the produc-

tion process. The IBS software is used from the planning of type-specific inspection orders and the inspection and result transfer to effective rework control and evaluation. CAQ=QSYS® safeguards the company-wide transparency of all production data, from the supplier to the dealer, and in doing so constitutes a powerful information system.

Siemens AG

The energy sector of Siemens AG is the world's leading full-range supplier along the complete energy conversion chain. The company offers a full range of products, services and solutions for power generation, transfer and distribution, as well as for the production, conversion and transport of the primary energy sources oil and gas. During the 2008 financial year Sektor Energy achieved a turnover of approximately 22.6B EUR and received orders to the volume of approximately 33.4B EUR. The company's earnings amounted to 1.4B EUR. In 2008 Sektor Energy employed approximately 83,000 personnel. The IBS solution CAQ=QSYS® Audit was implemented at Siemens „Energy“ for the further improvement and efficiency streamlining of the planning, execution and evaluation of company-relevant audits. IBS AG's latest Audit version puts Siemens in a position to achieve fully transparent, reproduceable working steps (operations), leading to a considerable reduction in documentation and archiving effort and expenditure. The CAQ=QSYS® Audit system at Siemens supports both internal and external system audits, in particular environmental audits, which are very important to the company. These so-called “eco audits” prove that the products, services and solutions offered by Siemens are always produced or provided in compliance with the applicable environmental standards.

SMA Solar Technology AG

Following the successful development of a sector-specific software solution for the high-tech, solar and electronics industry, IBS AG has further reinforced its market share in the industry with a major order from new customer SMA Solar Technology AG.

With 2007 earnings of 327M EUR, SMA is world market leader for solar inverters, a key component of every solar power unit. The SMA Group, with head office in Niestetal, near Kassel, is represented across four continents and has foreign subsidiaries in eight countries. The corporate group employs over 2,500 personnel. SMA manufactures a wide range of inverter types, offering a suitable inverter for all types of photovoltaic module in use and for all solar unit capacities. The product portfolio includes inverters for grid-connected solar plants, as well as for isolated systems. The company has been listed in the Prime Standard of the German Stock Exchange in Frankfurt/Main since

27th June 2008 and the company's shares have been listed in the TecDax since September.

SMA has opted for the implementation of the IBS solutions production and quality management, as well as the traceability solution. An implementation of IBS AG solutions at further company locations is planned for the long-term. The introduction of the IBS solution is designed to support the fulfilment and improvement of quality standards at SMA. The IBS software solution fulfils all of SMA's requirements and can furthermore be easily integrated in the existing IT landscape – especially that of SAP. The IBS solution specifically supports the electronics and device assembly processes at SMA.

TRIMET ALUMINIUM AG

A further new aluminium industry customer is TRIMET ALUMINIUM AG. The company, founded in 1985, has an annual production 450,000 tons of primary, recycling and die-cast aluminium products, making it Germany's largest manufacturer of aluminium. The company achieved an annual turnover of 1.1B EUR in 2007 and employs 1,700 personnel at its 5 production sites in Germany, two of which are aluminium plants. Implementation of the IBS AG MES solution is designed to assure the quality of TRIMET products in the field of automotive. This requires the standardised recording of all data and processes to enable subsequent evaluation by specially-trained quality management personnel for further improvements.



Gerhard Floeck
Company Management, IBS AG

Gerhard Floeck has been working at IBS AG since 1992. He is a member of the IBS AG executive management and has been responsible for the areas of controlling, purchasing and administration since 1998. He is also Commercial Manager of IBS SINIC GmbH.

Mr. Floeck holds a degree in business administration with the main areas of emphasis on controlling, financing and IT organisation.

The Importance of the Theme of Traceability in the High-tech and Electronics Industries

Interview with Torsten Schulz

Traceability in Electronics Manufacturing

An interview with Torsten Schulz, Head of Product Management at the traceability specialists IBS AG, on the principle of traceability in the production process, the importance of such systems to electronics industry manufacturers and RFID as the identification medium of the future.

Mr. Schulz, your company develops traceability software. What exactly does the term »traceability« entail?

Torsten Schulz: Traceability involves the recording of product and process data during product manufacture, in order to be able to identify e.g. further affected modules if a problem arises with a single module. In the case of circuit board mounting, this means the identification of all components prior to mounting, including the circuit board, and the input of the data in the traceability system. Using so-called »trace points« the system identifies further components and production data in the course of the production process and assigns these to the printed circuit board. This puts the manufacturer in a position to determine retrospectively exactly which components have been used in any given end product, as well as the batch from which they came and the place and time of assembly.

Taking the example of the electronics industry and the manufacture of electronic devices or printed circuit boards, for which production steps can a traceability system be really beneficial to the manufacturer?

Torsten Schulz: A traceability system isn't just useful. It's an indispensable tool that the manufacturer can use for the precise documentation of each and every production step throughout the whole production process. It starts with the incoming goods, when the manufacturer enters the individual batches of the component delivery in the system. If, after mounting the circuit boards, the manufacturer realised that a component batch was defective, he would be unable to identify those circuit boards with faulty components without the aid of a traceability system. With the complete production process mapped for traceability, right down to the delivery note, a traceability

system would enable the manufacturer to withdraw just the faulty circuit boards from the process.

Just how important is this traceability to the manufacturer?

Torsten Schulz: Each manufacturer needs to establish the degree of traceability necessary in each case. The traceability requirements are assessed differently, depending on the field or application for which the products or components are being manufactured, and the customer often stipulates a specific level. In the medical technology sector, production process traceability is prescribed by standards, such as EN ISO 14971:2007. Traceability has played a major role in the automotive industry for several years. The German Association of the Automotive Industry (VDA) has issued the recommendation VDA 5005.

Relating to the electronics industry, the German Electrical and Electronic Manufacturers' Association (ZVEI) has published a set of guidelines on the theme of traceability in the electronics manufacturing industry. Furthermore, the Product Liability Law is a statutory legislation, requiring manufacturers to be able to document the correctness of the products during the production process, which boils down to traceability.

In the case of traceability in electronics manufacturing it is often necessary to identify a large number of tiny components in a short period of time. How is this achieved from a technical point of view?

Torsten Schulz: There are a number of ways. Larger components are issued a barcode, whereas smaller components unable to accommodate a barcode are often assigned a 2-D matrix code. This code works on the same principle as a barcode but is proportionally smaller and works on a two-dimensional basis. If components cannot be individually labelled, assignment to the printed circuit board is ultimately effected using the set-up information. RFID tags are becoming increasingly popular in the identification of printed circuit boards.

Do you believe that new guidelines affecting the electronics industry, such as REACH or RoHS, will increase the demand for traceability systems?

Torsten Schulz: Most certainly! On the one hand the manufacturers can use the traceability themselves to ensure they can document to the customer that all components of a manufactured product fulfil the respective requirements. On the other hand, external pressure from the legislators will result in companies opting for such systems sooner rather than later.

Which new developments do you foresee in the field of traceability in the future?

Torsten Schulz: RFID will play a major role in product traceability in the future. RFID tags have not been implemented on a large scale so far but RFID technology offers a lot of potential, above all for application in the electronics industry. As the space on printed circuit boards is often too limited for conventional labelling, RFID technology is by all means an alternative. The tags can even be integrated in the printed circuit board, with conductor tracks serving as antennae in certain cases. This enables the traceability system to identify the printed circuit board using the smallest possible space and from a distance, without the need for optical contact – a clear advantage over the conventional barcode.

A further benefit of RFID technology is the option of active process interlocking. Since RFID chips are writable, the system can write »pass« or »fail« on any chip during the production process. This enables automatic sorting of the labelled components at the next inspection step. In my opinion that's a very interesting approach to traceability in electronics manufacturing.



After several years as head of the IBS development department, Torsten Schulz is now responsible for the area of Product Management at IBS AG.

The IBS Share

In Touch with the Financial Markets

IBS Investor Relations develops strategies for the Company's communication with the financial markets, ensuring the financial market is kept abreast of IBS AG's corporate successes and that investors interested in the Company's growth stock are specifically informed of the latest IBS AG share developments.

The financial markets were largely influenced by the financial crises during 2008. Following a relatively stable first six months, the insolvency of the Lehman Bank in the second half of the year accelerated the downward trend, which the IBS AG share was inevitably unable to avoid. The IBS share price fell by 41.6 per cent over the course of the year, from 3.80 EUR to 2.22 EUR. During the same period the Prime Standard All Share Index also dropped by 41 per cent. In general, the reluctance to buy shown by the investors was particularly distinct among the small cap securities, to which the IBS AG share belongs.

In 2008 the IBS AG management attended two roadshows in Frankfurt and in Dusseldorf. The financial market values its direct contact with the management. SES Research and Dr. Kalliwoda Research continued their coverage. In

their latest studies the analysts rate the share as „buy“ and estimate the fair value of the share at 4.50 EUR and 5.49 EUR respectively. The IBS share is listed on the Prime All Share Index, on the German Entrepreneurial Index (GEX) and on the Prime Software Index.

IBS AG's communication with the financial markets fulfils the high publicity requirements of a Prime Standard listed company. In addition to the mandatory publications within the scope of corporate reporting and ad-hoc publicity, IBS regularly informed its stakeholders and the financial public of the latest events important to the company development in press releases and shareholder letters. These are made available in electronic format to all those expressing an interest by entering their details in the IBS database and can also be viewed as an online version on the IBS homepage. Furthermore, IBS AG also organised a telephone conference on the day on which the annual accounts were published, which gave investors and financial analysts alike the opportunity to hear the up-to-the minute information on the concluded business development and the perspectives from the Board of Management.



IBS GY 2,22

CXPS - PRIME SOFTWARE PER5857,18

GEX - GEX TOTAL RETURN I 1182,53

PXAP - PRIME ALL SHAPE P 1732,59

Annual General Meeting 2008

The 8th Annual General Meeting since IBS AG's stock market listing took place on 27th June 2008, enabling a direct dialogue between the Company and its shareholders. This year, the Board of Management and Supervisory Board welcomed numerous shareholders, as well as banking representatives, journalists and other guests at its head office in Hoehr-Grenzhausen.

The Annual General Meeting has granted the Company the power to acquire treasury stock, enabling the regular stock market acquisition of up to 10 per cent of the nominal capital unpaid at the time of the Annual General Meeting until 26th December 2009. The appointment of a new annual accounts auditor was also passed. The Company's financial statements will be audited by the accounting firm Ernst & Young as of the 2008 financial year. A change of accounts auditor every 5-7 years it is considered good business practice. The Company would like to thank the accounting firm Heimfahrt & Partner for its good work and co-operation over the last six years.

Development of the IBS Share in 2008

The international stockmarkets were largely shaped by the burst of the economic bubble surrounding American real estate market during 2008. The share price at the beginning of the year was 3.80 EUR. During the course of the year the share price fell by 41.6 per cent, with a closing price of 2.22 EUR per share at the end of December. In comparison the DAX fell by 38.4 per cent during the same period and the Prime All Share Index by 40.5 per cent. The decline of the IBS share was therefore in line with that of the stockmarkets in general and was not triggered by any company-specific influences. The reluctance to buy showed by the investors was more predominant among the lower capitalised companies than among the Blue Chips. This also explains the 50 per cent drop of the German Entrepreneurial Index (GEX). Compared to this index the IBS share fared considerably better. The Prime Software Index, on the other hand, which contains all stock-market-listed software companies in Germany, only suffered a 29.7 per cent fall in 2008. When comparing this performance with the IBS share, it should be noted that this index is dominated by the index heavyweight SAP, whose share price only receded by 18.9 per cent over the course of the year.

Marketing and Communication

We consider our continuous investment in marketing communication to be one of our strategic priorities. Our use of the respective tools and opportunities - e.g. participation in trade fairs and the organisation and hosting of events and discussion circles - has enabled us to secure significant follow-up orders, as well as the acquisition of a whole host of new and renowned customers. Our public relations activities focus on real-time, open and transparent reporting on the development of the Group. We remain in close contact with the business, financial and specialist press, as well as the electronic media, since the Company's reporting efforts constitute an important source of information for the general public interested in IBS AG and its activities.

The Press and Public Relations

The IBS AG Homepage

The IBS web site is an information portal for the Company's shareholders, customers and partners, as well as for those with a general interest in the theme of production, quality, traceability and compliance management. The site offers a wealth of information for all those interested in learning more about IBS and its activities, products, services, events and the latest developments.

IBS AG completely overhauled and updated its web site www.ibs-ag.de in 2008. The conception of the web site comprises a logically-structured and appealing web design with simple menu navigation in the foreground. The web site's navigation concept is based on goal-oriented simplicity, with each visitor being able to access the personally relevant content both quickly and directly. It was also deemed important to ensure maximum clarity with such a comprehensive range of content and great attention was paid to enabling fast searching of the content. Thanks to search engine optimisation the texts have been made more user-friendly, further increasing the attractiveness of the website. The average session length for visitors to the web site increased quite considerably during the weeks following the launch of the new-look web site. The web site was developed by a trans-sectoral project and editorial group responsible for not only the concept and editorial work, but also for the long-range technical control and realisation.

In addition to the web site, the Company also publishes the semi-annual IBS magazine *Contact*. A concept for a new layout was developed and introduced in the second half of 2008, now making *Contact* is now even more informative and reader-friendly. *Contact* had a media pe-

netration / circulation of approximately 100,000 copies in 2008.

Public Relations

IBS was also able to continuously expand its public relations activities in 2008. Contact with the financial media, specialised trade journals and business magazines were the main focus of the Company's public relations efforts, along with connections to the relevant Internet portals and management of the flow of information to the afore-mentioned media. The major themes covered included „production, quality, und compliance“, „traceability“ and „Lean-Management“. Furthermore, the media was given further IBS-related information within the scope of a series of off-the-record press interviews. Some of these discussions took place within the scope of various trade fairs, such as CeBIT, Control and Systems. As a result of IBS' public relations activities, the overall number of IBS mentions in the press (so-called clippings) has increased from the previous year, according to the German media monitoring agency "Deutsche Medienbeobachtungs Agentur GmbH".

A selection of IBS press references can be found in the press area of the IBS web site, where they are also available for download.



A screenshot of the new-look IBS homepage





IBS Trade Fair Participation and IBS Events

Control 2008

IBS' trade fair participation in 2008 was focussed on IBS product innovation, such as the „Cockpit module“, a tool which enables visual preparation of the database information. The newly-developed RFID location system proved to be a real crowd-puller. The system enables a significant shortening of the cost-intensive assembly process, inter alia in car manufacturing. Electronics industry visitors to the IBS AG trade fair stand took the opportunity to learn the latest about the IBS traceability solution developed especially for the electronics industry. „Service-oriented architectures (SOAs)“ also proved to be in big demand, including those enabling the efficient combination of software solutions such as ERP, CRM, SCM and HR in a overall solution.

IBS Expertenkreis 2008

The twelfth IBS Expertenkreis congress, Germany's leading quality management event organised by IBS AG, was held in the Liederhalle culture and congress centre in Stuttgart on 5th and 6th November 2008. Within the scope of the event, this year's congress incorporated an exchange of experiences between research and industry delegates on the themes of quality, production and traceability management. A series of talks given by German OEMs, international TOP 100 suppliers and medium-sized enterprises, as well as electronics, aerospace, solar technology companies and other industries, enabled speakers to discuss their de facto experience of IBS solutions.

Industry Circle / Automotive Circle

IBS has created two new forums – the IBS Industry Circle and the IBS Automotive Circle – for information exchange and communication on the theme of modern production systems implementation. Within the scope of a series of speeches and discussions, participants seek and develop ways of ensuring the long-term safeguarding of business processes, and demonstrate opportunities to achieve „zero defect production“. Following the participation of over one hundred participants from a variety of industries in three Industry Circle events and one Automotive Circle in 2008, the successful series will be continued in 2009.

LIEBHERR and IBS Organise Joint Expert Forum

The IBS Expert Forum, held at the LIEBHERR Biberach plant on 7th October 2008, under the motto „Best Practice in Quality and Production Management“ addressed the purposeful application of a CAQ / MES system. LIEBHERR already recognises the importance of such systems and implemented IBS AG's CAQ software solution back in May 2004. Within the scope of the IBS Expert Forum, the head of quality at the LIEBHERR plant showed how the CAQ/ MES system has helped achieve greater transparency in the production process and the subsequent benefits. The event was rounded off with a tour of the plant.

Further Expert Forums were also held on the themes of FMEA, APQP and concern and complaint management in locations such as Hamburg, Munich and Zurich.

Marcus Evans Event – Guarantee and Warranty

A company's guarantee and warranty costs can amount to between five and seven per cent of turnover, depending on the industry. With this as a backdrop, participants of the event discussed the possibilities of using untouched potentials within the scope of a Marcus Evans event held in Stuttgart on 15th and 16th October. Sponsoring the event, IBS also participated as an exhibitor and was consequently able to establish numerous new and interesting contacts.

CeBIT 2008

IBS AG presented its latest industry solutions at CeBIT 2008, exhibiting in co-operation with PSI AG. The exhibition stand offers visitors between 4th and 9th March 2008 the latest information on opportunities and innovations for the improvement of quality standards and process optimisation in industrial companies.



The IBS stand at CeBIT 2008

FED Conference

Knowledge acquisition and the exchange of experiences between experts are indispensable when it comes to survival in the face of global competition on the turbulent electronics market. The 16th FED Conference in Nuremberg, organised by the German Electronics Design Association, offered its participants - mainly from the high-tech and electronics industries - the best possibilities in this respect. The organisation offered participants a choice of 8 seminars, 16 workshops and 40 expert presentations. IBS was able to benefit from the event by establishing new and interesting electronics industry contacts.

BMW IT Trade Fair

The BMW Group IT Trade Fair, held in Munich on 15th and 16th October, has become established as a central platform for BMW's major IT suppliers. The annual trade fair provides BMW employees and managers with an opportunity to learn more about products, technical solutions and innovations. IBS AG exhibited with its partner Ubisense in 2008 and presented a joint location and identification solution in the vehicle assembly process.

Symposium at the 62nd IAA Commercial Vehicles exhibition

This year's IAA Commercial Vehicles exhibition took place in Hanover on 26th September and featured a symposium in which IBS was involved. Truck manufacturers are faced with the challenge of optimising their production processes with their suppliers. The symposium on the theme of „Specialisation and Standardisation“, broached by „Commercial Vehicle Cluster Southwest“, „Cluster Utility Vehicles Swabia“ and the VDA, therefore proved very popular. In addition to speakers Matthias Wissmann, President of the VDA (German Association of the Automotive Industry), Hubertus Troska, European HGV Manager at Mercedes Benz, Bela Kast, Team Leader of Process and Project Management and Consulting at IBS, also gave a themed talk. The invitation extended to Mr. Kast, who represented the solutions aspect, highlighted the importance IBS has assumed as an automotive industry problem-solver.



Bela Kast has been working at IBS AG since 2001. Following the position of Project and Team Manager in the Business Unit Automotive Solutions Mr. Kast took on the role of General Manager of IBS Business Consulting GmbH.

Marketing and Communication of IBS America, Inc.

Trade Fairs and Events – A Selection

Lotusphere 2008

Lotusphere, organised by IBM, has been held in Orlando (Florida) for over 10 years. The majority of its approximately 7,000 visitors use Lotus Notes-based products. Since IBS America, Inc.'s QSI software is also based on the IBM Lotus Notes Platform, Lotusphere offers the IBS subsidiary an opportunity to meet many of its existing customers, as well as prospective QSI customers, to inform them of IBS' latest solutions.

Design and Manufacturing Exhibition (Western, Eastern and Midwestern)

Canon Communications sponsors and organises the seven largest design and manufacturing exhibitions in the United States. The exhibitions, which are organised by region, draw approximately 35,000 to 45,000 visitors and entry ticket holders are granted access to any of 7 exhibitions. IBS America, Inc. participated in the Western, Eastern and Midwestern exhibitions held in January, June and September 2008.

ASQ World Conferenz and Quality Expo are the Largest Quality Trade Fairs in the United States

IBS America, Inc. also exhibited at two of America's largest quality trade fairs in 2008. The ASQ World Conference for Quality and Improvement was held in Houston (Texas) from 5th to 7th May. This premier international trade fair is the USA's largest event on the theme of quality management. It offers its visitors the latest information on new technologies, tools and best practices, as well as establish networking contacts.

Quality Expo was held in Chicago (Illinois) on 11th and 12th June. The theme of quality management was also the main focus of this event.

IBS America, Inc. attended further trade fairs throughout 2008, such as the ISO 9000 Conference, the American Industrial Hygiene conference and exhibition (AIHce) in Minneapolis and the Biomed Device exhibition in San Jose (California).

Public Relations of IBS America, Inc.

The main focus of IBS America, Inc.'s press releases during 2008 was on the relocation of its hosting service for QSI customers to a new data centre. The data centre fulfils the requirements of SAS70 Type II.

A further announcement reported on the implementation of the IBS AG compliance management solution at all 55 locations of the Cookson Electronics group.

Aberdeen Study August 2008

In August 2008 IBS America, Inc. reported on the publication of a study carried out by the Aberdeen Group. The study, entitled „The Cost of Quality, Defining the Value of Enterprise Quality Management“ concludes that IBS quality management solution users are able to reduce their quality costs by up to 50 per cent (depending on the industry).

Co-operations and Memberships

IBS AG's Partners



- Technology partners
- Project partners (ERP)
- Strategy/Sales partners

Profiting with our Partners

Our co-operations and partnerships have enabled us to open up further business segments and at the same time allow us access to growth-intensive sectors. The latter, in particular, enables us to quickly recognise the new requirements and trends in the various sectors. We reinforced our joint innovation strategy once again in 2008, by entering into new partnerships.

Co-operation Agreement with UBISENSE AG

IBS AG and UBISENSE AG have entered into a co-operation agreement. The real-time location systems developed by UBISENSE AG are being linked to IBS AG's quality and production management software systems to offer new optimisation and ratio potentials, particularly in the areas of car manufacturing logistics and production. The co-operation with UBISENSE AG means that IBS was able to gain a further major partner for quality and production management at the start of 2008. An initial joint project has already been launched at BMW AG. The co-operation is aimed at strengthening the collaboration on joint projects in the automotive sector by enabling:

- » better and faster reactions to increasing customer requirements regarding real-time location and real-time traceability.
- » significantly improved process safeguarding e.g. in car manufacturing assembly processes in order to optimise the quality of the processes and reduce manufacturing times.
- » the offer of new, innovative system solutions able to significantly increase the business volume of both companies.

The UBISENSE system is able to automatically locate vehicles on the production line and detect at which point a manufacturing operation is to be carried out on a particular vehicle. The location and identity data are sent to the IBS Manufacturing Execution System (MES), which then carries out the automatic control and optimisation of the assembly instruments, ensuring a further improvement of process reliability and production quality

This unique interaction of the two systems enables improved production and reduces manufacturing times, resulting in cost-saving for the manufacturer. Both companies see great potential for this and similar solutions in the automotive industry.

Co-operation with PSI AG

We have succeeded in expanding our strategic partnership with PSI AG, a supplier of control system software for power suppliers, the industry and infrastructure operators. The co-operation goes beyond a simple marketing and sales co-operation, leading to an expansion and optimisation of the product portfolio for both parties.

The co-operation with IBS enables PSI AG to offer the market a complete MES system including quality management and traceability, in addition to its own ERP system PSIpen-ta. At the same time, IBS is able to enhance its product range with a fine planning module developed by PSI, offering a tool for order control, as well as optimisation and monitoring of the production process and manufacturing deadlines. The system offers the user a visualisation of the individual manufacturing processes by way of real-time status notifications. This enables quick identification and rectification of breakdowns in the production process. An action plan has been developed to assist the rapid realisation of the projects resolved within the scope of the co-operation, which includes the joint organisation of trade fairs and working groups, as well as the composition of joint case studies.

PSI AG and IBS AG also exhibited jointly in October 2008, at the IT trade fair „Systems“.

IBM

The co-operation between IBS AG and IBM AG is marked by a close collaboration based on the partners' respective competences and services. The co-operation, which focuses mainly on the areas of marketing and sales, enables each partner access to the resources of the other, within the agreed limits of the contract. The joint development of software solutions could be conceivable in the mid or long term.

Microsoft

IBS AG has a further strategic partnership with the Microsoft Corporation. The collaboration during 2008 focused on the area of sales (software and licences). The companies also shared a number of marketing activities. Microsoft was one of the exhibitors at the IBS Experten-kreis congress in Stuttgart. The IBS Expertenkreis congress is one of Europe's leading quality management events.

Steinhilber Schwehr

The Company has a sales co-operation with Steinhilber Schwehr. Steinhilber Schwehr is a provider of IT services for trade and industry and develops individual IT concepts existing branded software products. IBS and Steinhilber Schwehr benefit from the use of mutual synergies. The two companies celebrated the success of their joint projects in 2008.

German Association of the Automotive Industry (VDA) - ITA Association

IBS AG continued its full membership of ITA association (Information Technology for the Automotive Industry) in 2008. The association is a subsidiary organisation of the German Association of the Automotive Industry (VDA). The ITA serves as a communication platform between the automotive industry and leading, automotive industry-relevant IT companies. The ITA primarily deals with the aims and tasks of the entities and members of the VDA and similar organisations from the field of automotive, thus seeking a close co-operation with these entities. One of its major tasks is providing an entire framework of support for the automotive industry, using the concepts and solutions of today's information technology. The ITA comprises 50 renowned IT industry companies, such as IBM, SAP and Siemens to name but a few. IBS AG actively attended several ITA workshops over the course of the year, along with automotive industry representatives and other IT companies.

Corporate Governance Report

In order to reach the set corporate aims and achieve a sustainable increase in goodwill, entrepreneurial thinking and trading in accordance with the Corporate Governance regulations has the utmost priority for IBS AG. The IBS AG Board of Management and Supervisory Board declare their adherence to the principles of good Corporate Governance. All aspects of the trading are geared towards responsible, transparent and sustainable corporate management and control. IBS AG trusts that this will meet the justified demands of its shareholders. On the following pages, the Board of Management and Supervisory Board explain the Corporate Governance System of IBS AG.

Corporate Bodies of the Company

IBS AG is legally bound by German company law to operate a dual management system which strictly separates the members of its management and supervisory bodies. The Board of Management manages the Company, under the supervision of the Supervisory Board. Simultaneous membership of both corporate bodies is not permitted.

Supervisory Board

As a German Aktiengesellschaft („AG“), IBS AG is subject to jurisdiction under German stock corporation law and therefore consists of a two-part management and control structure, which comprises a two-member Board of Management and a three-member Supervisory Board.

In accordance with the rules of procedure of the Supervisory Board, the principle of independence applies to the shareholder representatives of the Supervisory Board. In the previous year, some members of the Supervisory Board are or were engaged in a high-ranking position at other companies. IBS conducts business with these companies under the same conditions as with third party companies. We do not judge these transactions to affect the independence of the members of the Supervisory Board associated with these companies.

The Supervisory Board supervises and advises the Board of Management in the management of the company. Its tasks include the appointment and withdrawal of members of the Board of Management and determination of the remuneration of the Board of Management. It examines the quarterly and semi-annual reports and approves the annual accounts of IBS AG and the Group in consideration of –the audit reports of the accounts auditor and the results of the audits carried out by the audit committees, insofar as audits are carried out. It monitors compliance with legal directives, official regulations and corporate guide-

lines, as well as the company’s internal guidelines (compliance). Its scope of duties also includes the definition of the area of duties of the members of the Board of Management. Fundamental decisions made by the Board of Management also require its approval. Within the scope of a “rules of procedure” for the Board of Management, the Supervisory Board laid down the work of the Board of Management, in particular the spheres of responsibility of the individual members of the Board of Management, the matters requiring the full Board of Management and the necessary resolution majority for Board resolutions.

Board of Management

As at 31st December 2008 the Board of Management comprised two members. The responsibilities of the Chief Executive Officer and the other member of the Board of Management are determined in the rules of procedure for the Board of Management. This also determines the fundamental Company and group company matters requiring a resolution of the Board of Management.

It is one of the tasks of the Board of Management to determine the strategic alignment of the Company and to carry out the management of the Company. Furthermore, it is also responsible for the compilation of the annual, consolidated and quarterly reports, as well as the setting up and monitoring of a risk management system. The rules of procedure determine the areas of responsibility of the Board of Management and its members.

The Board of Management provides the Supervisory Board with regular, prompt and comprehensive information on all issues relevant to the strategy and the realisation of the strategy for the consolidated organisation, as well as planning, business development, financial and earnings position, compliance and other entrepreneurial risks.

Annual General Meeting

The annual ordinary general meeting is generally held in the first six months of the financial year. The shareholders take up and exercise their voting rights at the general meeting. Each IBS AG share carries a vote. There are no shares carrying multiple or preferential voting rights or maximum voting power.

The annual general meeting is reserved for important resolutions, e.g. resolutions on the use of the annual net income, the approval of members of the Board of Management and Supervisory Board, the selection of the annual accounts auditor and the selection of members of the Supervisory Board. Furthermore, the annual general meeting also passes resolutions on amendments to the memorandum of association, capital raising operations and

the approval of certain inter-company agreements. The influence of the annual general meeting on the management of the company remains limited by law. Decisions on the management of the business can only be made by the annual general meeting at the request of the Board of Management.

Transparency and Service

IBS AG regularly informs shareholders, financial analysts, shareholder associations, the media and interested parties from the general public of the Company's position and any fundamental corporate changes to the Company. Within the scope of the Company's investor relations efforts, the Chief Executive Officer attends regular meetings with analysts and institutional investors. In addition to an annual analysts' conference, an analysts' telephone conference is also held on the date of announcement of the annual report. Dates of the important announcements and publications (e. g. annual report, quarterly reports or annual general meeting) are also shown in advance on a financial calendar. Insider issues, involving the company directly, are announced by IBS AG in accordance with the legal requirements and without delay, even when such events fall outside the regular reporting intervals.

Risk Management

IBS AG has a risk management system that is suited to the international alignment of the Company. The risk management system is an integral part of the complete planning, control and reporting process. This is designed to ensure that the Company management is able to identify fundamental risks at an early stage in order to implement early measures to counteract any threat. The internal controlling system monitors compliance with the regulatory framework and corporate standards by way of targeted audits the initiation of the appropriate measures, should the need arise.

Stocks Trading of the Board of Management and Supervisory Board

Members of the Board of Management and Supervisory Board are legally bound to announce the acquisition or disposal of IBS AG shares or derivative financial instruments in accordance with § 15a of the German Securities Trading Act (WpHG), insofar as the total value of the transactions executed by the member and related parties reaches or exceeds 5,000 EUR within the calendar year.

No such transaction announcements were made to IBS AG during the year under review.

Stock Ownership by the Board of Management and Supervisory Board

Members of the Board of Management during the year under review held a total of 2,715,430 IBS shares (previous year: 2,715,430) as at 31st December 2008, which corresponds to 39.5 per cent of the IBS AG nominal capital (previous year: 39.5 per cent). Members of the Supervisory Board during the year under review held 250 (previous year: 250) IBS shares on the same day, which corresponds to 0.004 per cent of the nominal capital (previous year: 0.004 per cent).

Payments Report

The Payments Report is a part of the Position Report on page 82.

Declaration of Compliance 2008

Declaration of the IBS AG Board of Management and Supervisory Board in accordance with the German Corporate Governance Code pursuant to § 161 of the Companies Act

The corporate conduct recommendations pertaining to corporate management and monitoring, made in the German Corporate Governance Code, issued by the Government Commission on behalf of the German Federal Government in the version of 6th June 2008, have been observed since the Company's last Declaration of Compliance in December 2007 and shall continue to be observed in the future, with the exception of the deviations listed below.

Number 2.3.4

Online participation in the Annual General Meeting is not yet possible.

Number 3.8, paragraph 2

The D&O insurance taken out by the Company for the Board of Management and Supervisory Board does not contain any excess.

Number 4.2.3, paragraph 3, sentences 4 and 5:

Board of Management contracts do not contain any settlement cap. Since Board of Management contracts have a maximum term of three years and the Supervisory Board decrees an extension or termination of the contract one year before expiry, an indirect settlement cap exists in the form of a maximum of three annual salaries or one annual salary following resolution of the Supervisory Board to terminate the contract.

Number 5.1.2, sentence 2

Due to the structure of the Company, long-term succession planning for the Board of Management is not deemed necessary at this moment in time.

Number 5.1.2, sentence 6

No age limit has been set for members of the Board of Management.

Number 5.3

Due to the size of the Company, the IBS AG Supervisory Board does not comprise any committees, nor does it form any nomination or audit committee. The three-member board is kept intentionally small, being of an appropriate size for the Company.

Number 5.4.5

No limit has been set that exceeds the legal regulations relating to the number of Supervisory Board seats in extra-group listed companies.

Number 5.4.7, paragraph 3

No listing of the individual salaries of the members of the Supervisory Board and a listing of payments made to the Supervisory Board arising from other business relations with the Company or other allied companies contained in the Corporate Governance statement is made. Number 5.4.7 of the German Corporate Governance Code applies, providing that the payments made to Supervisory Boards are covered by the general payment regulations in § 7 section 9 of the Articles of Association.

The Declaration of Compliance of IBS AG was made on 16th December 2008 and is accessible to our shareholders in the Investor Relations area of the IBS AG homepage (www.ibs-ag.de).

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board met all obligations pursuant to the law and the Company's Articles of Association and monitored the management of the Board of Management during the 2008 financial year. It was involved in all decisions that were of fundamental importance to IBS. The Supervisory Board met five times during the year under review to gather information on the development, position and earnings position of the Company, which it also gathered from written reports submitted by the Board of Management. A regular part of the discussions involved reporting on the sales and profitability developments, as well as the strategic and operative further development of the Company and its subsidiaries. The discussions of the Supervisory Board also involved other key business planning issues, as well as the risk situation and the risk management of the Company.

During the second half of 2008, there were signs that the financial crisis was going to lead to a problematic business development within IBS AG's major customer groups. Since a corresponding effect on IBS business in those areas cannot be ruled out, particularly for the 2009 financial year, preventative and preparatory measures for this case were a specific subject of debate. In addition to further measures, the Company's sales activities were also intensified, in particular in those industries less affected or untouched by the economic crisis.

Reports and documents were discussed in detail with the Board of Management and the Supervisory Board made all necessary decisions within the scope of its responsibility. Furthermore, written resolutions were passed. Beyond the meetings, the Chairman of the Supervisory Board was in permanent contact with the Board of Management to discuss events of vital importance for the situation and development of the Company.

In accordance with § 171 section 2 sentence 2 of the German Companies Act, we hereby state that the information required in accordance with §§ 289 section 4, 315 section 4 of the German Commercial Code can be found in the Position Report on page 84 of this annual financial statement.

The auditing firm appointed by the Supervisory Board, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, based in Eschborn (near Frankfurt am Main), audited the annual financial statements of IBS AG, the consolidated financial statements and the management report for the 2008 financial year, including the accounting system, as prepared by the Board of Management and as mandated by the Supervisory Board. The auditor then issued an unqualified audit opinion. The Supervisory Board studied and discussed these documents in detail, along with risk management issues, with the Board of Management and the auditor in the special balance sheet meeting held on 17th March 2009. The financial statements and the other documents were discussed in detail during this meeting, in the presence of the auditor.

There were no objections after the Supervisory Board concluded its review of the annual financial statement, the consolidated financial statement and the management report and the results of the audit by the annual financial statements auditor were thus approved. The Supervisory Board approved the annual financial statement and consolidated financial statement prepared by the Board of Management as at 31st December 2008. The annual financial statements are thus formally adopted.

The Supervisory Board would like to thank the Board of Management and all the Company's employees for their successful work in the last financial year and for managing to achieve a very pleasing business result, despite the considerably aggravated business environment.

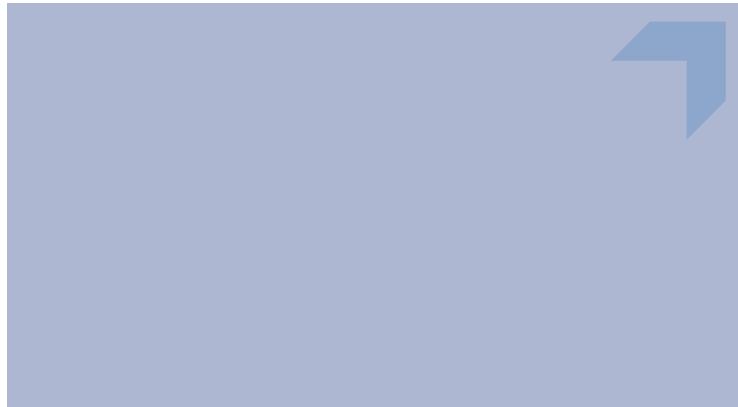
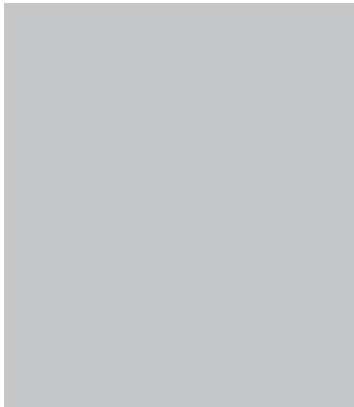
Hoehr-Grenzhausen, 30th March 2009

The Supervisory Board

A handwritten signature in blue ink, appearing to read 'Koechling', with a long horizontal stroke extending to the right.

Christoph Koechling
- Chairman -

IBS AG
EXCELLENCE
COLLABORATION
MANUFACTURING



Consolidated Position Report

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Business and Determining Factors

Macroeconomic Environment 2008

Growth of the world economy decelerated considerably in 2008. The sharp rise in raw materials prices during the first half of 2008 had a dampening effect on the global economy. At the same time, falling prices on the American real estate market led to a dramatic development of the global financial system. The trading of fixed-rate secured loans came to a complete standstill, which led to write-off requirements for the financial institutes. Due to their high degree of involvement in this type of security, a large number of such institutes, particularly those in the United States, found their very existence threatened and required assistance from government rescue packages or merged with other financial institutes.

With the waiver of a bail-out for the American investment bank Lehman Brothers and the bank's subsequent insolvency, the American government induced a dramatic development on the international financial markets, which would have resulted in a wave of further bank insolvencies, had it not been for governmental intervention in the form of monetary and fiscal measures.

All major industrial nations went into recession during 2008 and economic growth in emerging countries has sharply declined. In the USA, there was a clear fourth-quarter decline in the country's gross domestic product, which is set to continue during the first half of 2009. Positive impulses, however, are being emitted from the monetary and fiscal measures, as well as from a slump in raw materials prices.

According to the Hamburg Institute of International Economics (HWWI), economic growth in the Euro zone during 2008 reached 0.9 per cent, following a growth rate of 2.6 per cent in 2007. The cyclical downturn of the economy in the Euro zone was significantly aggravated by exogenic shocks from the financial sector. The institute therefore anticipates a 1 per cent decline in the economy for 2009. In addition to a reduction in raw materials prices and the German federal government's attempts to crank up the economy, the currency devaluation of the EUR against the USD is expected to provide a positive impulse for the economy in the Euro zone.

In Germany, macroeconomic growth declined 1.5 per cent in 2008, with the German economy running into recession from the second half of the year. Since not only the financial sector, but also the automotive sector is heavily hit by the recession, the effects on the German economy are particularly serious. The HWWI anticipates a decline of 1.2 per cent for 2009. The duration and depth of the recession is causing great concern, however, it is currently assumed that economic growth will not recommence until the year 2010. The devaluation of the Euro/Dollar currency relation is expected to emit a positive impulse, especially for the German export economy.

Development of the IT Market

According to the international market research institute EITO, global turnover from computer, software and IT services will increase by 2.7 per cent to 983B EUR in 2009. With a growth rate of 3.4 per cent, turnover from software and IT solutions is estimated considerably higher than that from hardware, for which a 1.3 per cent increase to 306B EUR is expected. The growth forecast for the North American IT market has been reduced from 4.4 per cent to 0.8 per cent, due to the dramatic hold the financial crisis is having over the macroeconomy. According to the German Association for Information Technology and New Media (BITKOM), modern IT systems will make a significant contribution in cost reduction and fostering product and process innovations. It can therefore be assumed that companies will continue to invest in software and IT services, despite the recession.

According to EITO the western European IT market will develop more robustly than in the USA, estimating a 2 per cent increase in IT turnover to 315B EUR. The growth will be supported by investments in software and IT services (3.2 per cent). IT hardware expenditure, on the other hand, will shrink by 1.3 per cent. This trend will also extend to Germany, where a 3.1 per cent increase in software and IT services expenditure to 48.5B EUR is forecast, whereas turnover from hardware sales is expected to suffer a 2.4 per cent decline to 19B EUR, according to BITKOM.

Factors Influencing the Business Model

IBS AG develops software infrastructure solutions for the management of vital corporate business processes. Based on Service-Oriented Architectures (SOAs) and Open Standards, IBS AG's company-wide software systems pool information and data, from the production to the management level. This enables the customer access to powerful corporate applications covering the complete product lifecycle - primarily in heterogeneous and constantly changing IT environments - for the optimisation of complex production processes. The areas of product conception, product manufacture and product test and acceptance are integrated in a single IBS solution - specially tailored to meet the requirements of the respective industry. This provides essential support for the continuous monitoring, control and optimisation of the respective processes. At the same time, IBS software solutions for quality, production and compliance management also comply with the legal requirements and regulatory framework.

The demand for IBS' complete and integrated software solutions will continue to grow in the face of heightened competition and increasing production processes complexity due to a growing diversity of parts, along with shorter product life cycles and development times. Furthermore, many corporate groups are opting to reduce their vertical range of manufacture, forcing an increase in the number of sub-suppliers. This also increases the demands on the production, quality and compliance management. The need for product traceability is increasing in the manufacturing industries (e.g. electronics, automotive, packaging and medical technology, as well as foods and luxury foods) and consequently also the demand for traceability systems to enable the identification of the affected parts in the case of a product recall, or to avoid this situation completely by implementing zero-defect production processes. In particular, an increasing number of companies in the automotive industry find themselves facing the strategic challenges of identifying future markets and concentrating on the core processes, products and services that promise potential growth. The Company's first projects with the solar industry have enabled IBS AG to open up a growth area that gives the Company greater independence from economic cycles.

IBS AG Organisation and Business Units

With their software and service portfolios, IBS AG and IBS SINIC GmbH support all product life-cycle-related processes – primarily in manufacturing and assembly companies.

The software solutions of the Company's American subsidiary IBS America, Inc. control management and administrative processes. The main emphasis is on Compliance Management, which ensures compliance with legal standards and regulations (ISO standards, FDA, SOX).

The Four Organisational Units of IBS AG

IBS AG and its four subsidiaries comprise four organisational units, which are operated as independent business units and bodies responsible for the development of the company, the turnover and the result. Their sales, development and project results are co-ordinated and led by the Group management.

IBS Hoehr-Grenzhausen

The Company's head office in Hoehr-Grenzhausen comprises two business units, each with an industry-specific focus:

The business unit Automotive Solutions is responsible for car manufacturers (OEMs). Its current customer base includes companies such as Audi, BMW, Daimler, Porsche, Lamborghini and MAN. The solutions are currently implemented in Germany, Spain, Italy, England, South Africa and the USA.

The business unit Industrial Solutions supports customers from the series manufacturing industry. This includes large and medium-sized suppliers to the automotive industry, as well as companies from other industries such as electronics, renewable energies and medical technology. Global installations can currently be found throughout Europe, North and South America and Asia.

The business unit Industrial Solutions also includes the process industry division, with its personnel handling customer projects for the chemicals, food and medical technology industries. Some automotive industry companies with large analytical laboratories e.g. MAN, are also customers of this business unit.

IBS SINIC GmbH

The subsidiary IBS SINIC GmbH offers its customers software solutions for quality management, gage management, project management and concern and complaint management. More than 1,000 customers have opted for the installation of IBS SINIC GmbH products to date.

IBS America, Inc.

IBS America, Inc. is IBS AG's Center of Competence for compliance/quality management solutions. Product families such as QSi-System and CompliantPro, specially designed for fulfilment of the ever-increasing requirements in the field of corporate compliance, are developed at the Company's offices in Lexington, USA. The software is designed to support the processes arising from requirements such as the automotive industry's ISO standards (TS16949), those imposed by the U.S. Food and Drug Administration (FDA), as well as new laws, whilst at the same time enabling clarity and measurability.

Development of the Company Compared to Industry and Market Development

The German Association for Information Technology, Telecommunications and New Media e.V. (Bitkom) calculated an IT industry growth of 1.2 per cent for 2008. The software and IT services market grew by 3.1 per cent while turnover from hardware dropped by 2.4 per cent. This trend was also reflected in IBS AG's operating result, with the Company located in the positive segment of the IT sector. During the 2008 financial year, IBS charted a 7.4 per cent growth in turnover and an increase in net result of approximately 25 per cent. The market for IBS AG software solutions is highly fragmented. Yet the companies that operate there often fail to cover all aspects of the stipulated product portfolio and are unable to offer completely integrated solutions. The IBS AG solutions portfolio, which covers a broad range of functions, puts the Company in a position to meet each of the diverse market demands relating to management and production processes.

IBS AG's competitors are often small companies that usually focus on Germany, the USA or a particular region. They also show a tendency to concentrate on special niche areas of the market.

Research and Development

IBS AG's software solutions are continually expanded within the scope of Release Management. A release comprises customer-specific requirements, consolidated over a certain period and implemented following a design review. Releases contain not only customer-specific requirements, but also expansions that are necessary to accommodate the sets of standards.

Four releases of the CAQ=QSYS® Professional and IBS:prisma® product lines were made available to customers in 2008. The functions listed here only represent a selection of the work carried out, which focused on functional enhancements, as well as optimising the actual use of the solution.

Service-oriented Architectures

During the year under review, IBS AG successfully fostered the further-development of its product range within the scope of the „SOA Evolution“ initiative. In addition to the expansion of the IBS SOA framework, a completely new product was also developed.

This new development was aimed at supporting customers with complex authority (rights-related) concepts and workflows.

The product has now been installed on the premises of a leading international power plant.

The IBS solution assists its customer with the world-wide organisation and execution of audits and incorporates several thousand users.

As at 31st December 2008 a total investment volume of 1,618K EUR had been capitalised for the service-oriented architectures. The inflow of funds during 2008 amounted to 553K EUR.

Traceability – Joint Project „LAENDmarkS“

The joint project LAENDmarkS, initiated and sponsored for 3 years by BMWI was concluded during 2008, with its piloting around the middle of the year. LAENDmarkS was aimed at rapid traceability and the limitation of safety-relevant car components using RFID technologies and ensuring these throughout the supply chain. Those involved in the project worked on the joint development of a global, integrated Track&Trace system with all the necessary data management structures and technologies.

The development of the IT infrastructure and the research necessary for this solution were carried out by IBS AG as project partner and was based on the latest technologies. In addition to IBS AG, the consortium involved, TBN GmbH for the development of the RFID technology, Ruhr University in Bochum for the examination of the RFID potentials and process modulation and Keiper as the first supplier in the supply chain, as well as Volkswagen AG and Daimler AG. Keiper and Volkswagen AG's contribution involved the installation of a pilot application to prove the plausibility within the supply chain. The LAENDmarkS project will reach market maturity in 2009 and amortised thereafter. A total of 622K EUR was capitalised for the LAENDmarkS project up to 31st December 2008. The inflow of funds in the 2008 financial year amounted to 222K EUR.

LifeCycleQM

The aim of the LifeCycleQM project is the conception of a target and life-cycle oriented quality strategy for the development of software components. The aim of this project, carried out in collaboration with Polarion AG and the Fraunhofer Institute for Experimental Software Development (IESE), is the development of easy implementable fault current models for use in small and medium-sized enterprises.

The methods and tools developed and created within the scope of this project will enable small and medium-sized companies to apply a procedure model for the measurement of software quality and for the optimisation of software creation.

A generic fault current model was created, based on the determination of the development and quality assurance processes and IBS AG's re-use strategy. This fault current model can then be used for the optimisation of the product development process in further small and medium-sized companies. In this regard, IBS is supplying inter alia a tool that supports company decision-making.

The project will be concluded in the first quarter 2009. A total of 647K EUR was capitalised for the LifeCycleQM project up to 31st December 2008. The inflow of funds in the 2008 financial year amounted to 204K EUR.

Earnings, Assets and Financial Position

Business Development in the Group

IBS AG once again achieved a clear increase in turnover in the 2008 financial year, with an increase of 7.4 per cent compared to the previous year. The Group achieved a turnover of 21.9M EUR from worldwide sales of software licences and services, which amounted to 20.4M EUR in the previous year.

Broken down into sales type, the Group achieved licensing sales of 4.93M EUR (previous year: 5.31M EUR). IBS AG'S income from turnover generated by maintenance and software maintenance amounted to 6.63M EUR (previous year: 6.14M EUR). The largest single contribution to combined turnover was generated by services rendered, which amounted to 8.92M EUR compared to 7.9M EUR in 2007. Income from trade during the year under review amounted to 1.4M EUR (previous year: 1.02M EUR).

Licence and maintenance sales accounted for to 53 per cent of turnover during the year under review, which corresponded to a slight increase from the previous year. Turnover from services rendered accounted for 41 per cent of combined turnover and the corresponding revenue increased by 13 per cent compared to the previous year.

The volume of orders on hand for projects and maintenance as at 31st December 2008 amounted to approximately 10.3M EUR, which virtually matches the same high level achieved at the end of 2007 (previous year: 10.7M EUR).

Production costs rose by approximately 12 per cent to 9.05M EUR and accounted for 41 per cent of combined turnover (previous year: 40 per cent). The cost of sales and marketing rose by approximately 9 per cent, slightly overproportionally to turnover, which rose by 7.4 per cent to 4.7M EUR, while the proportion of overall turnover remained constant at approximately 21 per cent. Compared to the previous year, general administration costs rose by 7 per cent to 2.65M EUR, which was proportional to turnover. The relation to turnover also remained constant, at 12 per cent. Research and development costs were somewhat higher than in the previous year, with an increase of just over 15 per cent to 2.87M EUR (previous year: 2.49M EUR). The proportion of turnover rose from 12 per cent to 13 per cent. Further investments in the continuous further development of IBS software solutions in the form of new software releases were made during 2008.

Result Development

Despite a growth in turnover, an increase in research and development costs in particular led to a slight decrease in earnings before interest and taxes (EBIT).

During the 2008 financial year, costs to the sum of 1.16M EUR (previous year: 1.58M EUR) were capitalised for the development of self-created software. These capitalisations initially have a positive effect on the profit and loss statement. Amortisation of these capitalisations is carried out over 3-5 years on maturity and then have a negative effect on the profit and loss statement.

Consolidated earnings before taxes and interest amounted to 2.62M EUR (previous year: 2.79M EUR), which corresponds to a 6 per cent reduction. The EBIT margin of 12 per cent was slightly lower than that of the previous year (previous year: 14 per cent).

The consolidated annual net profit rose considerably to 2.4M EUR, following 1.9M EUR in the previous year. The increase of over 25 per cent compared to the previous year was due to a decrease in taxes of approximately 720K EUR during the 2007 financial year and approximately 250K EUR during 2008. Earnings per share (undiluted) rose markedly from 0.28 EUR to 0.35 EUR.

Assets and financial position

At the end of the financial year, the consolidated balance sheet total amounted to 22.7M EUR and increased by approximately 11 per cent compared to the end of the previous year (previous year: 20.5M EUR).

On the asset side, this increase was largely due to an addition in long-term intangible assets of approximately 880K EUR generated by the development of self-created software and an increase in liquid funds of approximately 1.9M EUR. The Company therefore holds a comfortable volume of cash and cash equivalents of 6.7M EUR (previous year: 4.8M EUR), which are to be used to secure operative business and the further growth of the company. There was also a notable reduction in trade receivables of approximately 600K EUR to 5.3M EUR (previous year: 5.9M EUR).

The rise on the debt side of the balance sheet was due to an increase in Shareholders' Equity, which rose from 12.7M EUR in the previous year to 14.3M EUR. The Shareholders' Equity ratio increased to 63 per cent (previous year: 62 per cent). Whereas short-term liabilities decreased by 323K EUR to 5.79M EUR, long-term liabilities increased by 902K EUR to 2.55M EUR as at the balance sheet closing date. This increase was due to the further use of a loan from the KfW Bankengruppe bank, which IBS AG has secured for the development of the SOA Evolution project.

Cash Flow from Business Activities

The inflow of funds from the Company's operating activities once again increased considerably during the 2008 financial year, with a 65 per cent increase from 2.64M EUR to 4.38M EUR. This positive development was largely due to an increase in annual net profit and a reduction in trade receivables.

Cash Flow from Investment Activities

During the last financial year IBS AG more than halved its outflow of funds from investment activities compared to the previous year, from 3.35M EUR to 1.6M EUR. Investments in intangible and tangible assets amounted to approximately 630K EUR (previous year: approximately 300K EUR). Capitalisations for software development, largely due to the development of SOA Evolution, amounted to 1.16M EUR (previous year: 1.58M EUR). There was an inflow of funds to the Company to the sum of approximately 200K EUR due to the sale of tangible assets.

Cash Flow from Financing Activities

The outflow of funds from the Company's financing activities amounted to approximately 898K EUR during the 2008 financial year. In the previous year there was an inflow of funds from financing activities to the sum of 1.51M EUR. The outflow of funds was due to the pay-out of a dividend (approximately 688K EUR), the acquisition of treasury stock (approximately 104K EUR) and the repayment of a short-term loan (116K EUR).

The primary objectives of the IBS AG financial management are the safeguard of liquidity and a sustainable increase in company value. Optimisation of the capital structure and effective risk management are designed to help achieve these objectives and reduce the costs of financing. Furthermore, the high volume of cash and cash equivalents to the sum of 6.7M EUR (previous year: 4.8M EUR) as at 31st December 2008 enables the Group to duly meet all payment demands.

Statement of the Board of Management with Concerning the Macroeconomic Situation

The Board of Management is satisfied with the course of the 2008 financial year. Despite the macroeconomic situation, which increasingly depressed the economy on the second half of 2008, IBS AG was still able to reach its ambitious targets.

Leading market research institutes predict a positive development of the software and IT services market for 2009. The Board of Management agrees with this evaluation. The tense worldwide macroeconomic situation, however, will bring with it particular challenges that the Company will also have to face. Above all, greater pressure is anticipated on margins and daily rates. In the face of the aforementioned macroeconomic situation and the associated opportunities and risks, we anticipate turnover and earnings during the 2009 financial year to reach the same high level as those of the previous year, whereby stronger inter-quarterly fluctuations are expected.

Development of the Subsidiaries

IBS America, Inc.

IBS America Inc., with its head office in Lexington in the US federal state of Massachusetts is IBS AG's centre of competence for compliance solutions. CompliantPro is a corporate-independent, integrated solution that enables companies to meet the ever-increasing requirements set by industry standards, market expectations and regulations. This IBS solution can be used to build up a comprehensive culture of compliance within a company, enabling the transparent control of corporate risks. The software is designed to support the processes resulting from requirements such as the automotive industry's ISO norms (TS16949), those imposed by the U.S. Food and Drug Administration (FDA) and financial market regulations such as the Sarbanes-Oxley Act or Basel II, and at the same time enable clarity and measurability. At the same time the American market sale of the Company's quality management solution is also co-ordinated from the Lexington office. Significant synergies arise in the sale of the compliance and quality management solutions.

With an approximately 27 per cent increase in turnover of 6.44M USD to 8.17M USD the American subsidiary highlighted vigorous growth during the 2008 financial year. This development also influenced the EUR-denominated figures. With an 18 per cent increase in EUR turnover, the contribution to turnover made by IBS America, Inc. amounted to 5.6M EUR (previous year: 4.7M). The appointment of a new Vice-President of Sales & Marketing in mid 2007 certainly paid off. The excellent turnover development was reflected in operating profit. This enabled IBS America, Inc. to more than triple its EBIT from the previous year of around 230K USD to more than 760K USD (237 per cent). This corresponded to a 215 per cent EUR increase and an increase from 166K EUR to 520K EUR. The EBIT margin improved considerably, from 3.5 per cent in the previous year to over 9 per cent during the 2008 financial year. The average rate of exchange for the USD was 1.4706 during the financial year under review (previous year: 1.3706).

IBS SINIC GmbH

IBS SINIC GmbH has been in the Computer Aided Quality (CAQ) market for approximately 20 years. The software developed by SINIC for quality management, gage management, project management, and concern and complaint management are primarily marketed to medium-sized customers from the metal processing, automotive, plastics, electrics, electrical engineering, chemicals and medical technology industries, as well as mechanical and plant engineering and tool making. SINIC is a niche supplier to calibration service providers and calibration laboratories. The SINIC product portfolio comprises the modular quality management system, the project management software APM (advanced project management) and the gage management software Calvin.

The business situation of IBS SINIC GmbH improved notably once again during the 2008 financial year. Turnover rose around 9 per cent from 1.03M EUR to 1.12M EUR. After an operating loss of 111K EUR in the previous year, the subsidiary charted earnings before taxes and interest (EBIT) of 52K EUR during the 2008 financial year. As in the case of IBS America, Inc., a change of personnel, namely the appointment of a new project leader for software development, had a positive effect here, too.

IBS AG Employees

IBS AG has set new standards with its production and quality management systems and is considered a leader in the optimisation of process and product quality. The personal involvement, outstanding competence and the well-developed sense of responsibility of the employees have made a significant contribution to the success of the Company. The support of 4,000 software installations demands a high level of expertise and social involvement of IBS AG employees. IBS AG continues to rely on sustaining and acquiring a qualified workforce in the pursuit of its growth strategy. In addition to a varied, stimulating employment, IBS AG also offers its employees performance-linked remuneration. Targeted personnel marketing ensures that the Company has a sufficient appropriate number of suitable employees.

The number of employees increased by approximately 7 per cent during the year under review. As at 31st December 2008 IBS AG employed 190 personnel worldwide (31.12.2007: 177). The Company's headquarters in Hoehr-Grenzhausen employs a total of 133 personnel (previous year: 121). The area of research and development has been strengthened with 4 new employees since the previous year, bringing the current total to 30.

Number of employees and percentage share by area as at 31.12.2008

	HG	in %	USA	in %	SINIC	in %	Others	in %	Total	in %
COS	58	44	11	27	3	23	2	67	74	39
S&M	19	14	14	34	5	38	0	0	38	20
R&D	30	23	11	27	4	31	0	0	45	24
G&A	26	20	5	12	1	8	1	33	33	17
Total*	133	100	41	100	13	100	3	100	190	100

*The number of employees is shown without temporary personnel and trainees.

COS = Cost of Sales / S&M = Sales & Marketing / R&D = Research & Development / G&A = General & Administration

Number of employees and percentage share by area as at 31.12.2007

	HG	in %	USA	in %	SINIC	in %	Others	in %	Total	in %
COS	56	46	11	29	4	27	2	67	73	41
S&M	18	15	13	34	5	33	0	0	36	20
R&D	26	21	9	24	4	27	0	0	39	22
G&A	21	17	5	13	2	13	1	33	29	16
Total*	121	100	38	100	15	100	3	100	177	100

*The number of employees is shown without temporary personnel and trainees.

COS = Cost of Sales / S&M = Sales & Marketing / R&D = Research & Development / G&A = General & Administration

Further Training and the Promotion of Young Talent

Within the scope of its personnel development strategy, IBS AG continually invests in the promotion and qualification of its employees. Further training is offered on a made-to-measure, individual basis. By way of example, IBS AG employees are given the opportunity to pursue further training in key technologies of software development, in collaboration with renowned providers such as Oracle, Microsoft or SAP.

IBS AG engaged 10 trainees at its Hoehr-Grenzhausen office during the 2008 financial year. The trainee quota of approximately 8 per cent (for Germany-based employees) doubled from that of the previous year, which was around 4 per cent.

Social Benefits

IBS AG supports its employees with a range of old age provision and health care options in accordance with the legal requirements and the agreed pay scales in the respective countries of employment. Germany-based employees are offered gross pay deferred compensation with payment into an employee pension scheme.

Substantial Changes

In the 2008 financial year there were no substantial changes from the previous year.

Supplementary Report

No transactions or events of significant importance occurred or had any significant effect on the company after the close of the business year.

Risks and Opportunities Report

Risk Management

IBS AG is exposed to a variety of corporate and market-specific risks. As a medium sized technology company, IBS AG cannot fully influence or control the market-specific risks in particular. In addition to Corporate Governance structures, the Company holds a comfortable amount of Shareholders' Equity and liquidity in order to ensure a relatively secure position on the market. Investments are only made if anticipated to increase the value of the Company. The corporate culture, which is oriented towards continuity and sustainability, fosters long-term commitment from the Company's employees, who are able to correctly assess the investment risks and opportunities.

The crux of IBS AG's Corporate Governance is the internal control of business processes with a sensible, impermeable division of functions. The internal organisation structure defines the business processes as well as employee job descriptions. These are stipulated in our certified quality management manual and are checked regularly for compliance. Given the size of the Company and the certified control mechanisms in operation, an internal audit department is not deemed necessary. The security concept behind our IT infrastructure is constantly being re-tuned and undergoes regular checks. This also applies to compliance with data protection regulations.

Information regarding future developments is exchanged at all levels in regular meetings, reports and minutes and is evaluated on executive and management level. This system ensures that the risk relevance of both internal and external information is examined at an early stage and that the results can be translated into action at group level.

Strategic, operative and functional controlling is performed in all business divisions. It is based on regular strategy checks and the preparation of growth concepts, business plans and balanced scorecards, as well as on road maps for projects and development. The corporate strategy involves a regular assessment of the validity of premises. The result is the systematic formulation of long and short-term objectives at division level or cost centre level.

- » Each of IBS AG's business units regularly reports on its business development in terms of turnover, performance, incoming orders and project status and presents not only a written but also a verbal report within the scope of a bi-weekly management meeting.
- » On a monthly basis, IBS AG prepares a closing financial statement for the individual companies and also a consolidated financial statement for the Group.
- » Each quarter, IBS AG prepares a consolidated quarterly report.
- » At the end of the year, the business plan is closed and written for the following year. Planning is based on the realised results, as well as on the changes to the market and environment.
- » Each Business Unit describes its business plan guidelines for the next period in terms of tangible targets, actions and key figures for the individual teams or the individual aspects influencing the business.
- » Each Business Unit defines its own suitable internal reporting and controlling system to check progress and the attainment of internal aims.

The achievement of objectives (target/actual comparison) is monitored at all management levels in the context of regular meetings, in which control measures are agreed upon and their effectiveness checked.

Risk Factors

Of the total risks identified within the scope of opportunity and risk management, the major risk areas and single risks are listed as follows:

Market Risks

The demand for the products and services offered by the Company is largely shaped by the demand for quality management. This demand is linked to the development of the macroeconomy. At the current time, risks of a fundamental nature threaten the macroeconomy. The US economy has been in recession since 2008 and the world economy has followed suit. It cannot be excluded that this recession will last for several years or that the recession will have a negative effect of the demand for the products and services of the Company.

In the Company's opinion, increasing quality requirements concerning the products and processes of the target customers due to legal parameters, market standards or customer requirements all lead to a higher demand for ERP software solutions. It cannot be excluded, however, that this market or parts of thereof could fail to develop in the way anticipated by the Company. There is a risk that the Company's software and consulting solutions for quality and production management and for compliance management will no longer fulfil requirements of the market and the needs of the companies (customers).

The demand for IBS AG products and services is dependent on a variety of factors that specifically relate to the Company's target customers. A large number of IBS AG customers are subject to the cycles of overall demand. A sustained slump in overall demand could also have a negative effect on the business development of IBS.

Competitive Risks

The Company views competition on the market for quality, production and compliance management systems to remained relatively unchanged in 2008. It cannot be excluded that new companies that have thus far not been active in this market may enter into competition with the Company. The majority of the Company's target market competitors are small companies, however it cannot be excluded that there will be no significant changes to the competitive environment as a result of competitor consolidation. The remains a risk that IBS AG will not have the resources to successfully deal with changes to the market or the emergence of a new competitor on the market.

The Company acknowledges the risk that competitors of the company may undertake improvements to existing products or services and announce or introduce new products based on new technologies or different customer requirements not fully anticipated by the Company. This could result in IBS AG's existing products and services becoming outdated and no longer marketable, which would have a substantially negative effect on the general contractual capability and financial and earnings situation of the Company in general. The expenditure on innovation, sales, cost-reduction and quality improvements effected in 2007 and planned for 2008 allow for changes in the market and competition.

The software companies active within our target markets are currently undergoing a concentration process in which smaller companies are being acquired by larger companies and capital investment vehicles in order to increase market opportunities, harness growth potentials or make purely financial gains. The Company cannot exclude the possibility of a hostile take-over, which may be to the disadvantage of the shareholders. Given the current shareholder structure, a hostile take-over can be virtually excluded, however, we closely monitor our shareholder structure at all times in order to identify any significant shifts.

Growth Risks

IBS AG's corporate strategy focuses on the further development of the quality, production and compliance management growth markets. The Company's overall ability to sustain its growth, win areas of the market and open up new markets depends in part on the development of the competition situation, the opportunities and costs of financing this growth and the ability of the Company to employ additional qualified personnel and gain new customers.

Although the budget planned by IBS AG is deemed appropriate in terms of growth costs and risks and the introduction of new instrumentation for the generation of growth, there exists a possibility that the systems, processes and controls will be inappropriate for the realisation of the growth or that the company management will not be able to urge the necessary quick integration of new business areas in order to succeed in opening up the desired market with its efforts.

In the medium and long-term, each of the Company's cost items are variable. In the short term, however, most of the cost items are fixed, leading to a high degree of operative leverage. There is a risk of a sudden drop in income if the growth of more than one business remains retarded or shrinks.

The Company counteracts such non-influencible individual risks with foresight tools and maximum cost structure flexibility. With respect to target market evaluation, both the management and the sales units make use of all available internal and external sources of information in order to identify imminent changes on the markets at the earliest possible moment and to be able to respond to them.

The multi-sector approach applied by IBS AG for many years has considerably reduced the Company's dependence on the individual target markets. For instance, the proportion of turnover attributable to business with manufacturers is less than 20 per cent. The Company has consequently strongly expanded its presence in growth markets, such as medical technology and alternative energy production. Consequently, should sales in one of our divisions decline, it is not expected to pose any risk to the existence of the Company as a whole. The increasing globality of IBS AG's presence has also reduced the Company's independence on each of the regional submarkets.

Product and Services Risks

Effective, high-quality product development forms the backbone of any technology company. The close cooperation and feedback between the sales departments, with their knowledge of customer requirements, and the research and development areas fosters market-driven products which are consequently also strong sellers. Consequently, this poses a challenge for IBS AG in achieving the optimal allocation of its R&D resources. The Company has clearly defined procedures and responsibilities in this field and implements planning tools to assist with the completion of development projects within the planned time and cost frame.

Customer satisfaction is often an early warning indicator of when it comes to the risk of declining sales and earnings. Consequently, our marketing and development activities focus on the determination of customer value. IBS AG regularly carries out customer satisfaction surveys in all business divisions and optimises its marketing mix, inter alia, on the basis of the respective results.

A standard requirement among our customers is that the quality of our products and procedures is checked and assured in accordance with an integrated quality management system. IBS AG has had DIN ISO 9001/2000 certification since 2001 and is audited regularly by external auditors. In addition, we also carry out a number of internal audits in the course of a year, to enable us to check and improve our procedures.

The build-up and care of a brand image is an integral part of a successful product policy. The name IBS Aktiengesellschaft excellence collaboration manufacturing is copyrighted in order to prevent unlawful use.

Intellectual Property and Licences

The Company is reliant on the protection of its intellectual property and its legal rights of use. It cannot be ruled out that it may not be possible to effectively defend all necessary rights for the Company to continue the sale and development of business area. Should this not be possible, it cannot be ruled out that this may have a substantially negative effect on the general business activity.

Protection of intellectual property is achieved with the conclusion of non-disclosure agreements with employees and third parties. The Company acknowledges the risk that the agreements concluded by the Company for the protection of its intellectual property could become inadequate. This could have a negative effect on the assets and the financial and earnings situation of the Company.

Partnerships and Co-operations

A number of co-operations and partnerships currently exist. IBS AG intends to enter into a variety of further partnerships in the future.

There is a risk that IBS AG might be unable to enter into planned partnerships, maintained in the long-term or expanded due to changed market conditions or a partner's changed corporate strategy. Furthermore, the entering into a future partnership may not lead to the desired positive effect on the result on the profit contribution.

Financial Risks

In the case of export-oriented companies, fluctuations in foreign exchange rates affect market performance and financial results. Approximately 25 per cent of IBS AG's sales volume is generated in the United States. Consequently, the EUR-USD exchange rate has a considerable influence on our corporate result. The Company safeguards against such exchange rate risks by way of a natural hedge, i.e. USD-denominated turnover are set against USD-denominated costs, reducing conversion risks (exchange rate fluctuations) which may occur in conversion of currency in the consolidation of the Company's subsidiaries on the consolidated balance sheet. Since the financial result generated in the USA is reinvested, IBS AG does not require the application of any financial instruments to safeguard against currency exchange risks.

Liquidity is ensured by strict receivables management. IBS AG's distinctly formulated and strictly administered receivables management system enables the Company to ensure the availability of the necessary liquid funds as well as the ability to plan in-situ investments. Due to IBS AG's diversified markets and customer structure, no cluster risks arise. Due to the fact that our customers are predominantly creditworthy, credit risks are low. Experience has shown that approximately 40 to 50 per cent of annual turnover is generated during the first half of the year and that 50 to 60 per cent is generated during the second half of the year.

Clarity of reporting and a stable balance sheet structure also contribute towards the limitation of financial risks. These two factors are supported by an early detection system in the form of a detailed monthly sales and financial planning for all divisions, as well as a comprehensive system of key figures with regular reporting. These measures facilitate the timely discussion of possible financial requirements with our credit grantors, who generally agree to provision of the required funds. The early detection is described in greater detail in the information on the internal reporting system.

Risks from Legal Disputes

In the course of advancements in jurisdiction on patenting laws in the USA and European Union, software is increasingly subjected to protection by patent. The resulting patenting legal procedure may also affect IBS AG. Furthermore, there is a potential risk of becoming involved in legal proceedings in the context of a sales dispute.

Personnel Risks

As a technological leader in its fields of operation, the Company is subject to considerable personnel risks. Its employees are valuable knowledge carriers for the Company and are therefore sought after by other software companies. IBS AG successfully avoids the enticement of its personnel by closely involving its employees in the company by way of profit-sharing, further training options and non-compete agreements. IBS AG regularly reassesses its personnel planning to ensure the availability of resources, either internally or with the engagement of on external partners. IBS AG's turnover of personnel is below average at both group level and at the company's headquarters.

Opportunities

The current business environment also offers IBS AG a range of opportunities that are listed here according to type.

Market Opportunities

Past experience has shown that companies invest more heavily in quality management systems during times of economic decline. The decline in overall market demand results in greater competitive intensity since the lower demand increases price pressure, leading to cost and segmentation pressure among manufacturing companies. IBS AG is able to offer its customers a so-called streamlining potential, i.e. a higher quality with lower overall costs. The need for companies to differentiate their products from those of their competitors is greater in times of a decline in demand.

Growth Opportunities

The Company believes growth opportunities to exist in existing business areas, as well as new ones. In the face of the current economic slump, the Company has the opportunity to expand its turnover in existing business areas. According to industry associations and market research institutes, companies will invest more heavily in software solutions in order to generate cost-savings. It is therefore possible that IBS AG customers may increase their volume of investment made in the Company's software solutions. Furthermore, the Company has the opportunity to gain new customers for its software solutions and also expand its customer basis to include sectors in which the Company is currently not active. The Company is currently assessing opportunities in the services sector.

Personnel Opportunities

The Companies currently sees personnel market opportunities. IBS AG should embrace the difficulties faced by other companies as an opportunity to gain qualified personnel.

Overall Assessment of Risk and Opportunities Potential

The Company generally assumes the current opportunities to outweigh the current risks. Potential risks are analysed and documented on a regular basis. From a present-day perspective, there are no indications or further risks that threaten or may threaten the existence of the Company. In contrast, the Company believes itself to be in a good position to be able to harness the current potentials and increase the overall company value for its shareholders.

Payments Report

This payments report describes the principles for determining the payments made to the IBS AG Board of Management and Board of Directors as well as the amount of income for each of the members of the Board of Directors and the Supervisory Board. In doing so, the payments report complies with the recommendations made by the German Corporate Governance Code.

Payments to the Board of Management during the 2008 Financial Year

Payments to the Board of Management are determined by the Supervisory Board. Payments to the Board of Management are based on the size of the company and the economic position of IBS AG.

The amounts and structures of payments to members of the Board of Management in other companies are also considered. Payments to the Board of Management comprise the following basic elements:

- » A fixed basic annual salary, paid in monthly instalments after statutory deductions
- » A variable annual bonus as a success-related component.

In the 2008 financial year, the variable payment component was linked to the achievement of a results target for the 2008 financial year, based on the corporate planning passed by the Board of Management and Supervisory Board. The annual bonus is paid after the close of the financial year and approval of the consolidated financial statements by the Supervisory Board.

In the 2008 financial year, the members of the Board of Management received the following remuneration (gross, with no statutory deductions):

Board of Management salaries	2008	2007
	K EUR	K EUR
Dr. Klaus Juergen Schroeder		
Fixed salary	180	180
Non-cash benefits car	15	10
Variable salary	60	96
Total	255	286
Volker Schwickert		
Fixed salary	142	120
Non-cash benefits car	18	15
Variable salary	40	64
Total	200	199
Board of management salaries total	455	485

The Company holds group financial loss liability insurance without excess for the members of the IBS AG Boards (the Board of Management and the Supervisory Board). This insurance covers the risk of personal liability for the eventuality that a member of one of the Boards is involved in a claim for financial loss whilst performing his or her duties. No stock options are held by the Board of Management or Supervisory Board

Remuneration of the Supervisory Board during the 2008 Financial Year

Remuneration of the supervisory board is based on a resolution of the General Meeting from 27.06.2008.

Furthermore, in addition to the reimbursement of expenses, members of the Supervisory Board also receive a annual fixed remuneration to the sum of 20,000 EUR. The Chairman of the Supervisory Board also received an additional payment to the sum of 10,000 EUR.

	2008	2007
	K EUR	K EUR
Supervisory Board remuneration	88	23

As long as the sum of remuneration and reimbursement of expenses is lower than turnover, these shall be remunerated by the Company.

Report of the Board of Management on the German Securities Acquisition and Takeover Act

Report of the Board of Management on the disclosures made in the 2008 Financial Year are included in the Position Report and Consolidated Financial Statement in Accordance with §§ 289 Section 4, 315 Section 4 of the German Commercial Code.

The following disclosures on the German Securities Acquisition and Takeover Act relates to §§ 289 Section 4, 315 Section 4 of the German Commercial Code.

1. Disclosures on the composition of the subscribed capital (§ 315 Section 4, No. 1 of the German Commercial Code)

The Company's subscribed capital at the end of the financial year 2008 amounted to 6,833,065 EUR. This is divided into 6,833,065 no-par, registered shares, payable to the bearer, each granting equal rights – in particular, equal voting rights.

2. Disclosures on the limitations relating to voting rights or the transfer of shares (§ 315 Section 4, No. 2 of the German Commercial Code)

The shareholders are generally not limited by German law or by the Company's Articles of Association in their decision to acquire or dispose of the Company's shares. The acquisition and disposal of shares does not require the agreement of the Company's Boards or other shareholders in order to be effective.

The voting right of the shareholders is generally not subject to any limitations imposed by the law or the Company's Articles of Association. The voting rights are not limited to a certain number of shares or a certain number of votes.

All shareholders who register for the Annual General Meeting in good time and have proved their eligibility to participate in the Annual General Meeting and to exercise their voting rights have the right to exercise the voting right for all shares held by and registered to them. Only the legal voting prohibitions apply.

3. Disclosures on direct or indirect holdings of capital interest (§ 315 Section 4, No. 3 of the German Commercial Code)

The Company's shares are 60.58 per cent free float, 39.42 per cent are held by Dr. Klaus Schroeder. To the best knowledge and belief of the Board of Management, this is the only shareholder who directly or indirectly holds at least or over 10 per cent of the nominal capital.

4. Disclosures on the holders of shares with special rights (§ 315 Section 4, No. 4 of the German Commercial Code)

No shareholder has been granted any special rights.

5. Disclosures in accordance with § 315 Section 4, No. 5 of the German Commercial Code

Only the shareholders themselves, including those employees who hold a stake in the Company's capital, may decide to exercise the voting and control rights to which they are entitled.

6. Disclosures in accordance with § 315 Section 4, No. 6 of the German Commercial Code

The appointment or dismissal of members of the Board of Management can only be exercised by the Supervisory Board and in accordance with the legal regulations and the IBS Articles of Association. The Board of Management comprises at least two members. For the rest, the Supervisory Board shall determine the number of members of the Board of Management.

The Supervisory Board may appoint a Chairman of the Board of Directors as well as a Vice Chairman. Proxy members of the Supervisory Board may be appointed. The term of appointment is for a maximum of five years. A further appointment or extension of term is possible, each with a maximum term of appointment of five years. The Supervisory Board may issue rules of procedure for the Board of Management. The Board of Management's schedule of responsibilities requires the agreement of the Supervisory.

The IBS AG Articles of Association can only be amended by resolution of the Annual General Meeting in accordance with §§ 133 and 179 of the German Companies Act.

Resolutions of the Annual General Meeting, unless otherwise prescribed by the Articles of Association or by compulsory provision of the law, are, to be passed with an ordinary majority of the votes, and insofar as the law prescribes a majority of votes as opposed to a majority of shares, with the ordinary majority of the represented nominal capital in the passing of a resolution by the majority of votes.

The authority to amend the Articles of Association, which only relate to that version, is transferred to the Supervisory Board in accordance with § 4 sections 5 and 8 and § 7 section 10 of the Articles of Association in accordance with § 179 section 1 sentence 2 of the German Companies Act.

7. Disclosures on the authority of the Board of Management, in particular in terms of the ability to issue or recall shares (§ 315 Section 4, No. 7 of the German Commercial Code)

7.1 Authorised Capital

According to a resolution of the Annual General Meeting from 25.05.2005, the Board of Management, with the approval of the Supervisory Board, is authorised to raise the nominal capital in accordance with § 4 section 3 of the Articles of Association, up to a total of 2,000,000.00 EUR by non-recurrent or recurrent issue of new, shares payable to the bearer against cash or fixed assets (authorised capital) in the period until 25.07.2010.

7.2 Contingent Capital

The nominal capital has been conditionally raised by up to 200,000 EUR. The contingent capital is divided into up to 200,000 shares. The increase in contingent capital shall only be effected if the holder of the stock options, issued by the Company as a result of the authorisation resolution of the Annual General Meeting from 29th May 2002, chooses to use this options right. The capital declared contingent capital by the Annual General Meeting of 29th May 2002 amounted to 104,150 EUR following the issue of preferential shares during the 2007 financial year. The new shares from the contingent capital shall be included in the profit from the beginning of the financial year in which it arises as a result of the exercise of the conversion rights.

7.3 Stock Options Programme

At the Shareholders' Annual General Meeting of 29th May 2002, the Board of Management was authorised to grant up to 200,000 stock options to the employees and managers of the Company. Based on the above resolution of the Shareholder's Annual General Meeting, the Board of Management decided to issue Stock Option Plan on 8th May 2003. 182,100 of the 200,000 possible stock options were issued.

As at 31st December 2008 the employees held a total number of 11,500 stock options.

The stock options are granted free of charge. When exercising the stock options, the exercise of each option must be paid for at an exercise price equal to the average closing share price of the Company's share in XETRA trading on the Frankfurt stock Exchange (or a successor organisation or successor system) over the last ten trading days prior to the end of the exercise period in which the option in question was granted and, in any event, equal to at least the closing share price on the last day of the exercise period („basic price“), plus a fixed supplement of 0 per cent, as a performance target under the German securities law („exercise price“).

The stock options cannot be exercised until a lock-up period of two years from the date of issue has lapsed. Once the lock-up period has lapsed, the options rights may be exercised in the five years that follow.

As at 31st December 2008 11,500 stock options were still in circulation. A total of 95,850 stock options were exercised during the 2007 financial year and 74,750 stock options expired on the closing date of 31st December 2008.

7.4 Acquisition of Treasury Stock

The Annual General Meeting of 27th June 2008 empowered the Board of Management the right to acquire treasury stock. The Company is empowered the right to acquire treasury stock of up a maximum of 10 per cent of the nominal capital existing as at the resolution of the Annual General Meeting, until 26th December 2009, in accordance with § 71 Section 1 No. 8 of the German Securities Acquisition and Takeover Act. This empowerment may be exercised in whole or in part, once or on several occasions. This empowerment was exercised twice during the 2008 financial year, within the scope of two share repurchase programs. A total of 32,808 were purchased during this period. Consequently, the Company held a total of 35,230 shares as at 31st December 2008.

8. Disclosure of the conditions of takeover (§ 315 Section 4, No. 8 of the German Commercial Code)

A so-called Change of Control does not constitute any term within the scope of an agreement made by the Company.

9. Disclosure on indemnity agreements (§ 315 Section 4, No. 9 of the German Commercial Code)

In the case of public offers for acquisition of the Company's shares, exclusively the legal regulations, including those of the German Securities Acquisition and Takeover Act apply. The Annual General Meeting is not authorised to prevent the Board of Management from conducting and negotiations falling under its responsibility in order to prevent the success of possible takeover bids.

Forecast Report 2009

Macroeconomic Development

Towards the end of the 2008 financial year it was already clear that a significant reduction in the economic output of the industrial countries was imminent. This fuelled a growing sense of insecurity on the international financial markets. So much so, in fact, that numerous renowned companies are abstaining from announcing forecasts for the 2009 financial year. According to a leading economic research institute, growth of the actual gross national product in the Euro zone would still reach around 1 per cent. At the beginning of 2009, a 1 per cent recession was still anticipated in the Euro zone for the 2009 financial year. A 1.2 per cent recession was forecast for Germany. In the course of the first quarter of 2009, however, the German Institute for Economic Research (DIW) adjusted its forecast regarding the decline of the actual gross national product (gross domestic product) from -1.4 per cent to -4.5 per cent for the same period, with the DIW now anticipating a 3 per cent slump in economic output in Germany for the whole 2009 financial year. Substantial economic stimulus packages are being implemented for their stabilising effects. Furthermore, a worldwide reduction in base rates and low raw materials prices are forcing positive stimuli. Worldwide inflation rates are declining. The economic stimulus packages are expected to have a delayed effect, however. The positive effects of the strengthening of the Dollar against the Euro are not likely to be seen before a three to four quarter delay. Sustained problems in the financial sector remain the cause of further worry. Concerns are escalating that deficits caused by the economic recovery packages could be too heavy a burden on the national budget. For Germany as an export nation, the weakness of the buying countries is a particular strain. In the face of declining exports, there is a tendency for companies to invest too little in equipment. There has been an economic recession in the USA since the start of 2008. Economic research institutes forecast an approximately 1 per cent decline in economic performance for the current year. Under the assumption that the stability of the global financial markets is restored within the course of 2009, the International Monetary Fund (IMF) forecasts an upturn in the global economy for 2010.

IT Sector

Despite the dramatic deterioration of the world markets, developments in the IT sector, on the other hand, have received a more positive assessment. The market research institute EITO estimates a global increase in turnover from IT technology (hardware, software, IT services) of 2.7 per cent. With a growth rate of 3.4 per cent, turnover from software and IT solutions is estimated considerably higher than that of hardware. Despite the economic crisis, market research institute Gartner assumes that global product and services spending in the communications and information industries will reach a record level of 2.7B EUR in 2009. According to Prof. Scheer, the President of the industry association BITKOM, IT spending will increase slightly in Germany, despite the economic turbulences. Software and IT services will account for the bulk of the demand. BITKOM foresees a 1.5 per cent increase in turnover. This growth forecast comprises a 3.1 per cent increase in turnover from software and IT services and a 2.4 per cent drop in hardware turnover. According to Prof. Scheer, the main focus in 2009 will be on technologies that lead to rapid cost reduction, with companies viewing IT systems as important crisis management tools. Particular IT trends for 2009 will be outsourcing, virtualisation, software as a service, cloud computing and green IT technologies.

Target Markets

Aberdeen Group, a leading IT market research institute has identified a significant increase in demand for quality management systems among manufacturing companies over the last two years. According to a corporate survey, the significance of product quality and customer satisfaction have shifted from seventh to first place in terms of priority.

Numerous (and to the regret of the companies in question), high-profile product recalls for various products such as toys and foodstuffs have highlighted the importance of compliance and traceability. According to Aberdeen Group, companies with modern quality management systems are able to reduce their percentage quality costs (in terms of turnover) from 34 per cent to approximately 12 per cent. With the optimal organisation of production processes, integrated information accessibility is a major issue. Companies are therefore seeing to introduce future-proof and economical IT systems and applications on a step-by-step basis. Concentration on just a few key suppliers and the largely process-related IT-technical integration of these suppliers can result in a considerable reduction of production and quality costs. The reduction of uneconomical complexities in products, processes and IT architectures leads to cost-optimised complexity management. The flexibilisation of the production process enables the rapid, low-cost and low-fuss modification of process and applications. Global production networks enable a location-independent standardisation and harmonisation of products, processes and IT architectures. In the current business environment it is absolutely vital for companies to secure and maximise their competitive edge. It is to be expected that not all companies will be able to stand the economic pressure currently dominating the world markets. It's therefore important for companies to use key resources in order to realise innovations right now. Agile competitors will use current market insecurities to swipe market shares from the weaker companies. Companies will be working very hard to eliminate weaknesses in their business models, to create transparency and carry out the necessary structural changes in order to be prepared for every eventuality.

Outlook 2009

For the development of the Group, the IBS AG Board of Management assumes the aforementioned positive premise for the IT sector and in particular for the areas of software and IT services, in which the Company operates. The strain on IBS AG's customers will not go unnoticed, however, and this is likely to result in increased pressure on margins and daily rates. There will be increased customer demand for standardisations and cost-optimised solutions. Project work will be increasingly carried out on a payment-on-return-of-benefit basis (success-based).

In the face of the aforementioned opportunities and risks and based on the macroeconomic premises, the Board of Management anticipates the Company's turnover and business result for the 2009 financial year to match the level of the previous year, with stronger inter-quarterly fluctuations. In particular, it is anticipated that 40 to 45 per cent of the annual turnover and business result for the 2009 financial year will be generated in the first half of the year and that turnover during the second half of the year will account for 55 to 60 per cent, accordingly. The leadership of the Company management is focussed on continuity and sustainability. With its key competences in „Lean Management“ and „Lean Manufacturing“, the Company will be able to assist its customers in reinforcing their business models. In its strategic approach, the Board of Management is continuing to pursue a steady growth strategy. The 2009 financial year will be marked by concentration on operative business. The Board of Management will be making sensible entrepreneurial decisions and in doing so the medium and long-term targets of the Company will prevail over the short-term considerations.

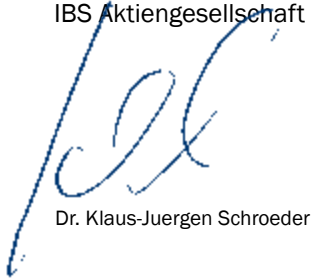
Assurance of the Legal Representatives

in accordance with § 297 Section 2 Sentence 4 of the German Commercial Code and 315 Section 1 Sentence 6 of the German Commercial Code


We hereby assure that, to the best of our knowledge and in accordance with the accounting principles applicable to the compilation of the Annual Report, the Consolidated Annual Accounts correctly portray the respective image of the actual circumstances relating to the assets, financial and income situation of the Group and that the consolidated position report depicts the business development, including the trading results and the Group situation, in such a way that the image portrayed reflects the actual circumstances, as well as describing the major opportunities and risks and the anticipated development of the Group.

Hoehr-Grenzhausen, 30th March 2009

IBS Aktiengesellschaft excellence, collaboration, manufacturing



Dr. Klaus-Juergen Schroeder



Volker Schwickert

IBS AG
EXCELLENCE
COLLABORATION
MANUFACTURING



Consolidated Financial Statement

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Consolidated Income Statement

	appendix	12-monthly report as at 31st December 2008 K EUR	12-monthly report as at 31st December 2007 K EUR
Sales revenue	19	21,879	20,372
Cost of sales		-9,055	-8,073
Gross profit		12,824	12,299
Other operating income	20	128	61
Selling expenses	21	-4,700	-4,317
Administrative expenses	22	-2,646	-2,467
Research und development expenses	23	-2,873	-2,493
Other operating expenses	24	-114	-298
		-10,205	-9,514
Operating Profit (EBIT)		2,619	2,785
Interest income	25	202	99
Interest expenses	26	-180	-261
		22	-162
Result before tax		2,641	2,623
Taxes on income and profits	27	-252	-723
Net profit		2,389	1,900
Therefrom to be allotted to the parent company		2,388	1,896
Therefrom to be allotted to the minority shareholder		1	4
Earnings per share			
undiluted		0.35	0.28
diluted		0.35	0.27

Consolidated Statements of Shareholders' Equity

	Parent Company						Minority interest K EUR	Consolidated equity capital Total K EUR
	Subscribed capital K EUR	Other group provisions K EUR	Reserve from currency conversion K EUR	Fairvalue provision K EUR	Own shares K EUR	Total K EUR		
As at 31.12.2006	6,787	4,396	-653	0	-7	10,523	-74	10,449
Foreign currency conversion	0	0	36	0	0	36	0	36
Fair-value valuation of securities	0	0	0	12	0	12	0	12
Net profit	0	1,896	0	0	0	1,896	4	1,900
Overall net income for period	0	1,896	36	12	0	1,944	4	1,948
Portion of loss minorities	0	-117	0	0	0	-117	117	0
Recategorisation of Shareholders' equity	0	53	-53	0	0	0	0	0
Capital increase	96	249	0	0	0	345	0	345
As at 31.12.2007	6,883	6,477	-670	12	-7	12,696	46	12,743
Foreign currency conversion	0	0	8	0	0	8	0	8
Fair-value valuation of securities (sale)	0	0	0	-12	0	-12	0	-12
Net profit	0	2,388	0	0	0	2,388	1	2,389
Overall net income for period	0	2,388	8	-12	0	2,384	1	2,385
Dividend 2007	0	-688	0	0	0	-688	0	-688
Own shares	0	0	0	0	-105	-105	0	-105
Correction of balance carried forward IBS Austria	0	2	0	0	0	2	0	2
As at 31.12.2008	6,883	8,179	-662	0	-112	14,289	47	14,337

Balance Sheet

Assets	Anhang	31st December 2008 in K EUR	31st December 2007 in K EUR
Long-term assets			
Intangible assets	1	3,827	2,951
Tangible assets	2		
Property and buildings		1,582	1,854
Other equipment, factory and office equipment		609	306
Deferred taxes	3	3,870	4,034
		9,888	9,145
Short-term assets			
Cash and cash equivalents	4	6,718	3,283
Other financial assets	5	0	1,518
Trade receivables	6	5,304	5,898
Other receivables and other assets	7	412	368
Inventories	8	349	285
		12,783	11,352
		22,671	20,497

Shareholders' equity and liabilities	Anhang	31st December 2008 in K EUR	31st December 2007 in K EUR
Shareholders' Equity			
Subscribed capital	9	6,883	6,883
Own shares	10	-112	-7
Capital reserve	11	7,519	5,819
Capital and provisions entitlement of shareholders and parent company		14,290	12,695
Minority share		47	46
		14,337	12,743
Long-term liabilities			
Accruals for pensions	12	493	475
Liabilities to credit institutes	13	2,054	1,170
Other liabilities		0	0
		2,547	1,645
Short-term liabilities			
Trade liabilities	14	1,023	1,091
Other liabilities	15	2,751	2,966
Liabilities to credit institutes	16	116	338
Tax liabilities	17	159	257
Accruals	18	1,738	1,458
		5,787	6,110
		22,671	20,497

Consolidated Statements of Cash Flow

	12-monthly report 01. January - 31. December 2008 in K EUR	12-monthly report 01. January - 31. December 2007 in K EUR
Cash flow from investment activities:		
Net profit/loss for the year	2,388	1,896
Adjustment for the carryover of the net profit for the period to operating cash flow:		
Depreciation and amortization	704	557
Profit/loss from the disposal of assets	-50	-1
Minority shares	-1	4
Deferred taxes	164	700
Accruals for pensions	18	20
Changes in operational assets and liabilities:		
Trade receivables	699	-1,169
Inventories	-64	-70
Prepaid expenses / deferred income and other assets	-41	10
Trade liabilities	-89	207
Advance payments received	78	0
Accruals	122	379
Tax liabilities	47	-2
Other liabilities	403	110
Cash flow from operating activities	4,378	2,641

	12-monthly report 01. January - 31. December 2008 in K EUR	12-monthly report 01. January - 31. December 2007 in K EUR
Cash flow from investment activities:		
Investments in intangible and tangible assets	-629	-303
Investments in capitalized software developments	-1,156	-1,581
Income from the sale of tangible assets	202	36
Acquisition of securities available for sales	-12	-1,499
Sale of marketable securities	0	0
Cash flow from financing activities	-1,595	-3,347
Cash flow from financing activities:		
Taking up of long-term loans	-1,025	0
Redemption of long-term loans	920	1,178
Redemption of long-term loans	0	-17
Repurchase of own shares	-105	0
Increase in capital	0	96
Agio from realisation of stock options rights	0	249
Dividend pay-out	-688	0
Cash flow from financing activities	-898	1,506
Increase in liquid funds and short-term investments	1,885	800
Liquid funds and short-term investments at the beginning of the fiscal year	4,801	2,566
Effect of foreign currency changes on payments	32	-83
Available for Sale	0	1,518
Liquid funds and short-term investments at the end of the fiscal year	6,718	4,801

Fixed-Asset Movement Schedule

	Acquisition and production costs				
	01.01.2008	Additions	Disposals	Currency conversion	31.12.2008
	K EUR	K EUR	K EUR	K EUR	K EUR
Intangible assets					
Goodwill	5,997	0	0	0	5,997
Software, licences and other intangible assets	1,152	99	-34	20	1,237
Self-created software	3,695	1,156	0	47	4,898
	10,844	1,255	-34	67	12,132
Tangible assets					
Property and buildings	2,380	67	-429	0	2,018
Other equipment, factory and office equipment	1,293	463	-137	19	1,638
	3,673	530	-566	19	3,656
	14,517	1,785	-600	86	15,788

	Acquisition and production costs				
	01.01.2007	Additions	Disposals	Currency conversion	31.12.2007
	K EUR	K EUR	K EUR	K EUR	K EUR
Intangible assets					
Goodwill	5,997	0	0	0	5,997
Software, licences and other intangible assets	1,859	186	-869	-24	1,152
Self-created software	5,253	1,581	-3,062	-77	3,695
	13,109	1,767	-3,931	-101	10,844
Tangible assets					
Property and buildings	2,336	44	0	0	2,380
Other equipment, factory and office equipment	2,690	193	-1,551	-39	1,293
	5,026	237	-1,551	-39	3,673
	18,135	2,004	-5,482	-140	14,517

Depreciation and amortization				
01.01.2008	Additions	Disposals	Currency conversion	31.12.2008
K EUR	K EUR	K EUR	K EUR	K EUR
5,591	0	0	0	5,591
889	121	0	12	1,022
1,413	249	0	29	1,691
7,893	370	0	41	8,304
526	188	-278	0	436
987	163	-135	14	1,029
1,513	351	-413	14	1,465
9,406	721	-413	55	9,769

Net carrying values	
31.12.2008	31.12.2007
K EUR	K EUR
406	406
215	263
3,207	2,282
3,828	2,951
1,582	1,854
609	306
2,191	2,160
6,019	5,111

Depreciation and amortization				
01.01.2007	Additions	Disposals	Currency conversion	31.12.2007
K EUR	K EUR	K EUR	K EUR	K EUR
5,591	0	0	0	5,591
1,581	87	-759	-20	889
4,299	224	-3,062	-48	1,413
11,471	311	-3,821	-68	7,893
467	59	0	0	526
2,314	187	-1,483	-31	987
2,781	249	-1,483	-31	1,513
14,252	557	-5,304	-99	9,406

Net carrying values	
31.12.2007	31.12.2006
K EUR	K EUR
406	406
263	278
2,282	954
2,951	1,638
1,854	1,869
306	376
2,160	2,245
5,111	3,883

Notes on the Consolidated Financial Statements as at 31st December 2008

The Company

IBS Aktiengesellschaft excellence, collaboration, manufacturing, Rathausstrasse 56, Hoehr-Grenzhausen, (hereinafter referred to as "IBS AG" or "the Company") is a company registered in Germany, under the commercial register no. 6069. in the commercial register held at the Montabaur district court and has its registered office in Hoehr-Grenzhausen. The company is listed in the Prime Standard of the Frankfurt Stock Exchange (SIN 622840) and is a member of the German Entrepreneurial Index (GEX®) of the Deutsche Boerse AG.

The purpose of the Company and its main activities concern software development and provision of related services for IT solutions focused on quality, production and compliance management.

General Principles

The Consolidated Financial Statements summarise the financial statements of IBS AG and its subsidiaries (hereinafter referred to as „the IBS Group“). This comprises consolidated financial statements compiled in accordance with § 315a of the German Commercial Code and according to IFRS. Application of the individual standards is indicated in the explanations of the individual items of the consolidated financial statements.

IBS AG has applied all of the compulsory IASB standards EU-applicable up to 31st December 2008 and the compulsory EU-applicable interpretations of the International Financial Interpretations Committee (IFRIC). In addition, the applicable commercial law regulations have been observed in accordance with § 315a of the German Commercial Code.

The following new or amended standards have not yet been applied:

Standard	Changes	Time of application „Financial years beginning on or after ...“	Scheduled acceptance by EU Commission	Anticipated effects
IFRS 1 „First-time Adoption of International Financial Reporting Standards“ and IAS 27 „Consolidated Financial Statements“ (*)	Acquisition costs of subsidiaries, joint ventures and associated companies	01.01.2009	Q1 2009	no effects
IFRS 2 „Share-based Payment“	Exercising conditions and premature termination of share-based payment plans	01.01.2009	end of 2008	no effects
IFRS 3 „Business Combinations“ (*)	Supercedes IFRS 3 (2004) Business Combinations Project Phase II	01.07.2009	Q1 2009	no effects
IFRS 8 „Operating Segments“	Supercedes IAS 14 „Segment Reporting“	01.01.2009	end of 2008	no effects
IAS 1 „Presentation of Financial Statements“ (*)	Supercedes previous IAS 1 „Presentation of Financial Statements“	01.01.2009	end of 2008	no effects

Standard	Changes	Time of application „Financial years beginning on or after ...“	Scheduled acceptance by EU Commission	Anticipated effects
IAS 23 „Borrowing Costs“ (*)	Supersedes previous 23 „Borrowing Costs“; annulment of a voting right for immediate cost settlement	Borrowing costs related to qualifying asset values activated on or after 01.01.2009	end of 2008	No activation of borrowing costs to date; from 1.1.2009 obligatory insofar as a qualifying asset is present
IAS 27 „Consolidated Financial Statements“ (*)	Supersedes IAS 27 (2003) – Business Combinations Project Phase II	01.07.2009	Q1 2009	no effects
IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” (*)	Classification of terminable capital contributions paid by partners as shareholders’ equity or borrowed capital	01.01.2009	Q1 2009	no effects
IAS 39 „Financial Instruments: Recognition and Measurement“	Qualifying secured underlying transactions	01.07.2009	open	no effects
„Improvements to IFRS“	Numerous modifications to the existing IFRS	IFRS 5 and IAS 27: 01.07.2009 Other IFRS: 01.01.2009	Q1 2009	
IFRIC 13 „Customer Loyalty Programmes“	-	01.07.2008	end of 2008	no effects
IFRIC 14 „IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction“	-	01.01.2008	end of 2008	no effects
IFRIC 15 „Agreements for the Construction of Real Estate“	-	01.01.2009	Q1 2009	no effects
IFRIC 16 „Hedges of a Net Investment in a Foreign Operation“	-	01.10.2008	Q1 2009	no effects

(*) Subsequent changes in various standards and interpretations

No standards or IFRIC Interpretations have been prematurely applied.

The consolidated financial statements are compiled based on the historical purchase costs principal. Unless otherwise stated, assets and debts are reported in the balance sheet based on historical purchase or production costs less the necessary depreciation.

The consolidated profit and loss account and the consolidated balance sheet have been compiled in accordance with the IAS 1 account classification rules with the income statement being prepared according to the cost-of-sales method. The consolidated financial statements are presented in Euro (EUR), since that is the currency underlying most of the Group’s transactions.

The information is shown in thousands of Euros (K EUR), rounded.

The estimates and assumptions arising from the compilation of the consolidated financial statements in accordance with IFRS affect the valuation of assets (goodwill; deferred tax assets) and debts (accruals; deferred tax liabilities), the declaration of contingent claims and liabilities on the respective reporting date and the sum of the income and expenses. Although these estimates and assumptions have been made to the best knowledge and belief of the Board of Management, the actual results may differ from these estimates.

Consolidation Principles

Consolidated Balance Sheet Date

The consolidated balance sheet date is the 31st December and is the same date as is applicable for the parent company and its subsidiaries.

Scope of Consolidation

The consolidated financial statements cover the financial statements of the Company and its controlled entities (subsidiaries) up to December 31st of each year. "Control" is presumed if the Company has the majority of a company's subscribed capital voting rights and/or has the power to govern the financial and operating policies of a company. The consolidation is terminated as soon as the control of the parent company is ceased.

The following companies are affiliated to the Company Group:

		Amount of share capital	
		Per cent	Euro
1.	IBS Aktiengesellschaft excellence, collaboration, manufacturing, Hoehr-Grenzhausen, Germany (parent company)		
2.	IBS America Inc., Lexington, USA (subsidiary)	100,00	42.965,00
3.	IBS America Inc., Lexington, USA (subsidiary)	100,00	52.300,00
4.	IBS engineering consulting software GmbH, Linz, Austria (subsidiary)	100,00	136.000,00
5.	UAB IBS Baltic GmbH, Kaunas, Lithuania (subsidiary)	81,41	109.185,46

The standard balance sheet date for the consolidated financial statements is 31st December 2008. This corresponds to the balance sheet date applicable for each company involved.

Capital Consolidation

In the case of corporate acquisitions, the assets and liabilities of the subsidiaries in question are carried at their fair market value at the time of acquisition (purchase method). The identifiable assets, liabilities and contingent liabilities within the scope of a corporate acquisition are assessed at deconsolidation at their fair market value at the time of acquisition, irrespective of the scope of the minority interest. If the acquisition costs for the corporate acquisition exceed the fair market value of the identifiable assets and liabilities acquired, the difference is carried as goodwill. If the acquisition cost of a corporate acquisition was less than the fair market value of the identifiable assets and liabilities acquired, that difference is included in the earnings of the period.

Minorities form the share of the operating result and net assets not ascribable to the Group. Minority shares are indicated separately in the Consolidated Profit and Loss Statement and on the Consolidated Balance Sheet. Disclosure on the Consolidated Balance Sheet is shown within the Shareholders' equity, separately from the Shareholders' equity allocated to the owner of the parent company.

The shareholdings of minority companies are carried at the per centage of the fair market value of the recognized assets and liabilities corresponding to the minority. Any losses applicable to the minority that exceed the minority interest in the equity are then charged directly to the parent corporation.

To the extent necessary, the annual financial statements of subsidiaries are adapted to the accounting and valuation methods applied in the Group.

Consolidation of Debts

Any substantial intra-group receivables, payables or interim results between group subsidiaries have been eliminated within the scope of consolidation.

Consolidation of Earnings

Internal sales between consolidated companies have been set off against incidental expenditure. Other earnings (including investment income) have been set off against incidental expenditure as per recipient of the goods or service.

Midway profits from inter-group goods and services have been eliminated.

Tax deferments from chronologically divergent values between the annual financial statement in accordance with IFRS and the tax accounts or consolidation procedures have been shown in the accounts as deferred taxes.

Currency Conversion

The annual financial statements of the foreign subsidiaries are converted in accordance with the functional currency principle and use of the modified reporting date method, in accordance with IAS 21. Since the foreign subsidiaries operated their businesses independently in terms of organisational, financial and economic aspects, the foreign currency is identical to the functional currency in each case. The reporting currency is the Euro (EUR), which is the functional currency of the parent company.

During consolidation, the assets and liabilities of the group's foreign operations are converted at the rate of exchange applicable on the balance sheet date. Income and expenditure items are converted at the average rates of exchange over that period. The resulting differences from resulting conversion adjustments recorded in the income statement are shown with the Shareholders' equity with no effect on the net profit. These conversion differences are recorded in the income statement at the time of discontinuation of the business.

Foreign currency transactions are converted into the functional currency at the rate of exchange applicable on the date of transaction. Income and expenditure items resulting from the fulfilment of such transactions and from the conversion of foreign currency-operated monetary assets and liabilities at the rate of exchange applicable on the balance sheet date are recorded in the income statement.

Euro (EUR) Conversion Principles

EUR zu USD	
Reporting date rate 31.12.2008	1.39170
Average rate of exchange	1.47060

EUR zu LTL	
Reporting date rate 31.12.2008	3.45280
Average rate of exchange	3.45280

Leasing

A lease is classified as a finance lease if the lease basically transfers all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. All the leases of the reporting entity were classified as operating leases. Lease payments are expensed in the income statement over the term of the operating lease on a straight-line basis.

Presentation or Grouping Changes

No presentation or grouping changes have been made in 2008.

Summary of the Basic Accounting and Valuation Methods and Applied Estimation Models

The balance sheet items are sub-grouped into short-term and long-term items, whereby it is expected that items identified as long-term are realised after a period of more than twelve months or within the normal “business cycle”. Deferred taxes are principally classified as long-term items.

Software and Other Intangible Assets

Software and other intangible assets are shown as amortised acquisition or production costs less accumulated scheduled depreciation and unscheduled depreciation.

The amortisation of software and licences is assessed in relation to the estimated service life of between 3 and 5 years. It is shown in the profit and loss account under the item „Production costs“ at 231K EUR, under the item „Selling costs“ at 45K EUR, under the item „Administrative costs“ at 34K EUR and under the item „Research and development costs “ at 29K EUR.

Self-Created Intangible Assets

Expenditure on research activities is recorded in the period in which it was incurred.

A self-created intangible asset that originates from the Group’s software development activities must not be capitalized unless the following requirements are met:

- » The created asset is identifiable (e.g., software and new processes);
- » It is likely that the created asset will bring economic benefits, in particular, in addition to the feasibility and intention to complete and introduce the software onto the market, sufficient technical and financial resources will also be available until the end of the development and introduction of the software onto the market;
- » The development costs of the asset can be reliably determined (in particular, evidence of hours worked).

Self-created intangible assets (usually software) are depreciated over their service life (3-5 years) on a straight-line basis. Outside capital costs are not capitalized but are recorded in the balance sheet as an expense in the period in which they were accrued.

Goodwill

IBS AG continually checks the further development of its shareholdings. Furthermore, the soundness of goodwill is checked periodically (at least once a year) within the scope of a so-called Impairment Test, in accordance with IAS 36.

Within the scope of the Impairment Test, the net asset values of the goodwill of each of the underlying units (so-called „Cash Generating Units (CGU)) are compared with their target amounts on each reporting date

Each of the IBS AG subsidiaries is defined as a value-generating unit (each with different types of software). The utility value of the subsidiaries is determined in accordance with the Discounted Cash Flow (DCF) procedure.

The future cash flows of each of the companies, which are to be discounted in accordance with the DCF procedure, are determined by IBS AG's planning for the 2009 financial year. A specific increase in turnover and costs is assumed for the years 2010 to 2013. Growth rates after this time are generally assumed at 1.0 per cent. A capital cost rate based on the so-called WACC was used to determine the cash value of the future cash flow. The following assumptions have been applied:

Parameter	Assumption
WACC (before taxes)	8.55 per cent- 8.68 per cent
Beta factor	1.2
Long-term growth rate	1 per cent
Risk-free rate of interest	4.25 per cent
Market risk premium	5.0 per cent

The Impairment Test carried out in 2008 (balance sheet date: 31.12.2008) showed no need for any impairment adjustment of the Company's goodwill reported in the balance sheets.

Fixed Assets

Fixed assets are accounted for at the amortised cost of purchase or production, less regular accumulated depreciation and accumulated irregular depreciation. Outside capital costs are not capitalized but are recorded as an expense in the period in which they were accrued.

The costs or valuation of assets, with the exception of property or facilities under construction are depreciated over the foreseeable useful life on a straight-line basis, as follows: buildings (2 per cent) and other facilities and production and office equipment (10-30 per cent) each related to the costs of acquisition and production. They are shown here in the profit and loss account under the item „Production costs“ at 161K EUR, under the item „Selling costs“ at 52K EUR, and under the item „Administrative costs“ at 60K EUR and the item „Research and development costs“ at 92K EUR.

Non-Impairment of Long-Term Assets

On each balance sheet date, the Group reviews the carrying amount of all its fixed and (depreciable) intangible assets to look for any indication that an asset or cash-generating unit may be impaired. If such indications are observed, the recoverable value of the asset is estimated in order to determine the extent of any cost of impairment. If the recoverable amount for the individual asset cannot be estimated, the recoverable amount of the asset's cash-generating unit is estimated. This also applies if there are any indications of impairment.

The recoverable value is the fair value less costs of sale or the value in use, whichever is higher. In measuring value in use, the discount rate should be the rate (before tax) that reflects current market valuations of the time value of money and the risks specific to the asset that are not taken into account in the cash-flows.

If the estimated recoverable value of an asset (or a cash-generating unit) is less than the carrying amount, then the carrying amount of the asset (or cash-generating unit) is reduced to the recoverable amount. The cost of impairments should be recorded in the income statement immediately, in the cost categories corresponding to the function of the impaired asset in the Company.

In the event of a subsequent reversal of an impairment, the carrying value of the asset (or cash-generating unit) is increased to the estimated recoverable amount.

The increase of the carrying amount is limited to the value that would have been determined beforehand, if no cost of impairment had been recorded for the asset (or cash-generating unit) in previous years. A reversal of the cost of impairment is recorded in the income statement immediately. No reversal of impairment is carried out for goodwill.

Government Grants

Government grants are included in the balance sheet providing a sufficient degree of certainty regarding issue of the grant and the Company's ability to fulfil the associated conditions. Expenditure-related grants are shown in the balance sheet as scheduled earnings and are shown over the period required to offset the respective costs they are intended to compensate. Asset grants are shown on the balance sheet as scheduled negative deferred items and are recognised in the earnings in equal instalments over the estimated useful life of the respective asset.

In the reporting year, the reporting entity received subsidies from the Federal Ministry of Education and Research and from the Federal Ministry of Economics and Technology to the sum of 468K EUR. These subsidies are accounted for by deducting the grant from the asset's carrying amount (IAS 20.24).

Income-Recognised Fair Value Financial Assets (Securities)

Securities are held as solely short-term investments (available for sale). They are therefore categorised as „Financial assets designated at fair value in the income statement“ (IAS 39.9). Valuation on the balance sheet date was carried out at the fair value (share price).

No securities were held on the balance sheet closing date.

Inventories

Inventories are valued lower than the cost of purchase/production at the net realisable value. Production costs comprise the individual material costs and, if applicable, the individual production costs and general production costs. Purchasing costs are valued in accordance with the weighted average method. The net realisable value reflects the estimated selling price less all estimated costs to the completion and the costs of marketing, sales and distribution.

Receivables

Trade receivables and other receivables do not carry any interest and are valued at the time of entry (category: loans and receivables). The valuation is carried out at the amortised acquisition costs less depreciation. Bad debt losses and pending losses from bad debts are shown with the appropriate value adjustments. Foreign currency receivables are converted at the rate applicable on the balance sheet date.

Cash and Cash Equivalents

The Company regards all highly liquid financial investments with a contractual term of up to 3 months as cash equivalents. This mainly refers to short-term payable bank balances.

Provisions

Provisions are set aside for legal and actual obligations accrued on the balance sheet date or are economically induced if it is likely that the fulfilment of a liability will lead to an outflow of funds or an outflow of other company resources and inaccuracies in estimation lead to uncertainty regarding the maturity and size. Commercial evaluation is used to estimate the provision amount required to cover the particular liability.

Pension provisions are determined using the actuarial cash value expectancy procedure with range regulation in accordance with IAS 19. In addition to biometric calculation principles, this procedure takes into particular consideration the current long-term capital market rate and the correct assumptions on future wage and pension increases in each case.

Actuarial profits and losses are shown on the balance sheet if the balance of the accumulated actuarial profits and losses not shown on the balance sheet at the end of the previous reporting period exceeds the defined benefit obligation maximum or the attributable fair value of the plan assets – which ever is the greater of the two amounts - by 10 per cent. This examination is carried out separately for each individual plan. The actuarial profit and loss amount to be recognised as income is realised over the anticipated average remaining working lifetime of the employee shown in the plan. The subsequent offset of service costs is distributed over the average period on a straight line basis up to the start of the non-forfeiture of the underlying entitlements. Insofar as underlying entitlements become non-forfeitable after the introduction or modification of a pension plan, the subsequent offset of service costs is recorded as income on the balance sheet.

The amount of the defined benefit obligation plan maximum shown as an asset or debt comprises the cash value of the defined benefit obligation maximum (with application of a discounting rate based on first-rank, fixed income company bond), less the subsequent offset of service costs not yet shown on the balance sheet and less the attributable fair value of the immediate fulfilment of liabilities relating to the existing plan assets. Plan assets are assets held by long-term structured funds for the fulfilment of services towards employees, as well as insurance policies relating to this purpose.

Plan assets are protected and cannot be accessed by the Group's creditors and cannot be paid directly to the Group. The attributable fair value, based on information on the market price in the case of listed securities, corresponds to the disclosed buying price. The value of a plan asset shown on the balance sheet is limited to the sum of the subsequent offset of service costs not yet shown on the balance sheet and the cash value of any possible economic benefit in the form of refunds from the plan or in the form reduced future contributions to the plan.

Provisions for warranty liabilities are recorded at the time of sale of the product in question. The amount is determined by the estimated expenditure necessary to satisfy the Group's obligations.

Liabilities

Liabilities are valued at their fair value at the time of accrual. Foreign currency liabilities are calculated at the rate of exchange on the reporting date.

Financial Assets

Financial assets in the sense of IAS 39 are classified on the balance sheet as financial assets calculated at the fair value amount, as credits and receivables, as financial investments held until final maturity, as available-for-sale investments or as derivatives designated a hedging instrument and effective as such. The Group determines the classification of its financial assets on first use. On first-time inclusion on the balance sheet, financial assets are valued at fair value. Subsequent valuations of financial assets depend on the classification.

The item available-for-sale investments comprises non-derivative financial assets classified as available for sale and as such are not classified in one of the three above-mentioned categories in IAS 39. Following first-time valuation, available-for-sale investments held are valued at fair value. Non-realised profits or losses are shown on the balance sheet, directly in Shareholders' Equity. If this type of asset is removed from the balance sheet, the previous accumulated profit or loss is shown on the balance sheet, directly in Shareholders' Equity. If this type of asset is depreciated, the previous accumulated loss is shown on the balance sheet, directly in Shareholders' Equity.

Financial liabilities in the sense of IAS 39 are classified as financial liabilities valued at fair value for inclusion on the balance sheet, as a loan or derivative designated a hedging instrument and effective as such. The Group determines the classification of its financial liabilities on first use. On first-time inclusion on the balance sheet, financial liabilities are valued at fair value and in the case of loans, plus any additional direct transaction costs. Subsequent valuations of financial liabilities depend on the classification.

On each balance closing date, the Group determines the existence of any objective evidence of depreciation of a financial asset or group of financial assets. A financial asset or group of financial assets only qualifies as depreciated if objective evidence of depreciation exists, following one or multiple events that occurred after first use of the financial asset (occurred „loss or damage“), and this loss or damage has an effect on the anticipated future cash flow of the financial asset or group of financial assets for which a reliable estimation can be made. Evidence of depreciation may be constituted by any indication that the debtor or group of debtors is experiencing considerable financial difficulties, in the case of non-payment or default of interest or redemption payments, the likelihood of insolvency or other financial reconstruction proceedings and where noticeable facts indicate a measurable reduction in anticipated cash flow, such as changes to the volume of orders on hand or other business conditions correlating to non-payment.

Turnover

Sales revenue is shown on the balance sheet if it is likely to be of economic benefit to the Group and the volume of the revenue can be reliably determined. Income is assessed at the attributable fair value of the return for services rendered.

IBS AG achieves most of its turnover from consulting projects and software sales. Further turnover is earned from training courses and software maintenance agreements.

Turnover from service agreements is realised in accordance with the IAS 18 regulations and sales revenue from contracts for work and labour is booked in accordance with IAS 11 on the basis of the respective performance and project progress, the so-called „per centage of completion method“ (p.o.c. method). Project progress is calculated as the relationship between the hours of consulting already performed and the total number of consulting hours. Imminent losses are listed as costs in the period in which they were detected.

Turnover from maintenance is realised periodically for the contractual period of performance.

Turnover from consulting and service maintenance agreements is calculated in accordance with the services rendered.

Where agreements contain multiple elements „Multiple Element Arrangement, each service is identified and assessed in accordance with IAS 18 and is reported in the balance sheet in accordance with the relevant IFRS regulations. Where the sale is largely dependent on the implementation of the software on the customer's premises, this turnover is realised in accordance with the p.o.c. method according to the performance progress of the implementation.

Disclosure of turnover is carried out less price reductions, customer bonuses and discounts.

Income Taxes

Income tax expenditure equals total current tax expenditure plus deferred taxes.

Current tax expenditure is determined on the basis of taxable income for the year. Taxable income differs from net profit for the year on the income statement in that it excludes expenses and income that will not become tax-deductible until later years or never at all. The Group's current tax liabilities are calculated on the basis of the tax rates that are applicable or that have been announced to take effect by the balance sheet date.

Deferred taxes are tax burdens and benefits expected to arise from the differences between the book values of the assets and liabilities in the annual financial statements and the valuation used in calculating taxable income. In this respect, the balance sheet liability method is used.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Such assets and liabilities are not recorded if the temporary difference relates to goodwill or the initial recognition (except for corporate mergers of other assets and liabilities) resulting from events that do not affect taxable profit or the annual financial statements.

The taxes carried forward include deferred tax assets.

Deferred tax liabilities are recognised for taxable temporary differences between IFRS and tax accounting. This mainly refers to the capitalisation of development costs and accounting of receivables in accordance with the p.o.c. method.

The carrying amount of the deferred taxes is determined on the basis of the applicable tax rate on the balance sheet date, at the time of settlement of the debt or at the time of realisation of the asset. Deferred taxes are generally recorded on the income statement, except for positions that are recorded directly in equity.

Leasing Relationships

Whether or not an agreement incorporates a leasing relationship is a factor determined on the basis of the substance of the agreement at the time of conclusion and requires an assessment of whether the fulfilment of the contractual agreement depends on the use of a particular asset or assets and whether the agreement grants the right to use the asset. Leasing payments for operating leasing relationships are shown as expenditure in the profit and loss statement on a straight-line basis over the term of the leasing relationship.

Detailed Notes on the Accounts

Long-term Assets

1 Intangible Assets

Goodwill

The term “acquired goodwill” applies exclusively to IBS America Inc. Write-offs were not necessary in the reporting year.

We refer to the assets overview for the development of goodwill.

Self-Created Software

The Company is currently investing in 3 major development projects.

Joint Traceability Project „LAENDmarKS“

The LAENDmarKS project involves the rapid traceability and localisation of safety-relevant automobile components along the entire supply chain, with the incorporation of RFID technologies.

LifeCycleQM

The LifeCycleQM project is aimed at the conception of a target and life-cycle-oriented quality strategy for the development of software components. The project, which is based on a co-operation with Polarion AG and collaboration with the Fraunhofer Institute for Experimental Software Development (IESE), is aimed at the development of fault current models that are easy to implement in small and medium-sized companies.

Service-oriented Architectures

This project involves the further-development of the Company’s product portfolio. Concepts such as Service-oriented Architectures (SOAs), Software Factories and Product Family Engineering play a major role. The project is aimed at creating reusable software that can be installed on a shared basis and adapted to business processes.

Self-created software is capitalised and the relevant documentation (evidence of hours worked) and project definitions (documentation requirement) exist. In the 2008 financial year a total of 22,318 working hours were documented. The country-specific hourly rate of pay ranged from approximately 27 EUR per hour to approximately 41 EUR per hour.

The valuation is carried out with the traceable production costs.

External labour costs to the sum of 418K EUR were invested in the creation of own software.

We refer to the assets overview for the development of intangible assets.

2 Tangible assets

Low-value capital goods with an individual acquisition value of 150 EUR to 1,000 EUR were shown as summary items in the asset column of the balance sheet during the year of addition and are written off over a 5 year period.

We refer to the tangible assets overview for the development of tangible assets, which can be found in Appendix 1.

3 Deferred Taxes

The deferred tax assets as at 31st December comprised as follows:

	Deferred tax assets	
	2008	2007
	K EUR	K EUR
Tax loss carried forward	4,822	4,770
Provisions	56	52
Set-off against deferred tax losses	-1,008	-788
	3,870	4,034

The deferred tax assets and liabilities for balance sheet items as at 31st December are shown below:

	Deferred tax assets		Deferred tax losses	
	2008	2007	2008	2007
	K EUR	K EUR	K EUR	K EUR
Self-created software	0	0	838	543
Current assets	0	0	170	245
Provisions	56	52	0	0
Tax losses carried forward	4,822	4,770	0	0
Set-off against deferred tax losses	-1,008	-788	-1,008	-788
	3,870	4,034	0	0

The tax loss carried forward from the previous year mainly concerns the parent company and IBS America.

Valuation of the loss carried forward from the previous year is dependent on future developments and changes. It is based on the Company's 5-year tax results plan. In consideration of the minimum taxation of 40 per cent on corporate income of over 1,000K EUR per annum, the Company calculated its tax loss carried forward at 14,611K EUR. According to preliminary calculations, IBS AG's actual tax loss carried forward from the previous year as at 31st December 2008 was 24,821K EUR. The applicable rate of tax is 28.43 per cent for taxable domestic income.

IBS America Inc.'s losses carried forward were valued at 663K EUR. The Company has valued this loss carried forward on the basis of 1,657K EUR. In this case, a 5-year valuation plan was also used as a basis. IBS America Inc.'s actual tax loss carried forward was 2,001K EUR. The applicable rate of tax is 40 per cent.

Short-Term Assets

The Group's financial assets primarily comprise bank balances, cash holdings, trade receivables and other receivables, which constitute the Group's maximum risk of non-payment with respect to financial assets.

The risk of non-payment to the Group mainly relates to trade receivables. The amounts recorded in the balance sheet are stated without value adjustments for foreseeable uncollectible liabilities, which are assessed by the Group's management, based on past experience and the current economic environment.

The risk of non-payment is limited in the case of liquid funds, since they are deposited at banks certified as highly creditworthy by the international rating agencies.

There is no substantial concentration of the risks of non-payment for the group, since they are spread out over a large number of contracting parties and customers.

4 Cash and Cash Equivalents

The item comprises bank balances and cash holdings and refers to cash, bank balances and fixed deposits.

Credit balances at credit institutes yield variable rates of interest for callable credit balance. Short-term investments are made for various terms of between one day and three months, depending on the respective cash requirements of the Group. Short-term investments each yield the applicable interest rate for short-term investments.

As at 31st December 2008 the Group had an undrawn borrowing limit to the sum of 3,000K EUR (previous year: 3,000K EUR), for which all redemption conditions had already been fulfilled.

5 Other Financial Assets

In the previous year, this item included financial assets available for sale that were valued at their market value. The carrying amount corresponded to the „fair value“ and amounted to 1,518K EUR.

The profits to the sum of 19K EUR contained in this carrying amount have been directly set off against the Shareholders' Equity in accordance with IAS 39.55b, with the inclusion of deferred taxes to the sum of 7K EUR and included in the profit and loss statement after disposal in the 2008 financial year.

6 Trade Receivables

Value adjustments were carried out to a sufficient degree.

The carrying amount of trade receivables and other receivables is approximately equal to the fair market value.

» Age structure of receivables, value adjustment overview

	31.12.2007	Additions	Use	31.12.2008
	K EUR	K EUR	K EUR	K EUR
Due period structure				
Receivables due:				
< 3 months	4,032			4,035
4-6 months	847			766
7-12 months	374			223
> 12 months	156			441
	5,409			5,465
Value adjustments	-157	-75	11	-221
Receivables POC	646			60
	5,898			5,304
Regions				
Receivables inland	5,358			4,439
Receivables foreign	697			1,086
Value adjustments	-157	-25	21	-221
	5,898			5,304

» **Age structure of receivables, value adjustment overview - Previous year**

	31.12.2006	Additions	Use	31.12.2007
	K EUR	K EUR	K EUR	K EUR
Due period structure				
Receivables due:				
< 3 months	3,570			4,032
4-6 months	405			847
7-12 months	332			374
> 12 months	52			156
	4,359			5,409
Value adjustments	-115	-83	41	-157
Receivables POC	562			646
	4,806			5,898
Regions				
Receivables inland	4,292			5,358
Receivables foreign	629			697
Value adjustments	-115	-83	41	-157
	4,806			5,898

Receivables from the Per centage-of-completion Method

Production orders are recorded in the balance sheet in accordance with Per centage-of-completion method (p.o.c.).

The following table provides an overview of the effects of the application of this method on the accounts and the recognised operating profits:

	31.12.2008	31.12.2007
	K EUR	K EUR
Turnover POC	1,016	1,695
Accumulated costs of p.o.c. orders	838	921
Profit p.o.c.	178	774
Received deposits	22	1,049
Receivables p.o.c.	60	646

The per centage (degree) of completion is determined on the basis of man days performed in relation to planned man days.

7 Other Receivables

The other receivables are broken down as follows:

	31.12.2008	31.12.2007
	K EUR	K EUR
Loans to the Board of Management	154	133
Tax claims	106	115
Advance payments	76	0
Security deposits and disbursements	19	39
Development subsidies	0	63
Others	57	19
	412	369

8 Resources

	31.12.2008	31.12.2007
	K EUR	K EUR
Goods	30	9
Work in process	319	276
	349	285

Shareholders' Equity

9 Subscribed Capital

	Quantity	2008	2007
		K EUR	K EUR
Ordinary shares as at 01.01.2008	6,883,065	6,883	6,787
Increase in capital from contingent capital		0	96
As at 31.12.2008	6,883,065	6,883	6,883

The subscribed capital is made up of 6,883,065 registered shares. The shares have a nominal value of 1 EUR per share.

During the previous year, a 200,000.00 EUR capital increase of 95,850 no par value shares was effected from contingent capital in the period from 06th June until 11th June. The increase in share capital during the 2007 financial year was entered in the commercial register on 31st January 2008. The district court initially refused the merely declaratory entry of the increased nominal capital by use of the contingent capital in the commercial register, since a provision of the articles in the commercial register relating to the contingent capital was annulled. The commercial register entry was therefore incorrect. The entry pertaining to the contingent capital was corrected during the 2008 financial year and is thus now correctly shown in the commercial register.

The registered no par value shares are listed in the Prime Standard.

10 Own Shares

	K EUR	Qty	Per centage of nominal capital	
			K EUR	per cent
At at 01.01.2008	7	2,422	2	0.036
Additional purchase	104	32,808	33	0.477
As at 31.12.2008	111	35,230	35	0.512

The Annual General Meeting held on 27.06.2008 granted the Company the power to acquire treasury stock of up to 10 per cent of the Company's nominal capital. The empowerment shall remain valid until 26th December 2009 and may be applied in whole or part and in a single or multiple transactions.

The Company acquired a total of 32,808 treasury shares during the financial year under review.

The stock of treasury shares was valued at an average market price of 3.17 EUR per share as at 31.12.2008.

11 Provisions

The additions item fair value provision to the sum of 12K EUR during the 2007 financial year corresponded to the „fair value“ assessment, less deferred taxes on securities intended for disposal.

Following disposal of the securities, the provision is shown as income on the 2008 profit and loss statement.

An operating result adjustment of 2K EUR was carried out for IBS engineering consulting software GmbH in Linz, Austria following the close of the 2007 financial year.

We refer to the Development of Consolidated Shareholders' Equity.

Employee Benefit Program

At the Shareholders' Annual General Meeting of 29th May 2002, the Board of Management, with approval of the Supervisory Board, was authorised to grant stock options in one or more instalments by 31st March 2007, for up to 200,000 shares of common stock, to the employees and managers of the Company and of enterprises in which the Company owns a majority interest („associated companies“). A holding period of two years was determined. A cash settlement for employees was ruled out. On termination of employment, Company employees forfeit their options rights. Based on the above decision, on 28th May 2003, the Board of Management decided to issue Stock Option Plan III.

The stock options are granted free of charge. When exercising the stock options, the exercise of each option must be paid for at an exercise price equal to the average closing share price of the Company's share in XETRA trading on the Frankfurt stock Exchange (or a successor organisation or successor system) over the last ten trading days prior to the end of the exercise period in which the option in question was granted and, in any event, equal to at least the closing share price on the last day of the exercise period („basic price“), plus a fixed supplement of 20 per cent, as a performance target under the German securities law („exercise price“). The option exercise window therefore lasted from 29th May 2003 (first trading day after the resolution was adopted) until 11th June 2003.

The stock options programme is limited until 31st March 2015.

The following table shows the number of outstanding options as at 31st December 2008:

	2008 No. of options	2007 No. of options	Average exer- cise price EUR
In circulation as at 01.01.	15,400	111,250	
Granted	0	0	
Exercised	0	95,850	3.60
Expired	3,900	0	
In circulation as at 31.12.	11,500	15,400	3.60
Exercisable at end of year	0	0	0.00

Authorised Capital

By decision of the Shareholders' Annual General Meeting of 25th May 2005, the Board of Management is authorised to increase the nominal capital by up to 2,000,000.00 EUR through one or multiple issues of new shares against contributions in cash or kind, up to 26th July 2010.

Contingent Capital

By decision of the Shareholders' Annual General Meeting of 29th May 2002, contingent capital was raised by the sum of 200,000.00 EUR to guarantee stock options rights to employees and managers of the Company and to employees of associated companies (Stock Option Plan III). A total of 182,100 stock options were issued.

Up to and including 2008, a total of 74,750 stock options corresponding to a total par value of 74,750 EUR expired within the scope of Stock Option Plan III.

Earnings per Share

The undiluted earnings per share were calculated on the basis of the earnings assignable to the holders of the parent company's ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year under review.

The diluted earnings per share were calculated on the basis of the earnings assignable to holders of the parent company's ordinary shares (after deduction of taxes applicable to convertible priority shares), divided by the weighted average number of ordinary shares outstanding during the financial year under review, plus the weighted average number of ordinary shares that would result from the conversion of all potential ordinary shares with dilution effect into ordinary shares.

The following table shows the undiluted and diluted earnings per share, based on the aforementioned calculations:

Earnings per share:	Group profit	
	2008	2007
Group profit by minority in K EUR	2,388	1,896
Lowest common denominator per share (undiluted)	6,868	6,883
EPS undiluted in EUR	0,35	0,28
Effect of diluted elements (Stock options)	12	15
Lowest common denominator per share (diluted)	6,857	6,898
EPS diluted in EUR	0.35	0.27

Long-term Liabilities

12 Pension Provisions

Pension commitments involve a fixed commitment to Dr. Schroeder. The life insurances pledged to the beneficiary as plan assets have been balanced against the liability (IAS 19, 116). Thus the liability has developed as follows:

	2008	2007
	K EUR	K EUR
As at 01.01.	892	831
Additions		
Ongoing service cost	20	21
Interest expenditure	45	40
Setting of reinsurance value	-464	-417
As at 31.12.	493	475
Not recognised in the income statement Actuarial profits/losses	-95	-69
Cash value of max. defined benefit obligation	859	823

As is common in Germany, two life insurance policies were used to reinsure the pension obligations, whose expected return on the capitalized assets corresponds to the minimum interest rate designated by the insurance company. The asset value of the reinsurance policies changed as follows during the reporting year:

	2008	2007
	K EUR	K EUR
As at 01.01.	417	375
Expected return	18	16
Employer's contribution	41	41
Actuarial profits/losses	-12	-15
As at 31.12.	464	417

The current period and past period contributions are as follows.

	2008	2007	2006	2005
	K EUR	K EUR	K EUR	K EUR
Cash value of max. defined benefit obligation	859	823	886	826
Plan assets	-464	-417	-375	-336
Short cover / Surplus cover	395	406	511	490
Empirical adjustment	-14	-14	-13	0

The valuation underlies the following parameter in accordance with IAS 19:

Basis for actuarial calculation at the start of the year	2008	2007
Interest rate used to value pension obligation	5.7 per cent	5.50 per cent
Expected returns on external plan assets	4.4 per cent	4.4 per cent
Wage increases	n.n.	n.n.
Increase in annuities	2.0 per cent	2.0 per cent
Actuarial tables of Prof. Dr. Klaus Heubeck	RT 2005 G	RT 2005 G

13 Liabilities to Credit Institutions

The entry refers to the share of liabilities with a residual term of over one year. Details of the residual terms and the provision of securities are shown in the liabilities.

Short-term Liabilities

14 Trade Liabilities

The entry to the sum of 1,023K EUR (previous year: 1,091K EUR) applies exclusively to liabilities with a residual term of less than one year.

15 Other Liabilities

The other liabilities are broken down as follows:

	2008	2007
	K EUR	K EUR
Pre-paid income	1,786	1,593
Income and turnover tax	702	380
Social insurance contributions	6	4
Loan Dr. Schroeder	0	726
Others	257	263
	2,751	2,966

The item other liabilities is to be fulfilled within one year.

16 Liabilities to Credit Institutions

The entry relates to the principal repaid of a loan, which is due within one year.

We refer to the liabilities overview with regard to the provision of securities.

17 Tax Liabilities

Liabilities from trade tax, corporation tax and solidarity contributions for the individual companies are shown in the following table:

	2008	2007
	K EUR	K EUR
IBS AG excellence, collaboration, manufacturing, Hoehr-Grenzhausen, Germany	147	92
IBS SINIC GmbH, Neu-Anspach, Germany	0	164
IBS Baltic, Lithuania	3	0
IBS America Inc., Lexington, USA	9	1
	159	257

The tax liabilities are to be fulfilled within one year.

The values shown relate to taxes for the 2007 and 2008 financial years.

Liabilities overview 2008

	Residual term up to one year	Residual term between one and five years	Residual term more than five years	Total amount	Amount secured by liens or similar rights
	K EUR	K EUR	K EUR	K EUR	K EUR
1. Liabilities to credit institutes	116	463	1,591	2,170	2,170
2. Liabilities from trade payables	1,023	0	0	1,023	0
3. Tax liabilities	159	0	0	159	
4. Other liabilities -from taxes: 806K EUR -of which within the scope of social security: 6K EUR	2,751	0	0	2,751	0
	4,049	463	1,591	6,103	2,170

Liabilities to credit institutions are secured to the full amount against property charges entered in the land register and the assignment of receivables.

Liabilities overview of previous year 2007

	Residual term up to one year	Residual term between one and five years	Residual term more than five years	Total amount	Amount secured by liens or similar rights
	K EUR	K EUR	K EUR	K EUR	K EUR
1. Liabilities to credit institutes	338	468	702	1,508	335
2. Liabilities from trade payables	1,091	0	0	1,091	0
3. Tax liabilities	257	0	0	257	0
4. Other liabilities -from taxes: 382K EUR -of which within the scope of social security: 9K EUR	2,966	0	0	2,966	0
	4,652	468	702	5,822	335

18 Provisions

	As at 01.01.2008	Amount drawn upon	Cancell- ation	Additions	As at 31.12.2008
	K EUR	K EUR	K EUR	K EUR	K EUR
Profit-sharing	665	655	10	688	688
Personnel liabilities	395	164	11	197	417
Rework, guarantees	126	9	0	6	123
Annual audit costs	102	93	1	150	158
Outstanding invoices	106	81	25	106	106
Others	64	43	0	225	246
	1,458	1,045	47	1,372	1,738

The writing back of personnel provisions leads to a 21K EUR reduction in personnel costs.

The payment of a dividend for the 2007 financial year was effected from the fiscal deposit account and is therefore not subject to capital gains tax. Other provisions to the sum of 215K EUR were made for the correction of a retention made the Company during payout.

All provisions are to be effected short-term, within a period of less than one year.

19 Sales Revenue

	2008	2007
	K EUR	K EUR
Licence revenue	4,931	5,313
Services revenue	8,924	7,900
Software maintenance/support/hotline revenue	6,629	6,135
Trade revenue	1,395	1,024
	21,879	20,372

In the period under review, turnover from orders amounted to 1,016K EUR. Turnover from orders was calculated according to the per centage of completion (p.o.c.) method. These projects are to be ascribed costs to the sum of 838K EUR. The resulting profit for the year under review amounted to 178K EUR.

20 Other Operating Income

	2008	2007
	K EUR	K EUR
Profit from sale of assets	50	1
Income from release of provisions	26	12
Earnings from exchange rate fluctuations	21	0
Earnings from loan write-offs	7	24
Others	24	24
	128	61

21 Selling Costs

This expenditure is recorded in the income statement at the time the costs were incurred. It comprises personnel and material costs, as well as sales and marketing write-offs and advertising costs.

22 Administrative Costs

This expenditure is recorded in the income statement at the time the costs were incurred. It comprises personnel and material costs, as well as administrative write-offs.

23 Research and Development Costs

Research and development costs are principally recorded as expenditure. In the reporting year, research and development costs to the sum of 2,873K EUR were recorded in the income statement as expenditure. Insofar as the expenditure arising in the period between the „technological availability“ and „market maturity“ of independent new software can be recorded as assets on the balance sheet in accordance with IAS 38, the accrued costs for self-created software are shown as intangible assets on the balance sheet. One such capitalisation to the sum of 1,156K EUR was carried out during the financial year under review, which had a cost-reducing effect on the profit and loss statement.

24 Other Operating Costs

	2008	2007
	K EUR	K EUR
Value-adjustment of receivables	75	92
Expenditure currency exchange risks	6	119
Purchase for resale	5	39
Others	28	48
	114	298

25 Interest Turnover

	2008	2007
	K EUR	K EUR
Bank interest	162	55
Other interest	40	44
	202	99

26 Interest Expenditure

	2008	2007
	K EUR	K EUR
Bank interest	93	94
Added interest liabilities	0	102
Other interest	87	65
	180	261

27 Taxes on Income and Profits

Taxes on income and profits are grouped according to their origin, as follows:

	2008	2007
	K EUR	K EUR
Current tax expenditure	88	23
Deferred tax expenditure / income	164	700
	252	723

Deferred taxes are calculated on the basis of the tax rates that are applicable or may be expected in the individual countries at the time of realisation. In Germany, the applicable rate of corporate income tax is 15 per cent. With an average municipal multiplication factor for the trade tax of 360 per cent and solidarity contributions of 5.5 per cent, the income tax rate for domestic companies equated to 28.43 per cent (previous year: 28.43 per cent). The foreign tax rates ranged from 31 per cent to 40.27 per cent.

The difference between the expected and stated income tax expenditure is attributable to the following causes:

	2008	2007
	K EUR	K EUR
Anticipated tax expenditure	751	986
Revaluation of loss carried forward	-356	-1.491
Other foreign tax rates / tax rate adjustments	-95	1.205
Others	-48	23
Income tax expenditure shown on income statement	252	723

Personnel costs

The personnel costs for the 2007 and 2008 financial years are as follows:

	2008	2007
	K EUR	K EUR
Wages and salaries	10,560	9,780
Social security contributions	1,788	1,682
	12,348	11,462

Material costs

	2008	2007
	K EUR	K EUR
Goods	1,017	888
Costs for services rendered	1,692	1,196
	2,709	2,084

Goods expenditure generally refers to resold hardware components.

The costs for services rendered generally refer to third party services (external developers, programming support etc.).

Other Notes

Segment Reporting

Primary Segments (Business Segments)

For operational purposes, the group is currently divided into three business segments - IBS AG/ IBS Baltic, IBS America Inc. and IBS SINIC GmbH. These areas form the basis for the primary segment of the segment reporting.

The primary activities are as follows:

IBS AG/IBS Baltic:	Software for the management of company-critical business processes for large customers
IBS America Inc.:	Software for compliance and quality management solutions for the American market
IBS SINIC GmbH:	Software for quality management, gage management, project management and concern and complaint management in small and mid-market companies

Product families 2008	IBS AG / IBS Baltic	IBS America Inc.	IBS SINIC GmbH	Others	Reconciliation	Entire Group
	K EUR	K EUR	K EUR	K EUR	K EUR	K EUR
Segment income	15,684	5,557	1,116	0	-478	21,879
Segment profit (EBIT)	2,026	519	52	0	22	2,619
Segment assets	15,099	2,417	880	1	404	18,801
Segment liabilities	3,951	1,721	324	1	-53	5,944
Segment investments	1,487	260	38	0	0	1,785
Segment write-offs	374	313	34	0	0	721

Product families 2007	IBS AG / IBS Baltic	IBS America Inc.	IBS SINIC GmbH	Others	Reconciliation	Entire Group
	K EUR	K EUR	K EUR	K EUR	K EUR	K EUR
Segment income	14,702	4,700	1,031	0	-61	20,372
Segment profit (EBIT)	2,678	166	-111	0	52	2,785
Segment assets	13,290	2,401	957	0	-185	16,463
Segment liabilities	3,503	1,595	730	2	-566	5,264
Segment investments	1,503	424	33	0	0	1,960
Segment write-offs	287	278	52	0	-56	562

Secondary Segments (Regions)

2008	Customers			Reconciliation	Entire
	Germany	USA	Others		
	K EUR	K EUR	K EUR		
Segment income	16,800	5,557	0	-478	21,879
Segment assets	15,821	2,417	159	404	18,801
Segment investments	1,521	260	4	0	1,785

2007	Customers			Reconciliation	Entire
	Germany	USA	Others		
	K EUR	K EUR	K EUR		
Segment income	15,733	4,700	0	-61	20,372
Segment assets	13,946	2,401	301	-185	16,463
Segment investments	1,531	424	5	0	1,960

The segment information has been compiled using the same accounting and valuation methods applied for the consolidated annual accounts.

Notes on the Inflow of Capital Account

The inflow of capital account was determined in accordance with the indirect method (Cash Flow from operating activities). It shows changes in the cash and cash equivalents within the group over the financial year under review. The payment flows have been grouped by operating, investment or financing activity, in accordance with IAS 7.

Cash and Cash Equivalents

The cash and cash equivalents shown in the inflow of capital account (cash and cash equivalents as at the balance sheet date) comprise cash and cash equivalents to the sum of 6,718K EUR (previous year: 3,283K EUR).

Fair value of financial instruments

The following table provides an overview of the classification of financial instruments, with carrying amount and fair value:

In K EUR	Valuation category	Carrying amount 31.12.2008	Fair value 31.12.2008
Trade receivables	LaR	5,304	5,304
Other receivables	LaR	412	412
Cash and cash equivalents	LaR	6,718	6,718
Debts from trade receivables	FLAC	1,023	1,023
Loans and others financial debts	FLAC	2,170	1,856

In K EUR	Valuation category	Carrying amount 31.12.2007	Fair value 31.12.2007
Trade receivables	LaR	5,898	5,898
Other receivables	LaR	368	368
Cash and cash equivalents	LaR	3,283	3,283
Other financial assets	AfS	1,518	1,518
Debts from trade receivables	FLAC	1,091	1,091
Loans and others financial debts	FLAC	1,508	1,508

LaR (Loans and Receivables)

AfS (Available for Sale)

FLAC (Financial Liabilities Measured at Amortised Cost)

Securities have been valued at fair value.

Trade receivables, other receivables and tax receivables have been valued at the carrying value as at the balance sheet date. These receivables carry no interest and are due within one year. Due to the short-term due period, the fair value approximately corresponds to that of the carrying value. Foreign currency receivables are valued at the rate of exchange applicable on the balance sheet date. There is consequently no significant difference between the carrying value and the fair value as a result of the currency.

Long-term Liabilities

Liabilities to credit institutions carry a fixed rate of interest.

Short-Term Liabilities

Trade liabilities, provisions and other liabilities are principally valued without discounting. Due to the short term due period, the fair value approximately corresponds to that of the carrying value. Foreign currency liabilities have been valued at the rate of exchange applicable on the balance sheet date. There is consequently no significant difference between the carrying value and the fair value as a result of the currency.

The liabilities to credit institutes carry variable rates of interest. Due to the variable interest rates, the carrying values approximately correspond to those of the fair values.

Overdue Liabilities

The overdue period of trade receivables liabilities is as follows:

	31.12.2008	31.12.2007
	K EUR	K EUR
K EUR		
0-3 months	761	1,072
4-6 months	260	6
7-12 months	2	0
> 12 months	0	13
	1,023	1,091

Depreciation of Financial Assets

With regard to the trade receivables, we refer to the depreciation overview.

No depreciations were valued for other receivables and tax receivables.

Net Profits and Losses on financial Assets

With regard to value adjustments of trade liabilities, we refer to the value adjustments overview.

Insignificant net profits were earned from securities.

Net Profits and Losses on Financial Liabilities

A currency exchange loss of 95K EUR resulted from the granted to IBS America by IBS AG.

Credit Risks

The Group's financial assets primarily comprise bank balances, cash holdings, trade receivables and other receivables, as well as receivables from finance leasing and securities, which constitute the group's maximum risk of non-payment with respect to financial assets.

The risk of non-payment to the Group mainly relates to trade receivables. The amounts recorded in the balance sheet are stated without value adjustments for foreseeable uncollectible liabilities, which are assessed by the Group's management, based on past experience and the current economic environment. Furthermore, the age structure of the receivables can be categorised as non-critical (please also refer to the item on trade receivables).

The risk of non-payment is limited in the case of liquid funds, since they are deposited at banks certified as highly creditworthy by the international rating agencies.

There is no substantial concentration of the risks of non-payment for the group, since they are spread out over a large number of contracting parties and customers.

Currency Risks

Fluctuating currency correlations influence the market success and gross income of exporting companies. In 2008 approximately 5 per cent of the turnover was generated in foreign currency for each of the respective companies. No measures were taken to safeguard against potential risks from foreign currency exchange relations. Further currency exchange effects may result from the consolidation of IBS America. IBS AG has granted IBS America a loan to the sum of 500K EUR, which resulted in currency exchange effect of -95K EUR in 2008.

Interest Risks

Loans to which variables rates of interest apply are currently not interest rate hedged

Other Financial Liabilities/Contingent Liabilities

Operating Lease Agreements

On the balance sheet date, the Group had outstanding liabilities from non-redeemable operating leases, as shown below:

	2008	2007
	K EUR	K EUR
Due within one year	877	569
Due in between two and five years	1,393	1,339
Due after five years	0	322
	2,270	2,230

Payments arising from operating leases concerned lease payments for office equipment and rental buildings to the Group. The average term of the leases signed was three years.

Events after the Balance Sheet Date

There were no reportable events after the balance sheet date.

Average number of employees

	2008	2007
Employees	184	177

Transactions with Affiliated Individuals

In legal transactions with affiliated companies and individuals, the Company's goods and services were remunerated according to the principles of sound business judgement.

1. The following loans have been granted to Dr. Schroeder:

	K EUR
As at 01.01.2008	133
Additions	21
As at 31.12.2008	154

Interest is applied to the loan at a rate of interest charged for a period of less than twelve months of 6 per cent p.a.

2. Dr. Klaus Juergen Schroeder entered into an agreement on 1st May 2002 involving the grant of a loan to the sum of 1,228K EUR to IBS America Inc. The loan was repaid at an annual rate of 200K EUR from 1st March 2006. Interest was applied at 6 per cent p.a. No securities were granted. The residual debt to the sum of 737K EUR was repaid by 31st March 2008.
3. The Company's office building in Rathausstrasse 56 in Hoehr-Grenzhausen, Germany, is owned by Ingret Schroeder & Heike Schroeder GbR, Hoehr-Grenzhausen, whose partners are the wife and daughter of the Chief Executive Officer and who are shareholders. The rental agreement was signed in 1998 and will continue in effect until 2013. It is subject to termination by either party upon one year's notice. The monthly rent without purchase tax is 18K EUR. The rent is typical of the location.

Disclosure on own shares in accordance with § 160 Section 1 No. 2 German Companies Act

Please refer to the information on own shares.

Disclosures on Equity Holdings in Accordance with § 160 Section 1 No. 8 of the German Companies Act and Director's Dealings

No announcements were made in accordance with the German Securities Trading Act during the 2008 financial year:

Declaration in Accordance with the Corporate Governance Codex

IBS AG last submitted its Declaration of Compliance on 16th December 2008 in accordance with § 161 of the German Companies Law and granted its shareholders constant access to its homepage. The Declaration of Compliance is published in the 2008 Annual Report.

Auditor's Fees, in accordance with § 285 No. 17 of the German Commercial Code

The recognised expenditure for the cost of audits and ongoing consulting services during the financial year amounted to:

	K EUR
a) for auditing fees	156
b) for tax consulting fees	0
c) for other services	0
	156

Information on the Members of the Board of Management and Supervisory Board

Name	Firstname	Current occupation
Board of Management:		
Schroeder	Dr. Klaus-Juergen	Chairman (CEO)
Schwickert	Volker	Sales Director
Supervisory Board:		
Koechling	Christoph	(Chairman) Independent Consultant
Aurenz	Prof. Dr. Heiko	(Vice Chairman) General Manager of the consultancy EBNER, STOLZ, MÖNNING BACHEM Unternehmensberatung GmbH Prof. Dr. Aurenz is also member of the supervisory boards of: - Manz AG - Know-How AG - Anna Haaghaus e.V. ASB Grünland GmbH
Muenster	Andreas	Client Executive General Motors Europe

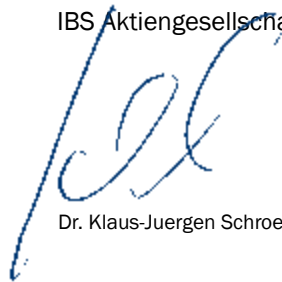
Total Remuneration of the Board of Management and Supervisory Board

Board of Management salaries	2008	2007
	K EUR	K EUR
Dr. Klaus-Juergen Schroeder		
Fixed salary	180	180
Non-cash benefits	15	10
Variable salary	60	96
Total	255	286
Volker Schwickert		
Fixed salary	142	120
Non-cash benefits	18	15
Variable salary	40	64
Total	200	199
Board of Management salaries total	455	485
Supervisory Board remuneration	88	23

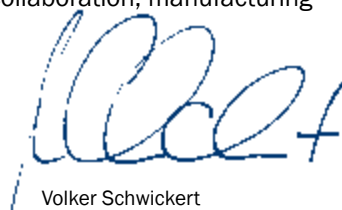
Dr. Schroeder receives an additional retirement pension annuity of 7,669.38 EUR; occupational disability pension of 7,669.38 EUR and a widow's annuity of 4,601.63 EUR (per month in each case) in accordance with the commitment made on 15th December 1986 and endorsements made on 10th December 1987 and 15th December 1998. The retirement pension is payable when the age limit of 65 years is reached, the occupational disability pension is payable at the time occupation disability commences and the widow's annuity is payable upon the death of the insured. In addition, a death benefit of 36,813.02 EUR is also payable in the event of death prior to reaching the age limit of 65 years of age.

Hoehr-Grenzhausen, 30th March 2009

IBS Aktiengesellschaft excellence, collaboration, manufacturing



Dr. Klaus-Juergen Schroeder



Volker Schwickert

Assurance of the Legal Representatives

in accordance with § 297 Section 2 Sentence 4 of the German Commercial Code and 315 Section 1 Sentence 6 of the German Commercial Code

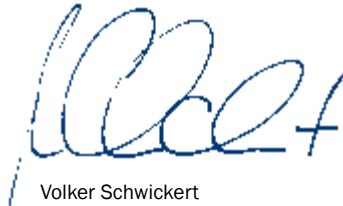
We hereby assure that, to the best of our knowledge and in accordance with the accounting principles applicable to the compilation of the Annual Report, the Consolidated Annual Accounts correctly portray the respective image of the actual circumstances relating to the assets, financial and income situation of the Group and that the consolidated position report depicts the business development, including the trading results and the Group situation, in such a way that the image portrayed reflects the actual circumstances, as well as describing the major opportunities and risks and the anticipated development of the Group.

Hoehr-Grenzhausen, 30th March 2009

IBS Aktiengesellschaft excellence, collaboration, manufacturing



Dr. Klaus-Juergen Schroeder



Volker Schwickert

Auditor's Certificate

We have issued the following certificate pertaining to the consolidated financial statement and consolidated position report:

“We have examined the consolidated financial statement of IBS Aktiengesellschaft excellence, collaboration, manufacturing, Hoehr-Grenzhausen – consisting of balance sheet, income statement, cash flow statement, shareholders' equity overview and selected explanatory notes - as well as the consolidated position report for the period of 1st January to 31st December 2008. The accounting of the consolidated financial statement and consolidated position report in accordance with IFRS, as applicable within the EU and the applicable additional regulations of § 315a Section 1 of the German Commercial Code is the responsibility of the legal representatives of the company. Our task is to issue a certificate on the consolidated financial statement and consolidated position report on the basis of our audit.

We carried out our audit of the consolidated financial statement in accordance with § 317 of the Germany Commercial Code and with application of the German principles of correct auditing issued by the German Institute of Public Accountants (Institut der Wirtschaftsprüfer – IDW). According to these principles, the audit is to be planned and carried out in such a way that any incorrectness or infringement having any major affect on the image of the assets, financial and earnings position portrayed in the representation of the consolidated financial report and consolidated position report can be reliably identified with application of correct accounting principles. Our audit activities were determined on the basis of our familiarity with the commercial activity and the economic and legal environment of the group, as well as our expectations regarding possible errors. Within the scope of the audit, the effectiveness of the internal control system for accounting and evidence of the statements made in the consolidated financial statement and consolidated position report are largely assessed on the basis of sampling. The audit comprised an assessment of the annual financial statements of the companies included in the consolidated financial statement, definition of the scope of consolidation, the accounting and consolidation principles used and the fundamental estimations of the legal representatives, as well as an appraisal of the general presentation of the consolidated financial statement and the consolidated position report. We believe our audit to be a sufficiently reliable basis for the assessment.

Our audit showed no reason for objection or censure.

In our opinion, based on the findings from our audit, the consolidated financial statement corresponds to the IFRS applicable within the EU and the additional applicable regulations under commercial law pursuant to section 315a, sub-section 1 HGB and the IFRS as a whole and presents in compliance with these regulations a picture of the asset, financial and profit situation of the group corresponding to the actual situation. The consolidated position report conforms to the consolidated financial statement and as a whole provides an accurate picture of the situation of the group and accurately presents the opportunities and risks in its future commercial development”.

Eschborn/Frankfurt am Main, 30th March 2009

Ernst & Young AG
Auditing Company
Tax Consulting Company

Oppermann
Auditor

Ranker
Auditor

Glossary

.NET

Microsoft .NET is an IT platform for programs that integrate different operating system functions. The platform is designed to replace outdated technologies and procedures and enables the development and use of XML-based applications, processes and websites.

Aberdeen Group

Aberdeen Group is a leading American fact-based research provider. The Boston-based company specialises in the field of technology.

AML

Asia Management Link Pte. Ltd. – A co-operation partner of IBS AG in China.

APQP

An Advanced Product Quality Planning tool.

ASQ World Conference

The largest quality trade fair in the USA.

BITKOM

BITKOM, the German Association for Information Technology and New Media e.V. represents companies from the IT, telecommunications and new media industries and organises a permanent exchange (of information) between experts and managers.

BMW Group IT trade fair

The annual BMW Group IT trade fair informs BMW employees and executives of new products, technological solutions, innovations and opportunities for supporting their own work. The trade fair exhibitors present references and the results of BMW programmes and projects. The trade fair thus serves as a forum for the exchange of experiences and visions and for establishing new contacts.

BMWI

The German Federal Ministry of Economics and Technology

Calvin

Calvin is a software solution for gauge management, for specific use in calibration laboratories and companies with an in-house calibration department.

CAPA

A quality management standard for improvement and prevention (Corrective and Preventative Actions Management).

CAQ=QSYS®

CAQ=QSYS® is IBS AG's quality management system. IBS:CAQ=QSYS® is available in three variants: CAQ=QSYS® Professional – for applications across all industries, CAQ=QSYS® LIMS – for the food, chemicals and pharmaceuticals industries and CAQ=QSYS® Automotive – for the automotive industry.

Cash Flow

Cash Flow is the difference between income statement-related and expenditure-statement related turnover and expenditure within a period.

CeBIT

CeBIT is the world's largest trade fair for information and communications technologies-based digital solutions for the working world and for life.

Compliance Management

Compliance Management refers to compliance with all laws and norms relevant for a company, as well as with the requirements set by all stakeholders.

Computer Aided Design (CAD)

CAD refers to computer-assisted construction in the creation of technical drawings and models.

Computer Aided Quality Assurance (CAQ)

Software systems that enable product quality assurance through the acquisition, documentation and evaluation of quality information, as well as the planning and controlling of quality assurance steps.

Control

Control is the leading international trade fair on quality assurance.

Control Plan

Complete documentation of all quality assurance measures throughout the complete value added chain.

Corporate Governance

Corporate Governance refers to the whole system of responsible management and supervision of a company.

Design Review Based on Failure Mode (DRBFM)

DRBFM is a method developed at Toyota for the identification of potential defects in the product development process.

DIW

The German Institute for Economic Research.

Document Management

A document management system enables the acquisition, processing, administration and storage of documents in electronic form.

Earnings before Interest and Taxes (EBIT)

EBIT refers to earnings before the deduction of income tax and interest.

EITO

The European Information Technology Observatory is a European initiative and has been publishing market data on information and telecommunications technology since 1993.

Enterprise Performance Management (EPM)

Enterprise Performance Management (EPM) is a complete management system for processing user-related quantitative and qualitative information and strategies and is integrated as an IT solution into everyday decision-making situations on various hierarchical levels.

Enterprise Resource Planning (ERP)

Enterprise Resource Planning (ERP) refers to the corporate task of planning the availability of company resources needed for operation.

FED Conference

A conference organised by the German Electronics Design Association.

FDA

Food and Drug Administration (FDA) is the government agency responsible for regulating food and drug products in the United States.

FMEA (Failure Mode and Effect Analysis)

The Failure Mode and Effect Analysis (FMEA) supports preventative defect avoidance with the evaluation of failure consequences and associated risks as early as the planning phase.

German Equity Forum

The semi-annual German Equity Forum, organised by the German stock exchange "Deutsche Börse" and the reconstruction loan corporation for medium-sized companies "KfW Mittelstandsbank" was first held in 1996 and is Europe's best-established and most successful equity financing event.

Hamburg Institute of International Economics (HWI)

The Hamburg Institute of International Economics is an independent research institute that identifies economic, corporate and political trends in their early stages and conducts interdisciplinary analyses.

IBS:prisma®

IBS:prisma is IBS AG's production management solution for monitoring, control and thus optimization of production processes.

IBS4Quality:Warranty

The IBS AG guarantee and warranty management solution.

Ifo Institute

Ifo is an institute for economic research that dedicates its work to the analysis of economic policy and publicises the monthly Business Climate Index.

Information Technology (IT)

All software applications and hardware systems enabling the electronic acquisition, documentation, storage, planning and management of business processes.

Inspection Plan

The inspection plan is the basis for the constant, systematic control of the quality situation. An inspection plan can be set up for a single event or as a family inspection plan for an entire production group. The inspection items contain definitions of the individual inspection instructions on defects and characteristics. These are checked in the order stipulated (part or characteristic-oriented), using inspection orders, which are set up for the individual workstations. Each inspection order is based on the item contained in the inspection plan and must be processed in accordance with the specific times determined by the inspection cycle.

ISO 9000

ISO 9000 is a quality management standard that describes which requirements a company's management must satisfy in order to correspond to a particular standard in the realisation of quality management.

ISO/TS 16949

The technical specification ISO/ TS 16949 summarises the requirements international car manufacturers make on the quality management systems of their suppliers.

IMF

International Monetary Fund.

ITA

ITA is an associated member of the German Association of the Automotive Industry (VDA). ITA functions as a communication platform between the automotive industry and leading IT suppliers relevant for the car manufacturers.

Laboratory Information Management System (LIMS)

LIMS is a quality management system for process-oriented production operations (e.g. chemicals, pharmaceuticals, food) that involve batches and recipes.

LAENDmarkS

LAENDmarkS is a process-independent co-operation with partners in the car manufacturing industry and has the aim of creating standardised structures for universal product identification.

LifeCycleQM

LifeCycle QM is a project for the development of target and life-cycle-oriented quality management reusable software.

LIS

Location Identification System is a software system for the location and identification of production goods.

Manufacturing Execution System (MES)

The term 'MES' describes all the functions at shop-floor level for the detailed control of production processes relating to order processing, material handling and thus all aspects of resource management. The term 'execution' indicates the strong orientation of this system on the executing units – productive processes and also reworking. It also incorporates further important components for the provision and control of materials, raw materials, device groups, components and process materials, tools and consumable goods.

Original Equipment Manufacturer (OEM)

OEM refers to a company in the automotive industry that brings finished products onto the market under its own brand name.

Paperless Repair

Paperless Repair refers to graphics-assisted defect acquisition.

PricewaterhouseCoopers AG (PWC)

PricewaterhouseCoopers AG WPG is one of Germany's leading chartered accountants and consulting firms and offers its services worldwide as an independent member of the international PricewaterhouseCoopers network.

Product Life Cycle

The complete life cycle of a product.

PPM Evaluation

PPM refers to a key quality figure within the scope of supplier assessment (Parts per Million).

Production Planning System (PPS)

A production planning system is a system for the planning, control and check in the manufacture of goods.

Inspection Plan

The inspection plan is the basis for the constant, systematic control of the quality situation. An inspection plan can be set up for a single event or as a family inspection plan for an entire production group. The inspection items contain definitions of the individual inspection instructions on defects and characteristics. These are checked in the order stipulated (part or characteristic-oriented), using inspection orders, which are set up for the individual workstations. Each inspection order is based on the item contained in the inspection plan and must be processed in accordance with the specific times determined by the inspection cycle.

Quality Management (QM)

Quality management comprises all activities that enable the attainment of high product quality in the enterprise. It defines all software systems that map quality relevant processes within a production facility.

Typical functions include Incoming Goods Control (IGC), Statistical Process Control (SPC), Failure Mode and Effect Analysis (FMEA).

Quality Expo

The USA's leading quality trade fair.

Quality Systems International (QSI)

Quality Systems International is a secure, integrated solution that covers all aspects of quality and compliance management, comprising document management, quality records, corrective action reports, document management, auditing, employee training and integrated workflows.

REACH

REACH stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. This EU regulation pertaining to chemicals came into force on 1st June 2007.

Release

Release describes a version number or the launch of a new software version.

RFID

Radio Frequency Identification is a method to read and write data on a transponder without contact. This transponder can be added to objects to enable automatic and quick identification on the basis of the saved data.

RoHS

An EC guideline for the restriction of the use of certain hazardous substances in electrical and electronic devices and their components

SAP Connector / Netweaver Certified Integration

A certified interface supporting the comparison of master and movement data in both quality and the production environments with basic components.

Sarbanes-Oxley Act SOX

Sarbanes-Oxley Act of 2002 (SOX) is a US law for the improvement of business reporting in consequence of the financial statements scandals of companies such as Enron or Worldcom. It is named after its drawers, the senator Paul S. Sarbanes and the congressman Michael Oxley.

The objective of this law is to restore the trust of investors in the correctness of published financial data of companies. The law applies to domestic and foreign companies that are listed on the US stock exchange, as well as for foreign subsidiaries of American enterprises.

Supply Chain Management (SCM)

Supply Chain Management (SCM) is aimed at a long-term (strategic), mid-term (tactical) and short-term (operative) improvement of effectiveness and efficiency of industrial added value chains, providing information and communication support for the integration of all company activities in a seamless process, from the purchase of raw materials to the sale to the end customer.

Service-Oriented Architectures (SOA)

Service-Oriented Architectures (SOAs) are gaining in importance. Major enterprises increasingly count on SOA for the restructuring of their IT environment. IBS AG recognized this and started to support this architecture with its products.

Software architectures are used to model the internal structure of complex IT systems and form the basis for every company IT.

They describe the individual system components and their interaction.

Shop Floor

Shop Floor refers to the production and process control level of a company's production unit.

TAS

The Tool Assistance System is a software solution for the optimisation of screwing processes in vehicle manufacturing.

Traceability

Traceability means entire visibility along the entire supply chain (when, where and by whom was a product manufactured, processed, stored, transported, used or disposed).

It means entire visibility along the entire supply chain (when, where and by whom a product was manufactured, processed, stored, transported, used or disposed of).

Track&Trace

Track&Trace data refers to the process and quality data that arises along the complete Supply Chain.

VDA

The German Association of the Automotive Industry (VDA) promotes the interests of the German automotive industry.

TAS

The Tool Assistance System is a software solution for the optimisation of screwing processes in vehicle manufacturing.

VDI

The Association of German Engineers (VDI) represents the occupational and socio-political interests of engineers.

XETRA

XETRA is the electronic trading system of the German stock exchange Deutsche Börse AG.

ZVEI

ZVEI, the German Electrical and Electronic Manufacturers' Association represents the economic, technological and environmental policy interests of the German electrical and electronics industry at national, European and international level. It provides specific information on the economic, technical and regulatory framework conditions of the electrical industry in Germany.

Financial Calendar 2009

IR Events	Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Conference Call on Annual Report 2007	31.03.2009												
Annual Document	CW 17 '09												
Announcement of Preliminary Figures Q1	CW 19 '09												
Quarterly Report Q1 2008	12.05.2009												
Annual General Meeting 2008	26.06.2009												
Announcement of Preliminary Figures Q2	CW 32 '09												
Quarterly Report Q2 2008	11.08.2009												
Announcement of Preliminary Figures Q3	CW 45 '09												
Quarterly Report Q3 2008	10.11.2009												

IBS Share

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Please do not hesitate to contact us if you have any questions. We would be pleased to send you further financial information.

In addition you can subscribe to our mailing service at our homepage:
<http://www.ibs-ag.de/ir/>

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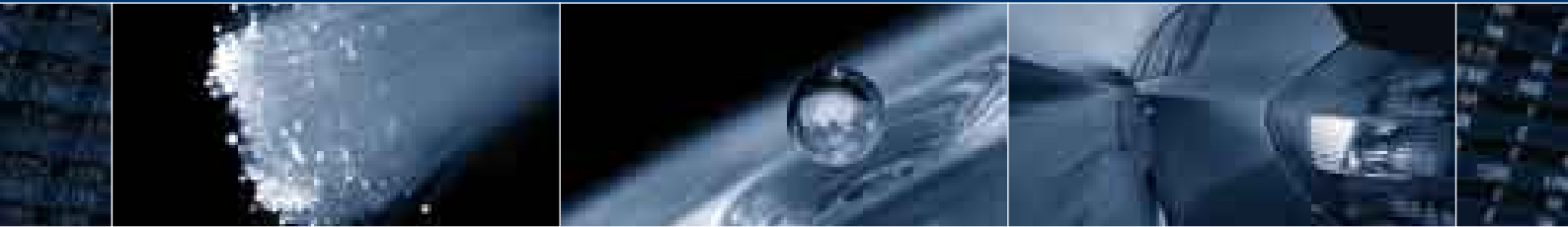
This Annual Report contains statements relating to future developments, each based on the current expectations and estimations of the IBS AG executive management.

These statements are in no way to be understood as a guarantee of the correctness of these expectations. The future development and actual achievements of both IBS AG and its affiliated companies are subject to a number of risks and uncertainties and may therefore differ greatly from the statements made in relation to future developments.

Several of these factors lie beyond the control of IBS AG and cannot be estimated with precision, such as the future economic environment and the behaviour of competitors and other market players. An updated release of the statements regarding to future developments is not planned, nor does IBS AG accept any separate obligation to do so.

In case of doubt, the information contained in the German version applies

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IBS AG
EXCELLENCE
COLLABORATION
MANUFACTURING



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