



# Annual Report 2009



software4excellence



### Key Group Figures

Group (in K EUR)	Annual Report 2009	Annual Report 2008
	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008
Net sales	18,280	21,879
Operating income (EBIT)	1,280	2,619
EBT	1,267	2,388
Subscribed capital	6,883	6,883
Shareholders' Equity	14,631	14,290
Shareholders' Equity ratio	68%	63%
Balance sheet total	21,517	22,671
Cashflow from operating activities	1,541	4,378
Employees	187	190

### Key Share Figures

	2009	2008	2007
End of year closing price (Xetra) in EUR	3.44	2.22	3.93
Highest price in EUR based on closing price	3.79	3.81	5.30
Lowest price in EUR based on closing price	2.13	2.00	3.24
Number of shares as at end of financial year	6,883,065	6,883,065	6,883,065
Market capitalisation as at end of financial year in M EUR	23.7	15.3	27.1
Dividend per share in EUR	0.10e	0.10	0.10
Earnings per share in EUR	0.19	0.35	0.28
P/E ratio (Price earnings ratio) as at end of financial year	19	6.3	14
Operative cashflow per share as at end of financial year in EUR	0.22	0.64	0.38

5-year overview	2009 in K EUR	2008 in K EUR	2007 in K EUR	2006 in K EUR	2005 in K EUR
<b>Consolidated turnover</b>	<b>18,280</b>	<b>21,879</b>	<b>20,372</b>	<b>19,559</b>	<b>17,706</b>
Manufacturing Costs	-7,466	-9,055	-8,073	-8,382	-7,223
<b>Gross profit</b>	<b>10,814</b>	<b>12,824</b>	<b>12,300</b>	<b>11,177</b>	<b>10,482</b>
Sales and marketing	-4,235	-4,701	-4,317	-4,171	-3,697
General administration	-2,415	-2,646	-2,467	-2,368	-2,251
Research and development	-2,789	-2,873	-2,493	-2,553	-2,823
	<b>-9,439</b>	<b>-10,220</b>	<b>-9,278</b>	<b>-9,092</b>	<b>-8,771</b>
<b>EBIT</b>	<b>1,280</b>	<b>2,619</b>	<b>2,785</b>	<b>2,398</b>	<b>2,147</b>
<b>EBT</b>	<b>1,207</b>	<b>2,641</b>	<b>2,623</b>	<b>2,333</b>	<b>1,998</b>
<b>Net income</b>	<b>1,267</b>	<b>2,388</b>	<b>1,896</b>	<b>3,261</b>	<b>1,401</b>
<b>Result per share (undiluted) in EUR</b>	0.19	0.35	0.28	0.48	0.21
<b>Result per share (diluted) in EUR</b>	0.19	0.35	0.27	0.47	0.20
<b>Cashflow</b>					
from operating activities	1,541	4,378	2,641	1,605	1,754
from investment activities	-912	-1,595	-3,347	-1,243	-429
from financing activities	-905	-898	1,506	-310	-1,322
<b>Investments</b>					
in intangible and tangible assets	-326	-629	-303	-474	-160
in self-created software	-586	-1,156	-1,581	-858	-294
<b>Depreciation and amortization</b>					
of intangible and tangible assets	344	472	336	568	625
of self-created software	209	249	224	560	503
<b>Shareholders' Equity</b>	<b>14,631</b>	<b>14,290</b>	<b>12,743</b>	<b>10,449</b>	<b>7,069</b>
<b>Balance sheet total</b>	<b>21,517</b>	<b>22,671</b>	<b>20,497</b>	<b>16,856</b>	<b>14,685</b>
<b>Shareholders' Equity ratio</b>	<b>68%</b>	<b>63%</b>	<b>62%</b>	<b>62%</b>	<b>48%</b>

## IBS Profile:

**I**BS AG is a leading supplier of cross-company standard software systems and consulting services for industrial quality, production, traceability and compliance management. In keeping with the corporate philosophy "The Productivity Advantage", IBS AG's Best Practice solutions contribute to boosting corporate productivity. IBS customers receive the support of a team of experienced consultants and specialists throughout each phase of the project and beyond. IBS AG, founded in 1982, today employs approximately 200 personnel in Europe and the USA.

**T**he Company is listed in the Prime Standard of the German stock exchange in Frankfurt/Main (ISIN DE0006228406) and is also member of the GEX-German Entrepreneurial Index.

**I**BS AG software installations amount to over 4,000 worldwide and can be found at companies such as Audi, Beam Global, BMW, BorgWarner, BOSCH, Caterpillar, Daimler, Electronic Networks, FCI Automotive, Goodyear, Kimberly Clark, KEIPER, Liebherr, Magna Automotive, Kautex Textron, Parker Hannifin, Procter & Gamble, Rock Tenn, Porsche, Siemens, SMA Solar Technology, ThyssenKrupp and W.L. Gore.



# Annual Report

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A close-up, high-angle shot of a golf club head, specifically a putter, resting on a lush green golf course. The club head is silver with a bright yellow face. The grass is vibrant green and well-maintained. The lighting is bright, casting a soft shadow of the club onto the grass.

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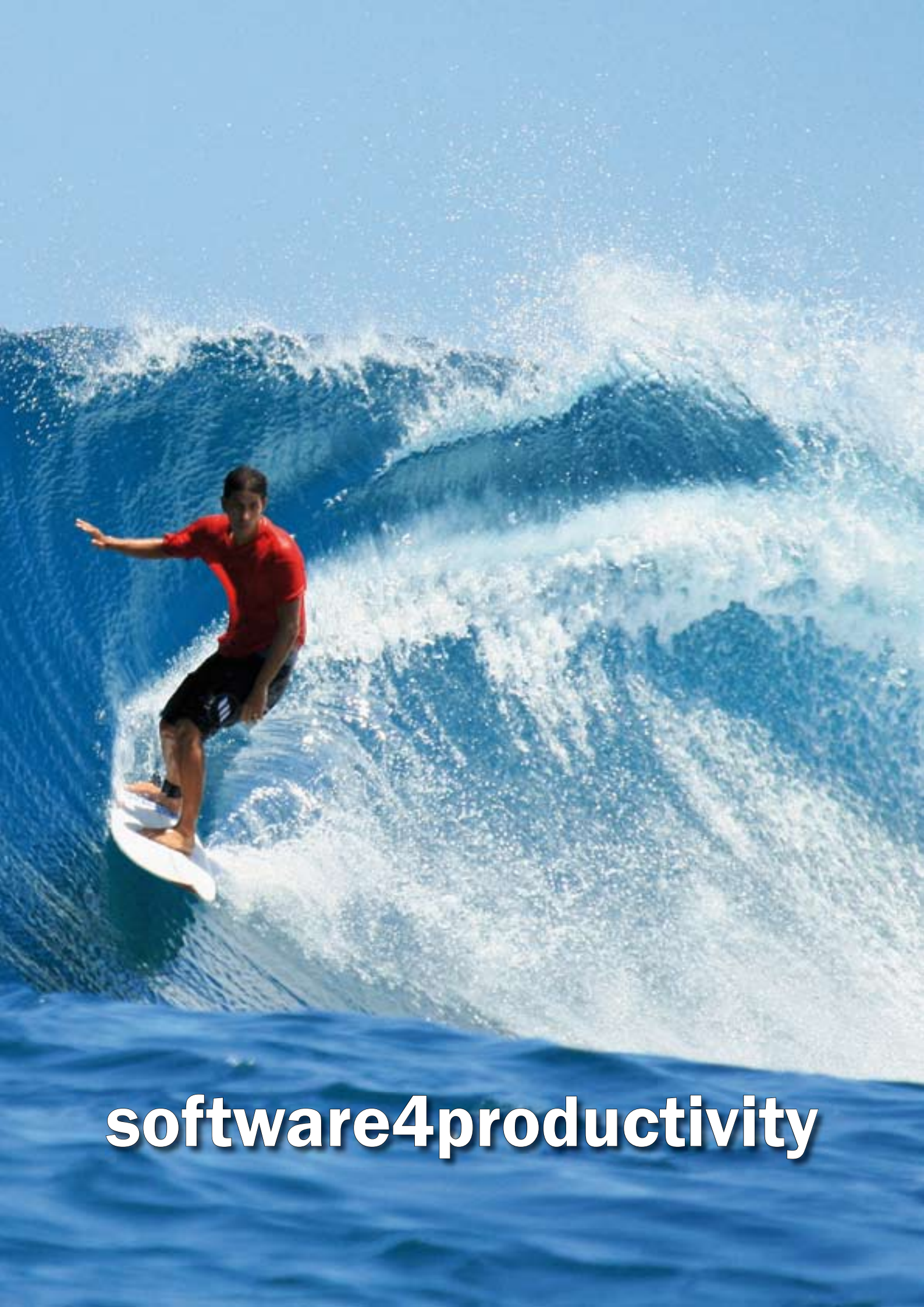




**software4quality**







**software4productivity**



**software4optimisation**







**software4effectiveness**











**software4integration**



**software4transparency**

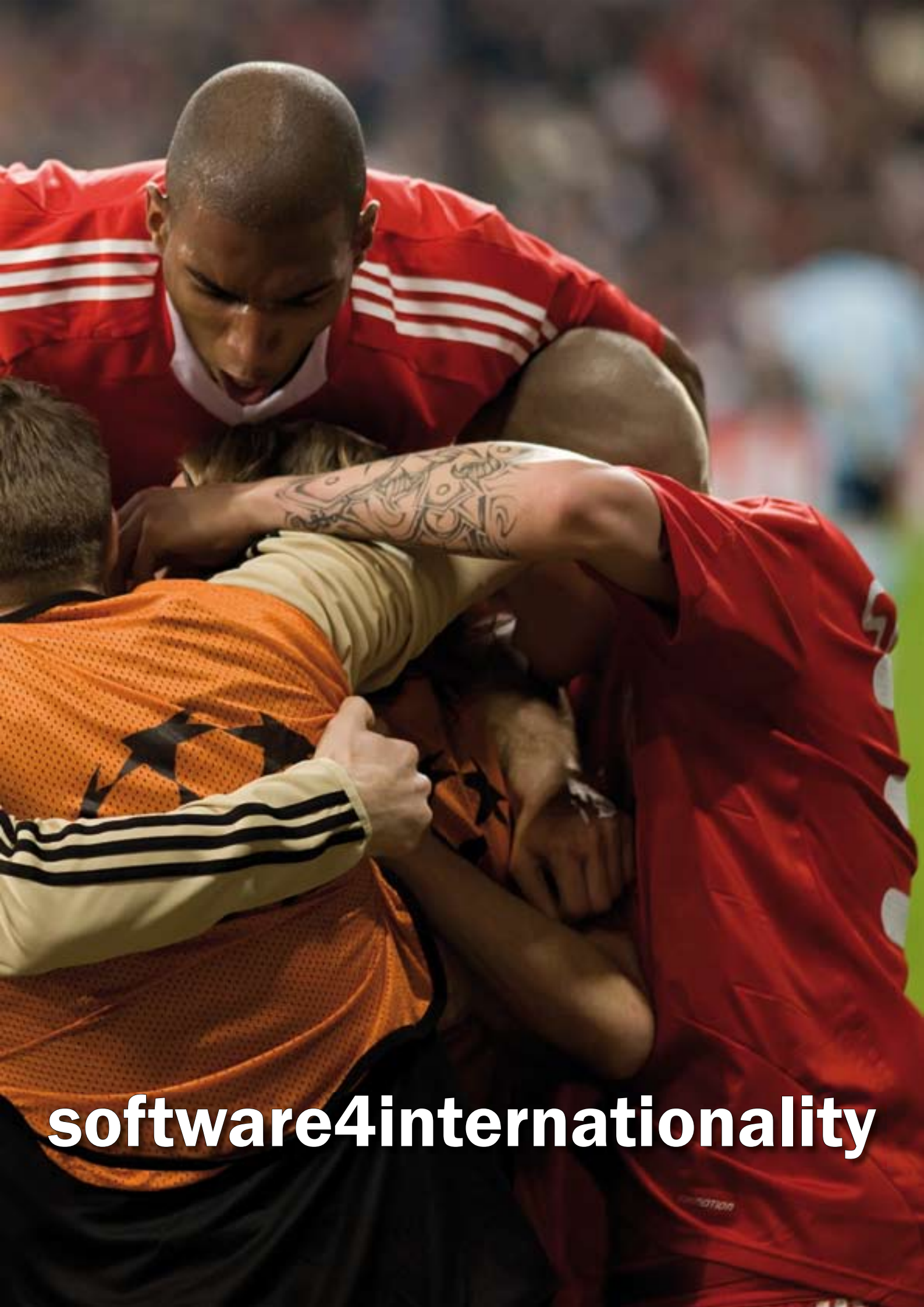












**software4internationality**

**“Our strategy incorporates the most important global trends of our time, namely those of regulation, climatic change, mobility and demographic change. This is a key requirement in achieving sustainable, profitable growth extending into the future.”**

**Dr. Klaus-Juergen Schroeder**  
Chief Executive Officer







**“IBS software solutions are based on the latest key IT technologies, such as virtualisation, Software as a Service and mobility. They enable the mapping of all quality, production and process-relevant information on all levels of the supply chain and ensure the traceability, removal and avoidance of defects. Our solutions produce quality and deliver a payback within a single financial year.”**

**Volker Schwickert**  
Executive Vice President

## Global Trends



### **Compliance:**

A corporate culture shaped by values and a clear set of rules not only increases performance but also lays the foundation for sustainable corporate success. Compliance refers to the collection of legal and regulatory guidelines and standards aimed at securing the existence of a company and ensuring its further development with the use of appropriate measures. IBS AG's integrated compliance solution CompliantPro™ provides sustainable support in the areas of corporate governance, risk management and compliance, fostering a „Culture of Compliance“™ within the company and at the same time facilitating compliance with all relevant standards, regulations and legal requirements. The highly-configurable, scalable software solution can be used to map each organisational unit using a variety of document types, rights and workflow structures, regardless of the type of industry. The system is web-based and can be used across various sites. CompliantPro™ can be adapted to fit existing company processes, mapping them clearly. The integrated control functions and responsibility structures enable fast and effective flow of information, a more rapid identification of trends and risks and the avoidance of negative effects. Process optimisation holds the key to improving overall company performance and achieving cost reduction.



### **Climatic Change:**

For the energy sources of the future we need to look to the natural energy resources of solar, tidal and geothermal power. Use of these inexhaustible resources can lead to a significant reduction in the emission of the harmful greenhouse gas CO<sub>2</sub>. Innovations in climate protection within the energy sector are therefore an effective and undisputed factor in combating climate change.

IBS software solutions support the development and manufacture of innovative technologies and products for the sustainable use of existing natural energy resources, providing valuable support e.g. in the production of wind and solar power stations.



### **Mobility / Globalisation:**

There is a growing need to transfer information, persons, goods and capital across the greatest geographical distances with ever-increasing speed. Progressive globalisation, however, is putting companies under increasing competitive pressure. In order to remain competitive in the long-term, companies are required to continually adapt their processes to suit the current market situation.

IBS software solutions improve the productivity, efficiency and flexibility of industrial companies, enabling them to harness the new opportunities arising from this globalisation for their own optimal use. The software is also able to provide each decision-maker with all the relevant data from virtually anywhere on the planet, transforming e.g. the Smartphone into a mobile office.



### **Demographic Change:**

Increasingly fewer children are being born in many of the industrial nations, particularly in Germany. Many national economies are today facing the massive challenges posed by their rapidly aging and declining populations. Longer life expectancies are triggering greater demands regarding quality of life, the two most fundamental issues being health and well-being. Innovative medical technology products are already tackling many of the medical issues faced by today's aging society. The manufacture, import and export of medical technology products are all subject to strict quality requirements. IBS' Industry-specific software solutions for compliance, quality and production management are able to provide valuable assistance in monitoring compliance with the industry-specific quality guidelines applicable to the medical technology industry, such as DIN and ISO.



## IT Trends

### Software as a Service:

Software as a Service (SaaS), also known as Application Service Providing (ASP), will continue to be one of the most important IT trends in 2010, according to BITKOM. The term SaaS is applied when a software company provides its customers with the respective applications via the Internet. A constant increase in the complexity of hardware and software products and the associated maintenance and support costs has led to SaaS gaining in importance. Having already identified the increasing competitive and cost pressures placed on industrial companies, IBS AG began offering its customers a SaaS framework model some time ago, specially tailored to meet their requirements. The first SaaS customer projects have now been carried out. The benefits of the SaaS model – compared to the standard licence model – lie in the considerable reduction of hardware costs. SaaS users no longer require a computing centre of their own, but merely a network infrastructure enabling Internet access. The costs of e.g. software licences, IT support and IT administration are already included in the single, fixed SaaS package price. The costs of e.g. software licences, IT support and IT administration are already included in the single, fixed SaaS package price. SaaS consequently offers a high degree of planning security. In order to identify the cost-saving potentials of SaaS, IBS AG offers its customers an optional, direct comparison of the in-house vs. hosting model costs.

### Mobile Applications:

Dwindling data tariffs, inter alia, have finally led to breakthrough in mobile Internet access and use of the Smartphone. Applications previously used on a largely stationary basis can now be configured for on-the-go access from a mobile phone using a so-called “App” (portable application). According to the latest BITKOM forecast, 5.6 million Smartphones have already been sold in Germany this year. Many IBS users can today rely on the support of their IBS software solutions to obtain relevant key quality and production data from anywhere in the world, frequently transforming the train, car, plane and even the holiday home into a mobile office.



### Service-oriented Architectures:

SOA is a concept that structures a company's business and IT in terms of services. Thanks to their modular construction, SOAs lend themselves to the flexible implementation of business processes. There is no such thing as an off-the-peg SOA per se, since each and every solution must be adapted to suit the individual conditions within the company – not only in terms of the organisation but also the existing application environment. A SOA can consequently never be declared completed, since, given the backdrop of a dynamic market environment, it must develop continuously, along with the company. IBS software solutions enable the combination of existing IT structures to form a complete solution.



### Virtualisation:

The IT trend virtualisation enables companies to reduce their number of servers, whilst at the same time improving the flexibility and availability of their IT systems. Virtualisation therefore revolves around the theme of resource-saving. While the average server only works at between 3 and 15 per cent of its actual capacity it still uses 100 per cent of its energy. Virtualisation is also important for middleware and application systems, which are being made increasingly flexible and standardised thanks to Service-oriented Architectures. IBS solutions and technologies can already help companies considerably optimise their server usage and at the same time ensure that their corporate applications offer the highest degree of real-time availability and performance.





## Corporate Profile – Mission, Vision and Strategy

### Mission



### Vision



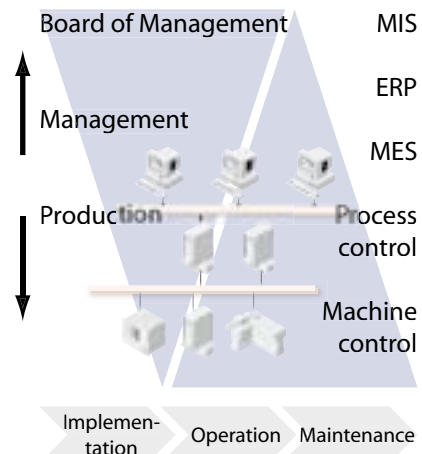
#### Services

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

#### Innovative Software Solutions



#### Integration in the Company-wide IT Systems



The IBS Group has become established as the industry standard for its productivity and compliance management solutions in a growing number of new industries. IBS Group solutions integrate the best processes of each industry.

The IBS Group provides its customers, who can be found all industries worldwide, with valuable support in the organisation of their quality, production and compliance processes. In order to do so, the Company channels the latest process management and software technology know-how into the realisation of its consulting services and software.

IBS AG's activities are aimed at increasing corporate value and in developing the markets the Company continually strives for profitable growth. Its penetration of several different markets and industries, leading to a diversification in income sources, inherently reduces company-specific risks.

Customer requirements are at the heart of all software solutions and consulting services. The software enables the optimal control of all processes along the product life cycle and puts the customer in a position to realise rationalisation potentials, i.e. increase productivity and product quality whilst at the same time reducing overall costs. The compliance management software supports IBS customers in dealing with the growing number of regulatory requirements on the international markets.

IBS AG requires well-qualified, reliable personnel in order to achieve its corporate aims. The Company continually invests in further education and training programmes in order to assure the high quality of its software and consulting services. Employee remuneration is above average and performance-related, which ensures the alignment of interests between the Company's employees and all other IBS stakeholders.

IBS AG is a reliable partner of research institutes and other companies. The Company is involved in a number of technological, project-related and strategic partnerships within the scope of co-operations. Thanks to its involvement in research projects, the Company makes a significant contribution towards the development of technical advancements.

IBS AG's key competences lie in the performance of consulting services and the development of software solutions for productivity and compliance management. IBS AG's services range from cross-industry client process consulting and solution-oriented integration and interfacing in existing IT landscapes to the implementation of IBS solutions and professional user training.

IBS productivity management comprises solutions for production, traceability and quality management. The integrated availability of information within the production processes enables Total Quality Management (TQM). This involves the integration of suppliers in the customer's quality management system, enabling the traceability of components and production conditions. The optimisation of production processes requires cross-company information systems able to connect the management and operative levels.

The compliance management solution enables compliance with all relevant internal and external regulations and standards that currently apply, or shall apply, to a given company and that require prompt fulfilment without adverse affects to the company's operative business.

IBS AG continually adapts its software to meet the latest technological standards. One of the main requirements regarding production and quality management is the ability to integrate the system at all levels. This is achieved via an interface between the IBS software and the Service-oriented Architecture (SOA), enabling linkage of the IBS systems with all other information systems.

The strategic focus of the IBS Group is the development of new industries and markets. Examples of successful new market developments are renewable energies, electronics and the medical technology industry.



## January

- » IBS AG founds IBS Business Consulting GmbH in a move aimed at the expansion and optimisation of the IBS consulting and services portfolio. In step one, IBS customers benefit from the consulting given during the optimisation of their company processes. In step two they receive the support of the experienced IBS project team throughout the implementation of the necessary measures.
- » Aluminium-Werke Wutoeschingen AG & Co. KG (AWW) replaces its heterogeneous IT system landscape with a homogeneous MES software system.



**IBS Business Consulting GmbH**  
Management and Process Decision Support

## February

- » IBS AG supports energy-efficient technologies and receives an order from SMA Solar Technology AG. SMA is the world market leader in photovoltaic inverters, one of the key components in every solar power plant.
- » IBS software is brought in to control the production, material and quality processes at LIEBHERR Hydraulikbagger GmbH, enabling a significant reduction in assembly station times during the production process and an increase in the range of variants.
- » The IBS AG Share repurchase programme, aimed at share price management, runs from December 2008 until February 2009.



## March

- » The Company participates in the CeBIT 2009 from 3rd until 8th March 2009, enabling interested parties to gather information on the latest possibilities and innovations aimed at the improvement of quality standards and process optimisation in industrial companies.
- » IBS AG announces its Annual Report on 31st March 2009.
- » IBS AG launches a further share repurchase programme, running from March until May 2009.





- » Small and mid-market companies form the backbone of the German economy. At the beginning of April 2009 IBS AG launches an extensive initiative aimed at illustrating the great potentials offered by its efficiency-increasing, cost-reducing software solutions to the German mid-market. In addition to the development of an implementation concept, the offer also incorporates a cost-benefit calculation for the customer. IBS AG projects normally carry a payback period of under a year.

April



- » IBS AG gives a series of presentations at Europe's most important quality management trade fair between 5th and 8th May 2009. At this year's event, IBS holds a series of so-called "Theme Days", each specially tailored to meet the requirements of the various different industries. Themes focus on electronics, solar and photovoltaic technology, medical technology, environmental management, the mid-market and calibration management.

May



IBS Annual General Meeting 2009

- » Siemens AG opts for IBS AG's audit software. The subsequent implementation leads to a significant reduction in documentation and archiving efforts and related costs.
- » The IBS Annual General Meeting resolves a dividend payout of 0.10 EUR per share for the 2008 financial year.

June



## July

- » IBS revolutionises vehicle manufacturing with a new software solution. The successful implementation of a Tool Assistance System for the automatic allocation of vehicle and tools is carried out at the BMW plant in Regensburg, Germany.
- » IBS AG launches its Lean initiative with a themed event in Stuttgart, Germany. The motto: "Lean Manufacturing: Reducing Costs and Eliminating Waste".



## August

- » BMW extends its maintenance agreements with IBS AG for the IBS quality management solution CAQ=QSYS® Automotive, recognising the IBS solution as a "strategically very important" application.
- » IBS AG launches a further share repurchase programme aimed at share price management, running from August until October 2009.



## September

- » IBS event in Hamburg: IBS AG releases its self-developed, field-tested software solution for integrated quality, production and traceability management in the high-tech and electronics industry.
- » IBS America, Inc. exhibits at the Quality Expo, North America's leading quality exhibition in Chicago, Illinois.
- » Joachim Hoerster, Member of the Bundestag (Lower House of German Parliament) visits IBS AG head office.



October



- » IBS AG once again presents its software solutions at its own stand at the BMW Group IT trade fair. The BMW annual internal trade fair is aimed at keeping BMW personnel and management abreast of the latest products, technical solutions and innovations provided by the company's IT suppliers.

November



- » IBS AG gives a presentation at the 2009 German Equity Forum in Frankfurt am Main.
- » Invitees attend the 13th IBS Expertenkreis. The event has become established as one of Germany most important quality and production management events over the last few years. The congress attracts almost 200 participants, as in 2008, in spite of the economic crisis.



- » Magna opts for IBS AG's compliance management software solution.
- » IBS AG publishes the second edition of its customer magazine "Contact". The publication keeps IBS AG customers abreast of the latest trends in quality, production and compliance management, as well as providing information on the corporate group.

December





In spite of the weak macroeconomic situation that remained throughout 2009, the IBS Group was nevertheless able to close the last financial year profitably and with EPS of 0.19 EUR or a profit margin of 7 per cent. With a 16 per cent drop in turnover and an EBITDA margin decline of 5 percentage points we have fared somewhat better than many other software companies during the worst recession in post-war history. On the whole, we are not entirely satisfied with our performance during this particularly difficult year 2009.

Group turnover dropped to 18.3M EUR compared to 21.9M EUR generated during the previous year. This decline was largely due to interruptions and postponements in automotive sector projects. Given the liquidity shortage on the capital markets, companies concentrated on conserving their own cash resources. Temporary reductions in working hours in many plants led to a lack of customer project personnel. Turnover from licence sales, services and low-margin hardware business dropped accordingly during the period under review whereas turnover from maintenance increased by 17 per cent to 7.7M EUR. Software and maintenance revenue accounted for 63 per cent of the overall turnover, compared to 53 per cent in the previous year. The single company IBS AG increased its turnover from licence sales and maintenance by 11 per cent to 6.8M EUR. The volume of orders on hand for the Group, which comprises turnover from orders and maintenance for the next 12 months, increased by 8 per cent to 11.14M EUR during the period under review. This illustrates that the Company's customers are convinced of the benefits offered by the software in the automation of business processes and unlocking cost-saving potentials, but were also keen to postpone project management in favour of liquidity protection.

On average there was a reduction in all cost types of around 10 per cent, however this was not proportional to the drop in turnover. EBITDA amounted to 1.83M EUR and equated to an EBITDA margin of 10 per cent, compared with 15 per cent in the previous year. Earnings before interest and taxes (EBIT) fell accordingly to 1.28M EUR and corresponded to an EBIT margin of 7 per cent. Earnings per share (undiluted) stood at 0.19 EUR. We wish to continue our dividend policy and will be proposing to the Annual General Meeting a further dividend payout of 0.10 EUR per share for this year.

In the 4th quarter of the 2009 financial year we were able to regain what we had lost during the first three quarters, as 75 per cent of the Company's operative cash flow was generated in the last quarter. Group turnover amounted to 5M EUR, compared to 6.59M EUR generated in the 4th Quarter of 2008, which was incidentally the best quarter in the Company's history. Earnings before taxes and interest (EBIT) amounted to 692K EUR and corresponded to an EBIT margin of approximately 14 per cent, compared to an EBIT margin of 18 per cent in the 4th quarter of 2008.

Despite the tense economic situation we were able to celebrate some sales successes during 2009. At the beginning of the year we received a pleasing order from the energy sector company SMA Solar. Siemens AG ordered our audit module. Liebherr opted for our traceability solution. BMW extended a series of major maintenance orders. Towards the end of the year, major automotive industry supplier Magna placed an order for our compliance solution.

In the middle of the year we launched a mid-market offensive, approaching a wide range of mid-market companies to explain to them how our solutions can help them save costs whilst increasing the quality of their products. Our projects carry a payback period of under a year. The offensive led to a number of successes.

The IBS AG Share closed the trading year with a plus of 55 per cent and a share price of 3.44 EUR. During the year the listed share price fluctuated between its annual low of 2.13 EUR in March and its annual high of 3.79 EUR in November. This range illustrates the sheer volatility of the stock market in the course of the year. We do not believe these share prices to reflect the Company's potential, however. We therefore repurchased IBS Shares to the value of 221K EUR via the stock market in 2009. The share repurchase programme will continue into 2010.

Given the afore-mentioned macroeconomic situation it is currently difficult to forecast performance during the 2010 financial year. We anticipate having greater clarity of the business development from mid-2010 and look forward to a more positive development than that of 2009. If the macroeconomic situation stabilises any further, we anticipate our customers' investment willingness to normalise and, inter alia, we will be able to process a higher proportion of the volume of orders on hand.

With best regards,



Dr. Klaus-Juergen Schroeder



Volker Schwickert

## Interview with Johann Lang, Delphi Deutschland GmbH

### Personal Profile

Mr. Lang is widely acknowledged for his valuable contribution in shaping Delphi Group's Neumarkt site, in addition to a large number of international production plants in China, Russia, India, Mexico, North Africa and numerous other plants in Europe and Eastern Europe. The Neumarkt plant been acclaimed with various customer and institutional awards during his 11-year appointment as Plant Manager.

### Interview

Initiated by the publication AUTOMOBIL-PRODUKTION in conjunction with Agamus Consult, the "AUTOMOTIVE LEAN PRODUCTION AWARD" competition was launched again in 2009, with a view to finding successful "lean" companies embodying a European benchmark for the theme of "Lean Manufacturing". After winning the „Factory of the Year/Global Excellence in Operations“ (GEO) competition in 2005 and 2008, Delphi went on to receive the Automotive Lean Production Award in 2009.

### Mr. Lang, how do you explain this further, great success?

Being one of the world's largest suppliers to the automotive industry puts us under an enormous amount of competitive pressure. We have taken on the challenges that that entails and have been supplying completely defect-free parts (zero parts per million) for over 7 years now. We use ultra-modern, computer-assisted production, quality and traceability management. State-of-the-art, high-speed punching machines and an employee-motivational, productive working environment are further contributors to our sustained success.

### Do you see any connection between the Delphi Excellence Programme and winning the 2009 Automotive Lean Production Award?

Yes, without a doubt! Our aim is not only to fulfil each and every aspect of our customer expectations but also to exceed them. To us, excellence means always keeping the customer at the centre of everything we do and strive to continually impress our customers with our products, services, business practices and conduct. This is the crux of our corporate culture. One of our company policies is to "get it right first time", which is linked to our aim of continuously and methodologically optimising all engineering areas in order to retain our pole position when it comes to speed, innovation, competence and costs. Furthermore, - as already mentioned - we also create a pleasant, yet productive environment for our workforce, focusing on teamwork and the further development and training of the individual employees.

### How do you keep the theme of excellence constantly in the minds of your employees?

To ensure that excellence is securely and permanently manifested in our corporate culture we organise an annual internal event, known as "Excellence Week", in which we not only celebrate the successes of the past year, but also scrutinise the setbacks. This kind of open reflection motivates our employees in embracing new challenges.



**Johann Lang**  
**Plant Manager**  
**Delphi Deutschland GmbH**  
**Werk Münchener Ring 1**  
**92318 Neumarkt**

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**Zero defects/PPM over several years is no coincidence. How is that possible?**

One of the strong points of our plant is its efficient and lean manufacturing. "Lean" in this case involves the continuous software-supported monitoring of product quality at each and every production step, to ensure that no defective products are manufactured. In particular, IBS software solutions for quality, production and traceability management support us in doing so.

**Can you give any practical examples of how the IBS software solution supports Delphi?**

In addition to manufacturing complete vehicle fuel tank systems at this plant we also have high-speed punching machines producing approximately 2.4 billion metal components for plug connections each year. Each high-speed punching machine in our metal punching facility produces up to 3,000 parts per minute. That's far too fast for the human eye to register, which is why all parts are filmed by cameras and undergo real-time inspections using the IBS software solution, enabling deviation detection in the early stages.



**How quickly did the initial investment in the IBS software solution at Delphi pay for itself?**

The payback period was less than a year. The IBS software solution also helped enable us to significantly optimise our processes and reduce wastage to an absolute minimum.

**Mr Lang, thank you for talking to us.**









## IBS Customer References

Integrated, sustainable software solutions and a wealth of extensive process expertise are what have been making IBS AG customers so successful for the last 28 years. The number of customer installations amounts to over 4,000 today. IBS AG continued to receive extensive project orders from new and existing customers throughout 2009. A large proportion of IBS customers represent the automotive and automotive supplier industry. Over the last few years, IBS AG has succeeded in expanding its customer base to include new industries such as the electronics, energy and medical technology sectors.

### **Aluminium-Werke Wutoeschingen AG & Co. KG**

IBS AG's customer base now includes 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 Graf Zeppelin airships. AWW has made a name for itself worldwide as market and technology leader in aluminium processing. The company manufactures around 45,000 tonnes of aluminium products per year and in 2007 generated a turnover of approximately 180 million EUR with around 600 employees. AWW opted to integrate IBS AG's production, quality and traceability management solution in 2009. The IBS solution enabled the company to replace its existing isolated applications with a homogeneous software system. Implementation of the IBS software is aimed at bringing about a substantial degree of process optimisation at AWW and will make a significant contribution in strengthening the company's quality leadership. IBS AG's solution will also enable AWW to save 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.

### **BMW Opts for Service-oriented Architectures (SOAs)**

The integration of Service-Oriented Architectures (SOAs) at BMW is aimed at further increasing flexibility and reducing costs. SOAs involve the standardisation of IT structures, combining them in an overall solution. 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. CAQ=QSYS® Automotive is now being installed at all BMW car manufacturing plants – which currently amount to ten locations in five countries – becoming the standard software in use there. BMW uses the IBS software CAQ=QSYS® Automotive to support the constant further development of its production and quality management.

### **IBS Revolutionises Car Manufacturing at BMW**

IBS AG has successfully implemented a new Tool Assistance System (TAS) at BMW's production plant in Regensburg. The TAS is based on the Location Identification System (LIS), which enables the localisation and identification of products and tools within the production process. LIS/TAS was developed as a joint software product by IBS AG and Ubisense AG. The development of the LIS/TAS system is based on a merger of the Ubisense real-time location system with the IBS software systems. The IBS software establishes the connecting link between the Ubisense location system and the existing IT system landscape at BMW.

This procedure has already switched to production at the Regensburg plant, with the comprehensive upgrade covering approximately 1,000 vehicles a day and 120 screwing devices in the assembly area. Localisation of the vehicle is carried out on a three-dimensional basis and in real-time, by way of a tag attached to the vehicle. These tags are miniature transponders which transmit information on their positions to fixed-mounted sensors, using ultra wide band radio technology. All project aims were achieved within the specified time and scope of costs. In terms of added value, BMW regards the project a complete success.

#### **Kautex Textron GmbH & Co. KG**

IBS software solutions support Lean Management at Kautex with the real-time provision of all necessary information along the supply chain. Using IBS' Cockpit module the company is able to clearly visualise the loss types – wastage, variability and inflexibility – and where necessary initiate the appropriate counter-measures without delay and within the scope of a continuous improvement process (CIP). The Kautex Textron GmbH & Co. KG plant in Bavaria is proof of the efficiency of IBS software solutions. The company was distinguished with the “2008 Automotive Lean Production Award” in the “International Mid-market” category. Kautex Textron GmbH & Co. KG is one of the world's leading suppliers of plastic fuel tank systems. The company is a part of the multi-industry company, Textron, Inc., which achieved a turnover of 14B USD in 2008 and operates in 29 countries with approximately 37,000 employees. The company leverages its global network of aircraft, industrial and finance businesses to provide customers with innovative solutions and services. Textron is known around the world for its powerful brands such as Bell Helicopter, Cessna Aircraft, Kautex, Lycoming, E-Z-GO, Greenlee, Jacobsen and Textron Finance.

#### **LIEBHERR Hydraulikbagger GmbH**

Use of the IBS software is primarily aimed at optimising the production process, whilst at the same time safeguarding quality by ensuring the complete traceability of all manufacturing processes. The IBS solution has enabled the construction machinery manufacturer to achieve its aim of reducing assembly station times within its production process. In turn, a reduction of lead-times has also enabled an increase in production quantities and in the number of variants, whilst at the same time reducing stock and production costs.



#### **Madico, Inc.**

Madico is a manufacturer of synthetic, metalized and ceramic-coated film systems. The themes of quality and compliance are predominant at Madico, due to the safety-specific characteristics of the products manufactured. The company is ISO 9001:2008 certified. Madico's business and process documentation was previously carried out on a purely manual basis and was as such unable to accommodate any kind of transparent, reliable compliance management. As a production company and a manufacturer of safety-relevant products, Madico, Inc. is bound to meet and comply with all the relevant quality standards and provide the respective documentation. A reliable, computer-assisted compliance management system is therefore an indispensable tool for Madico. The company was able to achieve clear process improvements shortly after the implementation of CompliantPro™, as well as reducing its audit times by around 50 per cent.

#### **Magna International, Inc.**

Magna International, Inc. is a Canadian supplier to the automotive industry. The company achieved a turnover of approximately 23B USD in 2008. Magna specialises in the manufacture of, inter alia, roof, seating and closure systems, as well as electronics. In order to further improve its quality management, Magna opted for IBS America, Inc.'s QSI System software during the first quarter of 2009. The software is scheduled for implementation at the company's plants in the USA, Mexico and China.

#### **Parker Hannifin Corp.**

Parker Hannifin is a manufacturer of motion and control technologies, developing and constructing systems and precision solutions for mobile and industrial applications and for the aerospace sector. Parker employs approximately 62,000 personnel in 48 countries worldwide. Parker Hannifin uses IBS AG's CompliantPro™ software solution at 5 of its US sites within its medical technology division.

#### **Progressive Casualty Insurance Company**

One of the USA's largest insurance groups, Progressive Casualty Insurance Company, purchased CompliantPro™ software licences for 2,600 of its employees during the second quarter of 2009. Progressive, with head office in Cleveland Mayfield Village, Ohio, employs over 28,000 personnel at over 450 branches, which are scattered across each of America's 50 states. Progressive specialises in the sale of insurance policies for motor vehicles, ships and real estate.

#### **SAS Autosystemtechnik GmbH**

SAS Autosystemtechnik is now successfully using IBS AG's computer-assisted quality management solution CAQ=QSYS® Professional at each of its 26 sites. SAS Automotive Systems, founded in 1996, is today a joint venture between Continental AG and the French concern Faurecia S.A. The globally-operative company, with head office in Karlsruhe, specialises in the assembly and development of cockpit modules for vehicle interiors. Its customers include automobile manufacturers such as BMW, Daimler, the Ford Group, Renault-Nissan and VW. SAS sites can be found across Europe, Latin America, North America and China. IBS AG's software-assisted quality management solution has been in use at SAS Autosystemtechnik since the beginning of 2005, supporting in particular the areas of incoming goods and concern and complaint management. A global roll-out of the latest IBS software release is planned for 2010.

#### **Siemens AG**

The energy sector of Siemens AG is a full-range supplier along the entire energy conversion chain, offering a wide range of products and services for the generation, transfer and distribution of energy, as well as for the extraction, conversion and transport of primary energy carriers such as oil and gas. IBS' audit software has been implemented at Siemens "Energy" to further improve and streamline efficiency in the planning, execution and evaluation of company-relevant audits. Thanks to the latest audit version, Siemens is now able to achieve complete transparency and traceability of its operations, leading to a notable reduction in documentation and archiving effort and the associated costs. The audit software supports internal and external system audits at Siemens, as well as environmental audits, which are of particular importance to the company.



### **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 received a major order from new customer SMA Solar Technology AG and has thus been able to further expand its market share in this segment. SMA, with a turnover of 681M EUR in 2008, is world market leader for photovoltaic inverters, a key component of every solar power plant. The SMA Group, with head office in Niestetal, near Kassel (Germany), has foreign subsidiaries in eight countries on four continents. The corporate group employs over 4,000 personnel. SMA's product portfolio includes the most

comprehensive range of inverters on the market, offering a compatible inverter for every type of photovoltaic module and for all plant sizes. The product range covers both inverters for photovoltaic plants connected to the grid as well as inverters for off-grid systems. The company has been listed on the Prime Standard of the Frankfurt stock exchange since 27th June 2008 and on the TecDax since September 2008. SMA has opted for the support of IBS solutions and the implementation of IBS software at further company locations is planned for the long-term.











## The IBS AG Share

IBS AG remains in constant contact with the financial markets. The IBS AG Investor Relations department keeps the share market abreast of the latest corporate news. A series of road shows and presentations at investor conferences affords the company the opportunity to speak directly with investors. The IBS AG Share is listed for trade in the Prime Standard of the German stock exchange. In addition to the Prime All Share Index, the share is also listed on the German Entrepreneurial Index (GEX) and the Prime Software Index.

The analysts SES Research provided coverage of the IBS Share in 2009. In his latest study, analyst Felix Ellmann asserted his recommendation to „buy“. A target share price of 4.20 EUR was also endorsed.

IBS AG's communication with the financial markets fulfils Prime Standard publicity requirements. In addition to the publication of its Annual Report, the Company also publishes Quarterly Reports and the Company management issues ad-hoc announcements on relevant events and findings. IBS AG also keeps the capital market well-informed on the latest corporate events within the scope of regular press releases. These are published by an ad-hoc service provider, via an official e-mail mailing list and on the IBS AG web site. Interested parties have the opportunity to subscribe to the e-mail mailing list. The Board of Management also hosts a telephone conference with investors and financial analysts on the day on which the annual accounts are published.



### Annual General Meeting 2009

The 9th IBS AG Annual General Meeting took place in Hoeher-Grenzhausen on 26th June 2009 and afforded the Company's shareholders a direct dialogue with the Board of Management and Supervisory Board.

Inter alia, the Annual General Meeting granted the Company the power to acquire treasury stock of up to 10 per cent of the nominal capital unpaid at the time of the Annual General Meeting until 25th December 2010. The authorisation may be exercised as a whole or in part and on one or more occasion, enabling the Company to use the acquisition of treasury stock as an additional financial instrument and to react quickly and flexibly. The Annual General Meeting also resolved a further dividend pay-out of 0.10 EUR per share for the 2008 financial year.

### Development of the IBS Share

The year 2009 was shaped by recession the German stock market. After the German share index reaching a low of 3,666 points on 6th March 2009, the economic situation started to recover over the course of the year and rose by over 50 per cent by the end of the year. The IBS AG Share was not able to evade the negative trend of the stock market during the first quarter with the listed share price charting its annual low of 2.13 EUR as early as January. The IBS Share price began to rise again as the financial markets began to recover from March onward and continued to do so. The share price reached its annual high of 3.79 EUR in November, following the announcement of the Company's 3rd quarter figures. The recovery of 78 per cent reflected the sheer volatility of the financial markets. The IBS Share charted a stock market value of 3.44 EUR at the end of the 2009 trading year, which corresponded to a plus of 55 per cent. In comparison, the German Entrepreneurial Index (GEX), in which the IBS Share is listed, charted an increase of just 38 per cent. The Prime Software Index of the German stock exchange rose by 99 per cent during the period under review.



**Nina Schroeder**  
Investor Relations  
IBS AG, Hoeher-Grenzhausen

The significant proportion of customers from the automotive sector, which has been particularly badly hit by the crisis, caused some reluctance among investors. With a liquidity of almost 1 EUR per share, IBS' operative business was temporarily assessed at just over 1.10 EUR per share. Investors recognised the gross undervaluation of IBS' potential in this assessment. Overall the IBS business model has proved to be extremely stable, even during the worst crisis of the last 80 years.

## Interview with Professor Westkaemper, Director of the IFF and Head of the IPA Stuttgart

Professor Engelbert Westkaemper, born in 1946, has been Director of the Institute of Industrial Manufacturing and Management (IFF) at the University of Stuttgart and Head of the Fraunhofer Institute for Manufacturing Engineering and Automation (IPA) in Stuttgart since 1995.

Professor Westkaemper was awarded a doctorate by RWTH Aachen University in 1977, for his thesis entitled "Automation in One-piece and Series Manufacturing". Before returning to the university as professor and Director of the Institute of Machine Tools and Production Engineering (IWF) at the University of Braunschweig in 1988 he took up posts in the German aviation industry (MBB) and electronics industry (AEG), where he was responsible for production technology, and finally as Head of the Central Production Technology Division of AEG Aktiengesellschaft in Frankfurt.

Professor Westkaemper is a member of acadtech and a committee member of various German and European research organisations, including the review board of the DFG (German Research Foundation), and is also a member of the EU high-level group Manufuture.

**How do you assess future production system requirements? What role does computer-assisted management, such as that of IBS AG, play in this respect?**

Factories are complex, long-life products but they need to be continually adapted to meet dynamically changing tasks and conditions such as the products, markets and technologies. Applying knowledge to systems adaptation and to achieve more profitable added value i.e. integrating knowledge in the production systems in order to secure competitive advantages is by far the greatest challenge for the future.

This is not possible without IT systems in any of the production areas. Computer-assisted quality management systems are vital and indispensable elements of a knowledge-based production system and in terms of knowledge integration have a great deal of potential for the future. IBS AG QM systems already fulfil the basic requirements of a new generation of integration of quality knowledge in the production systems of the future.

**What do you identify as the latest trends in the field of production management and what role does it play in this area?**

The latest trends in production management are not affected by the deep crisis in the production industry. In the past, crises were always followed by severe changes. That will be the case this time, too. We therefore anticipate an increase in the importance of "green technologies". A reduction in energy consumption, materials and process efficiency and also the use of achievement potentials at the limits of technology, where the processes generally become unstable, are considered more important than perfecting a logistics system. We also anticipate the flow of technical intelligence into production and assembly systems. Technical intelligence makes production processes adaptive and simplifies system adaptation. For example, the SPC simulation will become a tool with which we can learn "from the future" as it were, to enable us to avoid losses and wastage. This so-called "in-situ simulation" relies on MES systems for the acquisition and consolidation of historical knowledge and to enhance the realism of the simulation.



**Professor Engelbert Westkaemper**  
Director of the IFF and Head of the IPA Stuttgart

Furthermore, MES reality enhancement depends on MES systems being able to cope with an increasing number of sensors. It is also possible that modern communication systems, such as search engines or the CloudAV (cloud computing antivirus well-known from the Internet), could replace the “bureaucratic” methods often anchored within MES systems.

**Considering the constant increase in the number of product recalls over the last few years, how are traceability systems likely to affect production management in the future?**

Nowadays production systems no longer stop at the actual manufacture of the products or their despatch. After-sales services are an integral part of the supply chain. It's already possible for manufacturers to use communication technologies to follow the life cycle of a product and access their products in the field in order to offer more profitable services or identify product improvements. The use phases of a product are a source of knowledge and at the same time the field in which the quality of the products needs to be attested. Product recalls indicate insufficient preventative measures during the development and manufacturing processes. These will remain unavoidable in the future, even with the greatest of efforts aimed at the early and systematic development and construction. The crux is the fast reaction to problems and their removal using quality management. Traceability systems are an effective tool in overall quality management.



**What cost-saving potentials do you believe to be associated with the implementation of a traceability solution?**

Traceability systems follow the complete product life cycle. New product-related services can be added, which could be the source of additional business. They also help reduce costs. The cost-saving potentials are great, considering the high experimental costs and the cost of subsequent product improvements, which can amount to up to 30 per cent of the overall costs of product documentation and management. Traceability systems do not just contribute to efficiency improvements and cost reduction, however. They also improve a company's position in competition. Product customising and complexity management are further success factors that can be supported using traceability systems.

**Are there any innovative production themes that you would like your scientific activities to concentrate on in the future, and if so, what are they?**

As already mentioned, integrating knowledge in production systems and marketing knowledge in forms that safeguard the company's expertise are key themes in production research. This strictly follows the path of process modelling and simulation. We are constantly trying to get the simulation closer to real events in order to achieve higher performance in the production process and reduce the number of defects and deviations. The idea we have developed – adaptive simulators – in one we will definitely be developing further.

Another concept is the digital factory. Today's engineers have access to a wide range of tools that support the supply chain, from product development to the production. We see factories as products and use digital tools and new data management to try to promote the factory life cycle in mid-market and smaller companies.

A third focus is energy management. We see a lot of analogies following the principles of TQM in this area, be those with quality management or with Total Energy Efficiency Management.

**The Fraunhofer Institute and IBS AG have already mastered a number of projects together, such as the "Defect Process Matrix" project, which deals with a special form of Failure Mode and Effects Analysis (FMEA) in the assembly process. Do you see any rudiments for further such cooperation?**

I can see a whole host of rudiments for joint research and development. One example that I would like to lead on to is today's technologies for using speech processing in QM. Speech processing can be used in the areas of quality data acquisition, traceability or for the support of workflows. The IPA and the manufacturers of speech processing systems have made a lot of progress here. We would be only too happy to foster further innovations with IBS AG, should the opportunity arise. The co-operation proved most beneficial to both parties.

## 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

As a German („AG“), 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

The IBS AG Supervisory Board comprises three members. In accordance with the rules of procedure of the Supervisory Board, the principle of independence applies to the shareholder representatives of the Supervisory Board. Some members of the Supervisory Board are, or were in previous years, engaged in high-ranking positions 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. 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.

Its tasks also include the appointment and withdrawal of members of the Board of Management and determination of the remuneration of the Board of Management. 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 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.

It monitors compliance with legal directives, official regulations and corporate guidelines, as well as the company’s internal guidelines (compliance).



### Board of Management

As at 31st December 2009 the IBS AG Board of Management comprised two members.

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, established by the supervisory board, 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.

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

### 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 one vote. There are no shares carrying multiple or preferential voting rights or maximum voting power. A limitation of voting rights only applies to legitimating shareholders in accordance with § 5 no. 2 of the IBS AG Articles of Association.

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.

Name	First name	Current occupation
<b>Board of Management:</b>		
Schroeder	Dr. Klaus-Juergen	Chief Executive Officer (CEO)
Schwickert	Volker	Executive Vice President
<b>Supervisory Board:</b>		
Koechling	Christoph	(Chairman) Managing Partner of KM Results GmbH & Co. KG
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 Gruenland GmbH » Monument Vermoögensverwaltung GmbH
Muenster	Andreas	Client Executive IBM Deutschland GmbH

**Transparency und 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 affecting 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 compa-

**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. The following Director's Dealing announcement was made following the accounts closing date of 31st December 2009:

Date	Name	Transaction	Type	Quantity	Share price
09.02.2010	Dr. Klaus-Juergen Schroeder	Chief Executive Officer	Purchase	10,000	3.24

ny 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 and appropriate measures are initiated, should the need arise.

**Stock Ownership by the Board of Management and Supervisory Board**

Members of the Board of Management Dr. Klaus-Juergen Schroeder and Volker Schwickert, who were members of the Board of Management during the year under review, held a total of 2,715,430 IBS Shares as at 31st December 2009 (previous year: 2,715,430), which corresponds to 39.5 per cent of the IBS AG nominal capital (previous year: 39.5 per cent). Members of the Board of Management during the year under review held a total of 250 IBS Shares as at 31st December 2009 (previous year: 250), which corresponds to 0.004 per cent of the IBS AG nominal capital (previous year: 0.004 per cent).

**Payments Report**

The Payments Report can be found in the Position Report, on page 85.

## Declaration of Compliance 2009

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 18th June 2009, have been observed since the Company's last Declaration of Compliance in December 2008 and shall continue to be observed in the future, with the exception of the deviations listed below.

### **Number 3.8, section 2**

The D&O insurance taken out by the Company for the Board of Management and Supervisory Board does not contain any excess. Excess in accordance with § 93 II 3 of the German Stock Corporation Act shall be added within the transitional regulation, in accordance with § 23 I of the German Stock Corporation Act Introductory Law.

### **Number 4.2.3, section 2**

Variable payment items for the Board of Management embody both positive and negative corporate developments. The multi-year assessment basis for variable payment items in accordance with § 87 I 3 of the German Stock Corporation Act is not yet included in the currently applicable contracts, however shall be included where new contracts are drawn up.

### **Number 4.2.3, section 4**

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 3**

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, section 2, sentence 3**

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

### **Number 5.2, section 2, number 5.3.2 and number 5.3.3**

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. The respective regulations are therefore not applied.

### **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 5.4.6, section 2, sentence 1**

The Supervisory Board does not currently receive any performance-related remuneration components.

### **Number 5.4.6, section 3**

No listing of the individual salaries of the members of the Supervisory Board or 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 5.4.6 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 IBS AG Declaration of Compliance was made on 15th December 2009 and is accessible to our shareholders in the Investor Relations area of the IBS AG homepage ([www.ibs-ag.de](http://www.ibs-ag.de)).



## Report of the Supervisory Board

*Dear shareholders,*

During the 2008 financial year the Supervisory Board met all obligations pursuant to the law and the Company's Articles of Association, advised the Board of Management on its management of the Company and monitored the management methods applied. It was involved in all decisions that were of fundamental importance to IBS. The Supervisory Board met five times during the year under review, in order 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. Each meeting was attended by all members of the Supervisory Board. 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.

In keeping with expectations, the difficult macroeconomic situation heavily influenced the investment practices of some important customer groups, which had an affect on the turnover development of the Company. Cost adaptation was therefore one of the main themes of our in-depth consulting. Investments in reinforced sales activities and new developments, such as the Service-oriented Architecture platform (SOA) and the funded project LAENDmarkS were also the source of intensive discussion with the Board of Management. The further expansion of the Company's internal risk management systems was a key theme.

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 88 of this Annual Report.

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 23rd March 2010. 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 31.12.2009. The annual financial statements are thus formally adopted.

We would like to thank the Board of Management and all the Company's employees for their commitment and dedication, with which they succeeded in attaining a respectable business result in spite of the very difficult economic situation.

Hoehr-Grenzhausen, 23rd March 2010

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 -



**Christoph Koechling**  
Chairman of the IBS AG Supervisory Board

Managing Partner of  
KM Results GmbH & Co. KG

**Prof. Dr.  
Heiko Aurenz**  
Vice Chairman of the IBS AG Supervisory  
Board

General Manager of the consultancy  
EBNER, STOLZ, MÖNNING BACHEM  
Unternehmensberatung GmbH



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# **Consolidated Position Report**

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## Business Conditions and Determining Factors

### Macroeconomic Situation 2009

At the end of 2008 the world economy began its decline into the worst recession in the last 80 years. Each of the major industrial nations charted a decline in its economic performance for at least two quarters. National governments introduced worldwide economic stimulus packages to support the economy. The effects of these measures became apparent during 2009. Two scenarios arose over the course of economic recovery: V-shaped and L-shaped economic performance. The V-shaped trend involved a sharp decline in economic performance recovery at the end of 2008. The L-shaped trend, however, with its slower recovery process, is more the likely. This scenario is currently the more predominant.

Measures aimed at supporting the economy, such as the vehicle scrapping premium were not at all ineffective and had a stabilising effect on economic performance. The introduction of short time in factories was aimed at combating a decline in employment. Positive impulses for global trade came from emerging countries such as China, India and Brazil, as well as a number of raw materials export countries. Further positive impulses came from the stock turn rate when companies began increasing their stocks and inventories again around the middle of the year.

In Germany, the price-adjusted gross domestic product fell by 5 per cent in 2009, which is the sharpest decline in economic productivity in post-war history. The decline slowed its tempo over the course of the year, from -6.7 per cent in the first half to -3.2 per cent during the second half. Consumer spending rose by 1.4 per cent. Household reluctance was compensated with an increase in public sector spending. There was a steep decline in equipment investment, however, with a drop in spending of approximately 21 per cent. Following expiry of the vehicle scrapping premium, vehicle sales fell by approximately 7 per cent.

### Development of the IT Market

According to the international research institute EITO, the global IT market declined by 4.6 per cent to 890B EUR in 2009. Contrary to the forecast made by the industry association for the year 2009, the IT industry, which covers hardware, software and services, was not spared the effects of the recession. A high degree of uncertainty regarding the business trend led to investment backlogs. The industry association EITO anticipates a 2.6 per cent decline in turnover to 300B EUR in Europe. Companies concentrated mainly on margin protection, placing the majority of investments on the backburner. In Germany the market for IT hardware, software and services receded from 67B EUR in 2008 to 63B in 2009, which corresponds to a drop of around 5 per cent.

The two dominant themes were outsourcing and Service-oriented Architectures. Companies mainly turned to outsourcing during the crisis, enabling them to release cash reserves. Service-oriented software architectures enabled companies to adapt their processes to meet the changing economic requirements more easily.

### **Business Model, Influencing Factors and Strategy**

The IBS AG business model comprises the development and sale of corporate software infrastructure solutions and consulting services. IBS AG products and services involve the optimisation, control and monitoring of a company's vital business processes. The corporate and industry-specific solutions provide process support in the form of quality, production and compliant management.

The benefits for IBS AG customers lie in the generation of cost-savings and a simultaneous increase in quality by establishing transparency throughout the entire product lifecycle.

The compliance management solutions incorporate risk management and Corporate Governance processes. Corporate risks can be systematically identified, assessed and avoided. IBS AG customers use the compliance solution to ensure that operative and strategic corporate targets are reached. Corporate Governance comprises a collection of guidelines for good, responsible company management. The IBS solution benefits lie in the systematic support of management and control structures.

The consulting services comprise corporate consulting on the organisation of processes and on the implementation of software for the automation, control and monitoring of production, quality and compliance processes. Our process consulting is based on the Lean Management approach, which is derived from Lean Production methodology and represents a problem-solving philosophy.

The consulting services can be purchased independently of the software solutions and in addition to process consulting also comprise project management, training, support and software validation services.

The demand for IBS AG's software solutions and consulting services will continue to grow. The global industry is shaped by the increasing complexities and requirements of the supply chain. Companies are required to develop market-ready products in increasingly shorter times, leading to an increase in time and innovation pressure. Competitive pressure on the global market in turn forces higher cost pressure. A sinking vertical range of manufacture among product manufacturers leads to an exponential increase in complexity, with the market expecting manufacturers to supply an ever-expanding range of variants. Supply chain complexities cannot be managed without software-based automation.

Manufacturing companies face considerable risks arising from product liability. The benefits of documenting product and process information can be inferred from the amount of economic damage companies suffer as a result of product liability cases and product recalls. Market regulation in the form of laws and standards is ever-increasing.

The cross-company versatility of its software and consulting services makes the IBS Group less dependent on industry-specific influencing factors.

## IBS AG Organisation and Business Units

### The Organisational Units of IBS

The IBS Group comprises four organisational units: IBS AG and IBS Consulting GmbH in Hoeher-Grenzhausen (Germany), IBS America, Inc., based in Lexington (USA) and IBS SINIC GmbH in Neu-Ansbach, near Frankfurt am Main (Germany). IBS Business Consulting GmbH was founded in January 2009 and enhances the IBS AG solution portfolio with high-quality consulting and project management services in the field of development, logistics (supply chain), production and quality and performance management.

The collective solutions portfolio of IBS AG, IBS Consulting GmbH and IBS SINIC GmbH is aimed at optimising product life-cycle processes in companies belonging to the manufacturing and services sectors. The IBS America, Inc. solution portfolio is designed to optimise management and administration processes in companies belonging to the manufacturing and services sectors.

IBS AG is split into two independently operated Business Units. Together with its three subsidiaries, the Company comprises five Business Units, which are responsible for business development, turnover and performance. The IBS Group management coordinates and manages the business units in terms of sales, software development and project management performance.

The two IBS AG Business Units are split into client segments. The Business Unit Automotive Solutions is responsible for car manufacturers (Original Equipment Manufacturers, also known as OEMs). Its customer base includes Audi, BMW, Daimler, Porsche and Lamborghini and its solutions are currently implemented in Germany, Spain, Italy, the United Kingdom, South Africa and the USA.

The Business Unit Industrial Solutions supports companies from the mechanical engineering, energy, medical technology, automotive supplier, chemicals and food sectors. Solutions are currently in place in Europe, North and South America and Asia.

IBS America, Inc. is the IBS Group's centre of competence for Compliance Management and is responsible for developing product families such as QSi System and CompliantPro™. The solutions support companies in fulfilling process requirements resulting from a growing number of standards and market regulations, including, inter alia, ISO standards and the health industry regulations imposed by the American Food and Drug Administration (FDA).



### Development of the Company

According to German Association for Information Technology, Telecommunications and New Media e.V. (Bitkom), a drop in overall turnover from software and IT services of approximately 3 per cent to 47B EUR was anticipated for 2009. IBS Group turnover dropped by approximately 16 per cent, from 21.9M EUR to 18.3M EUR. This decline was largely due to disruptions in automotive sector projects spanning several years. In addition, the IBS Group subsequently lacked the turnover from corresponding IT hardware sales. Given the liquidity shortage on the capital markets, companies concentrated on conserving their own cash resources. Current projects were halted and placed on the backburner. Temporary reductions in working hours in many plants led to a lack of customer project personnel. This was another reason for our lack of progress. Our volume of orders on hand rose by 8 per cent to 11.14M EUR (previous year: 10.3M EUR). Maintenance turnover for the Group rose by 17 per cent. In spite of the economic crisis, IBS AG increased its licence and maintenance turnover by 11 per cent. This illustrates that the Company's customers are convinced of the benefits offered by the software in the automation of business processes and unlocking cost-saving potentials, but were also keen to postpone project management in favour of liquidity protection.

The market for productivity management software solutions is highly fragmented. IBS AG is one of the largest providers in this field, offering an integrated, sector-independent solution. The Company's competitors, on the other hand, tend to focus mainly on niche areas of the market, providing solutions for the individual process areas or industries.

## Research and Development

### IBS MES Software

IBS AG's research activities are solely oriented around customer and market requirements. As in previous years, IBS AG continued the successful further development its software solutions during the period under review. These further developments mainly comprised optimisations for the quality advanced planning processes as well as for the manufacturing and product acceptance and test processes.

### Service-oriented Architectures

Particular progress was made in the development of the SOA platform, which forms the basis for the development of future IBS software products, with the development of portal and evaluation software as an application for the Cockpit module.

Defect process analysis software was also developed in collaboration with BMW. The standardised solution, which is based on the FMEA school of thought, is designed to provide information indicating of rework, reject and warranty costs prior to the start of production. In addition, information is also provided on the discovery distance, i.e. the process time from the defect occurrence to its discovery in the production process.

### Transparent and Optimal Control of Automotive Industry Processes

As a follow-up to the sponsored LAENDmarkS project – in which IBS AG participated – the German Federal Ministry of Economics and Technology (BMWi) is now funding a further project aimed at the optimal control of processes in the automotive industry within the scope of the technology project "Autonomik".

IBS AG will also participate in this follow-up LAENDmarkS project as consortium partner.

LAENDmarkS enables a networking of the complete supply chain beyond corporate boundaries. The IBS traceability software solution is the key element of the LAENDmarkS concept. This enables the trace and track of all processes involved in the product lifecycle. Within the scope of the follow-up project, the research results of the LAENDmarkS will be endorsed and tested under practice conditions and then further expanded for production control.

Recent developments in RFID technology (Radio Frequency Identification) unleash new potentials for the control of production-logistical processes. The follow-up project will be looking carefully at different types of wastage, such as excess stocks, stock clearances, long lead times and production losses and identifying optimisation potentials. The result: “smart material flow management”.

In particular, the efforts being made by the German automotive industry aimed at the development of environmentally friendly drive technologies, such as hybridisation, electrical drives, fuel cells, natural gas and bio fuels, such as BlueTec or BlueTDI for clean diesel technology, will promote further dramatic increases in the range of vehicle variants. Due to the increase in the range of variants and the concentration of the individual companies on their key competences, added value is split between an increasing number of different companies. These must be organised into so-called logistic chains or networks, which leads to increasing complexity in the control of internal and external production and logistics processes. Due to a change in the framework conditions, new methods and approaches must therefore be developed for economical, cross-company process control, particularly those involved in order processing. The follow-up project is aimed at finding and developing these methods and solutions.

Companies who set up their processes in accordance with the process guidelines resulting from the follow-up project are to be offered a certification opportunity at a later date. This will enable companies to prove that the pricing of its devices and components is based on efficient, low-wastage processes. The certification will thus stimulate competition.





## Marketing and Communication

### IBS AG Marketing and Communication

Targeted marketing and communication activities in 2009 enabled us to reinforce international awareness of the IBS AG brand, whilst also gaining new, interesting customers in rapidly growing markets, such as the medical technology, high-tech and electronics industries.

### International Mid-market Campaign

IBS AG launched a mid-market initiative at the start of 2009. In addition to providing customers with a process, requirements and benefits analysis the concept also includes an exact calculation of the Return on Investment (ROI) or payback period. An attractive financing offer rounds off the initiative.

### IBS Trade Fair Participation and IBS Events – A Selection

#### Innovative IBS Software Solutions at the CeBIT 2009

IBS AG presented its software solutions within the scope of the CeBIT 2009.

This year's trade fair participation was again realised in co-operation with PSIPENTA GmbH, a wholly-owned subsidiary of PSI AG. Visitors to this year's trade fair were particularly interested in the theme of "Lean Manufacturing - using "lean" processes to avoid wastage", and the ways in which IBS software solutions can help bring about a significant reduction in product recalls.

#### Control 2009: IBS AG Unveils its New Trade Fair Concept

For the first time, IBS AG hosted a series of so-called "Theme Days" at this year's Control, Europe's largest specialist quality management trade fair. The four exhibition days were each allocated a different focal theme. IBS customers also spoke about their practical experience of IBS software solutions. Competent personnel manned the IBS stand, along with Johann Lang, Plant Manager Delphi Automotive Systems and winner of the 2008 "Factory of the Year" award in the category "Excellent location development" and Mark Reece, Plant Manager at Kautex Textron winner of the 2008 „Automotive-Lean-Production-Awards (ALP)“ in the category "International Mid-market".

### Industry Circle Events

IBS AG hosted its Industry Circle events again in 2009, offering an information exchange platform for management representatives interested in the implementation of modern production systems. Within the scope of a series of speeches and discussions, the participants were prompted to seek and develop ways to ensure the long-term safeguarding of business processes and demonstrate opportunities to achieve "zero defect production". IBS AG organised two Industry Circles in 2009, one of which was held at Petersberg, near Bonn. The other Industry Circle took place in Hoehr-Grenzhausen.

#### **Numerous Lean Manufacturing Events**

IBS AG organised several events on the theme of “Lean Manufacturing: Reducing Costs and Eliminating Wastage”. The events were supported by PSIPENTA, Kautex and the Management Consultancy QMC.

#### **BMW Group IT Trade Fair**

IBS AG presented its software solutions for quality, production and traceability management at its own stand at the BMW Group IT trade fair again this year. The BMW annual internal trade fair is aimed at keeping BMW personnel and management abreast of the latest products, technical solutions and innovations provided by the company's IT suppliers.

#### **13th IBS Expertenkreis Congress 2009**

On 4th and 5th November 2009 IBS AG opened its doors to the 13th IBS Expertenkreis congress in Hoeher-Grenzhausen. Over the last few years the IBS Expertenkreis congress has become established as one of the most distinguished quality and production management events in Germany. The congress attracted 200 participants, as did the previous year's event. A great dinner speech on the innovative theme of „Electrifying the Power Train – Implications for the German Automotive Industry“ was given by Dr. Christian Malorny, Head of the German Automobile and Mechanical Engineering Sector and Director of McKinsey & Company Inc. On the second day, management representatives from a variety of industries spoke on important quality and production themes.

#### **Joachim Hoerster, Bundestag (Lower House of the German Parliament) Member Visits IBS AG Head Office**

Joachim Hoerster, Bundestag (Lower House of the German Parliament) Member Visits IBS AG Head Office Within the scope of the meeting, Mr. Hoerster, along with accompanying participants, was given an overview of IBS AG and its business activities.

The meeting served as an impetus for the development of joint projects aimed at the economic and cultural enrichment of the region.

#### **The IBS AG Homepage**

The IBS AG homepage underwent further developments during the year under review for further realignment with user requirements. Improved page functionalities, additional links, dialogue opportunities and the latest facts and figures in various data formats have further improved the utility of the Company's Internet presence. The homepage features specific headings under which investors, customers, interested parties, partners, media representatives and job applicants can each find comprehensive background information and specially-tailored offers. The texts have been reorganised for greater user-friendliness and further search engine optimisation. These efforts resulted in an increase in visitors during 2009, compared to the previous year.

#### **Public Relations**

Detailed reporting on all Company-relevant matters and intensive contact with the specialist press were again at the fore of IBS' public relations activities throughout 2009. IBS AG also invited numerous journalists from the specialist press to dialogues within the scope of the quality trade fair Control and the IBS Expertenkreis congress.

## **IBS America, Inc. Marketing and Communication**

### **Trade Fairs and Events – A Selection**

#### **IBS America, Inc. at the Lotusphere 2009**

The Lotusphere, organised by IBM, has been hosted in Orlando (Florida) for over 10 years. This year's event was held from 19th until 21st January 2009. The majority of its visitors use Lotus Notes-based products. As IBS America, Inc.'s QSI software is also based on the IBM Lotus Notes platform, Lotusphere offered 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.

#### **Participation of IBS America, Inc. in the "PD & M" and the ISO 9000 Conference**

The Pacific Design and Manufacturing Show (PD & M) is the largest design and production trade fair on the West Coast of the USA. IBS America, Inc. presented its software solutions here from 10th until 12th February 2009. In March IBS America, Inc. participated in the ISO 9000 Conference, held in Orlando, Florida. The ISO 9000 Conference focuses on management standards and norms.

#### **IBS America, Inc. Exhibits at the 2009 ASQ Welt Conference in Minneapolis**

IBS America, Inc. presented its compliance management software solutions to over 2,000 industry, service sector and administration participants within the scope of this year's ASQ World Conference. The event took place from 18th – 20th May 2009 in Minneapolis under the motto "The Culture of Quality: Customers, Organisations and Communities".

#### **Atlantic Design and Manufacturing Show 2009 (ADM) with IBS America, Inc.**

ADM is the largest trade fair on the East Coast of the USA for construction, manufacturing and production solutions. ADM's visitors come primarily from industrial sectors, in particular the aerospace, medical technology, electronics, information technology, defence, transport and industrial equipment sectors. IBS America, Inc., exhibiting in New York from 9th until 11th June 2009, informed all interested visitors about its compliance management solution.

#### **IBS America, Inc. at the Quality Expo in Chicago, Illinois**

The Quality Expo was held in Chicago, Illinois from 22nd until 24th September 2009. The event is one of North America's leading quality trade fairs, presenting the latest trends and developments in the field of quality management. IBS America, Inc. exhibited its computer-assisted compliance management software solution at the Quality Expo again this year.



## Co-operations and Memberships

Co-operations and partnerships enable us to open up further business segments and sustainably strengthen our competitiveness. In 2009 we enter into a number of strategic new partnerships and succeeded in expanding existing co-operations.

### **IBM Deutschland GmbH**

The co-operation between IBS and IBM AG, 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.

### **Microsoft Corporation**

IBS AG has a further strategic partnership with the Microsoft Corporation. IBS AG is a Microsoft Gold Certified Partner and has been granted the highest level of Microsoft Partner Status. IBS employs a number of employees carrying the status Microsoft Certified Professional, all of whom are familiar with the latest Microsoft technologies. The collaboration also focuses on the area of sales (software and licences) and marketing. Microsoft was one of the exhibitors at the 13th IBS Expertenkreis congress in Hoeher-Grenzhausen.

### **Co-operation with PSIPENTA GmbH**

IBS AG succeeded in intensifying its long-standing partner relations with PSIPENTA GmbH in 2009. The company is a wholly-owned subsidiary of PSI AG. Both cooperation partners offer their solutions within the scope of joint customer projects and were able to gain new customers together.

### **SteinhilberSchwehr AG**

The Company has a sales co-operation with SteinhilberSchwehrAG. SteinhilberSchwehr is a German company with its head office in Rottweil. The IT systems house and service provider caters for mid-market manufacturing and trading companies. SteinhilberSchwehr provides software products in the field of ERP, PLM and CAx and adopts overall IT responsibility of the implementation, right down to the operation of the customer's solution in its own in-house computing centre.

SteinhilberSchwehr supports over 3,200 customers with more than 400 personnel at its 16 sites. IBS AG has already implemented Best Practice solutions in a large number of mid-market companies that are easy to implement at further, existing SteinhilberSchwehr customers and bring rapid results for the companies in question.

### **Co-operation Agreement with UBISENSE AG**

Linkage of UBISENSE AG's real-time location system with IBS AG's software solutions has led to the development of new, innovative products. The jointly-developed LIS/TAS solution has been in place at BMW since 2009. UBISENSE and IBS now want to extend the LIS/TAS success story to incorporate further customer projects.

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

The ITA Association is a subsidiary organisation of the German Association of the Automotive Industry (VDA). The ITA comprises 50 renowned IT industry companies, including IBM, SAP, Siemens and IBS AG. The ITA serves as a communication platform between the automotive industry and automotive industry-relevant IT companies and primarily deals with the aims and tasks of the entities and members of the VDA and similar organisations.

**Earnings, Assets and Financial Position****Business Development in the Group**

IBS AG's turnover for the 2009 financial year of 18.3M EUR was lower than that of the previous year, which amounted to 21.9M EUR. This corresponded to a drop of approximately 16 per cent. Revenue from licence sales dropped to 3.8M EUR (previous year: 4.9M EUR). Services-based revenue also declined to 6.5M EUR (previous year: 8.9M EUR), however, revenue from software maintenance and support increased to 7.7M EUR during the period under review (previous year: 6.6M EUR), which corresponded to an increase of 17 per cent. Revenue from low-margin hardware product sales fell by over 1M EUR to 295K EUR (previous year: 1.4M EUR). The overall annual turnover price-adjusted bereinigt um den Handelsumsatz aus Hardwareprodukten amounted to 18M EUR, which was a drop of 12 per cent compared to the same period of the previous year (previous year: 205M EUR).

Revenue from licences and maintenance corresponded to 63 per cent of overall turnover (previous year: 53 per cent), which reflected an almost 19 per cent increase during the financial year under review. Turnover from services accounted for 36 per cent of the overall turnover, which was currently lower than that of the previous year (previous year: 41 per cent).

The volume of orders on hand from project and maintenance orders amounted to approximately 11.14M EUR as at 31st December 2009, which reflected an 8 per cent increase compared to the volume generated in 2008 (previous year: 10.3M EUR) and corresponded to over 60 per cent of the Company's overall turnover for 2009.

There was a considerable decrease in production costs, falling by 18 per cent to 7.5M EUR (previous year: 9.05M EUR). Production costs accounted for approximately 41 per cent of the overall turnover and remained constant in relation to those incurred during the previous year (previous year: 41 per cent). There was a reduction in sales and marketing costs of approximately 10 per cent, the volume of which accounted for 23 per cent of the overall turnover (previous year: 21 per cent). General administration costs of 2.4M EUR were approximately 9 per cent lower than those of the previous year (previous year: 2.65M EUR). These rose to 13 per cent in relation to the overall turnover (previous year: 12 per cent). Research and development costs of 2.8M EUR were just 3 per cent lower than those of the previous year (previous year: 2.9M EUR). In proportion to turnover, this corresponded to a slight increase to 15 per cent (previous year: 13 per cent). Further investments were made in the continuous further development of IBS software solutions in the form of new software releases during 2009.

### Result Development

In keeping with the decrease in turnover, earnings before interest and taxes (EBIT) also decreased, in spite of lower costs in the areas of production, sales and marketing, general administration and research and development.

During the 2009 financial year, costs to the sum of 586K EUR (previous year: 1.16M 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 of the software developments, then having a negative effect on the profit and loss statement. The two research projects LifeCycleQM and LAENDmarkS will be depreciated from the 2010 financial year. Capitalisations to the sum of 3.57M EUR were carried out for self-created software as at 31.12.2009.

Consolidated earnings before interest and taxes (EBIT) amounted to 1.28M EUR (previous year: 2.62M EUR). The EBIT margin corresponded to 7 per cent, which was considerably lower than that of the previous year (previous year: 12 per cent).

The Group profit for the period fell almost as notably as the EBIT, decreasing to 1.27M EUR from 2.39M EUR in the previous year. The Group profit for the period corresponded to a margin of 7 per cent. The decrease of almost 50 per cent compared to the previous year was largely due to the steep drop in turnover compared to that of the 2008 financial year. A short-term reduction of costs non-proportional to the drop in turnover was achieved. Earnings per share (undiluted) charted 0.19 EUR as at 31.12.2009, compared to 0.35 EUR as at 31.12.2008

### Financial and Assets Position

The balance sheet total for the Group was 21.5M EUR at the end of the year and compared to the end of the previous year this corresponded to a drop of approximately 5 per cent (previous year: 22.7M EUR).

The change on the active side of the balance sheet was largely due to an addition in long-term intangible assets of approximately 316K EUR generated by the development of self-created software. There was a reduction in liquid funds of 305K EUR. The company still holds a comfortable volume of cash and cash equivalents of 6.4M EUR, however (previous year: 6.7M EUR), for safeguarding the Company's operative business and further growth. There was a 1,27M EUR reduction in trade receivables of approximately to 4M EUR (previous year: 5.3M EUR).

The change on the debt side of the balance sheet was due to, inter alia, an approximately 340K EUR increase in shareholders' equity from the previous year, rising from 14.29M EUR to 14.63M EUR. The shareholders' equity ratio thus rose to 68 per cent (previous year: 63 per cent). Whereas long-term liabilities remained constant at 2.55M EUR as at the balance sheet closing date (previous year: 2.55M EUR), there was a clear reduction of 1.5M EUR in short-term liabilities to 4.3M EUR (previous year: 5.8M EUR). This was due to a sharp decrease of 475K EUR in trade liabilities to 548K EUR (previous year: 1.02M EUR) and a 786K EUR reduction in provisions to the sum of 952K EUR (previous year: 1.74M EUR).

### Cash Flow from Operating Activities

The inflow of funds from operating activities amounted to 1.54M EUR for the year under review (previous year: 4.38M EUR). This development was largely due to the lower annual surplus volume and a reduction in trade liabilities of 476K EUR, provisions amounting to 780K EUR and other liabilities to the sum of 653K EUR.



**Cash Flow from Investment Activities**

During the last financial year IBS AG almost halved its outflow of funds from investment activities of 1.6M EUR compared to the previous year's value of 912K EUR. Investments in intangible and tangible assets amounted to approximately 326K EUR (previous year: 629K EUR). Capitalisations for software development, largely due to the development of SOA Evolution, amounted to 586K EUR (previous year: 1.16M EUR).

**Cash Flow from Financing Activities**

The outflow of funds from the Company's financing activities amounted to approximately 905K EUR for the 2009 financial year. The outflow of funds from financing activities for the previous year amounted to 898K EUR. These funds were largely used for the pay-out of dividends (to the sum of approximately 681K EUR) and the acquisition of treasury stock (to the sum of approximately 220K EUR).

IBS AG financial management is aimed at the safeguarding of liquidity and a sustainable increase in goodwill. 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 6.4M EUR (previous year: 6.7M EUR) as at 31st December 2009 enables the Group to duly meet all payment demands.

**Statement of the Board of Management Regarding the Macroeconomic Situation**

On the whole, the Board of Management is not entirely satisfied with the last financial year. In spite of the weak macroeconomic situation that crept increasingly onto the scene in the second half of 2008 and remained throughout 2009, the IBS Group was able to close the last financial year profitably and with EPS of 0.19 EUR or a profit margin (Group result margin for the period) of 7 per cent nevertheless.

Leading market research institutes predict a more positive development for the software and IT services markets in 2010. The Board of Management agrees with this evaluation. The tense worldwide economic situation will present IBS AG with further challenges, with sustained increased pressure on margins and daily rates expected.

Given the afore-mentioned macroeconomic situation it is currently very difficult to forecast performance during the 2010 financial year in any detail. We anticipate having greater clarity of the business development from mid-2010 and look forward to a more positive development than that of 2009. If the macroeconomic situation stabilises any further, we anticipate our customers' investment willingness to normalise and, inter alia, we will be able to process a higher proportion of the volume of orders on hand. The Board of Management sees positive signals for the 2011 financial year. These signals are dependent on the development of the macroeconomy, however. The key financial figure in corporate management is a company's earnings before interest and taxes (EBIT). Turnover growth is a secondary figure. Major changes to the whole Group that should have a positive effect on the IBS Group's earnings situation over the next two financial years are the conclusion of the two research projects LifeCycleQM and LAENDmarkS at the end of 2009, which have now reached market maturity, and a marketing offensive for the calibration software CALVIN, that has so far been marketed by the Company's subsidiary IBS SINIC GmbH.

## Development of the Subsidiaries

### **IBS America, Inc.**

IBS America, Inc., with its head office in Lexington in the US state of Massachusetts is the IBS Group's Centre of Competence for compliance solutions. Its software solutions enable companies to control their processes aimed at meeting internal and external guidelines and standards, including processes for compliance with the market regulation of the American Food and Drug Administration (FDA), the Sarbanes-Oxley (SOX) financial market regulation and the ISO industrial standards. Internal process requirements involve compliance with the Corporate Governance Code, aimed at the avoidance of bad company practices.

The turnover generated by IBS America, Inc. fell by approximately 20 per cent to 4.47M EUR during the 2009 financial year (previous year: 5.56M EUR). This was due to a reduction in new business from licences. The drop in turnover was fully reflected in the company's operating profits, which suffered a loss of -46K EUR (previous year: 519K EUR). The average rate of exchange for the US Dollar (USD) was 1.39327 EUR during the 2009 financial year (previous year: 1.4706).

### **IBS SINIC GmbH**

IBS SINIC GmbH has been in the market for Computer Aided Quality Management (CAQ) for 20 years. The software developed by IBS SINIC is primarily marketed to mid-market companies from the mechanical engineering, electronics and electrical engineering, plastics, chemicals and medical technology industries. SINIC is also a niche supplier to calibration service providers and calibration laboratories.

IBS SINIC GmbH generated a turnover of 1,070K EUR during the 2009 financial year. The company generated 1,116K EUR during the previous year, which corresponded to a slight reduction of approximately 4 per cent. Operating profit, however, rose by 23 per cent to 64K EUR (previous year: 52K EUR).

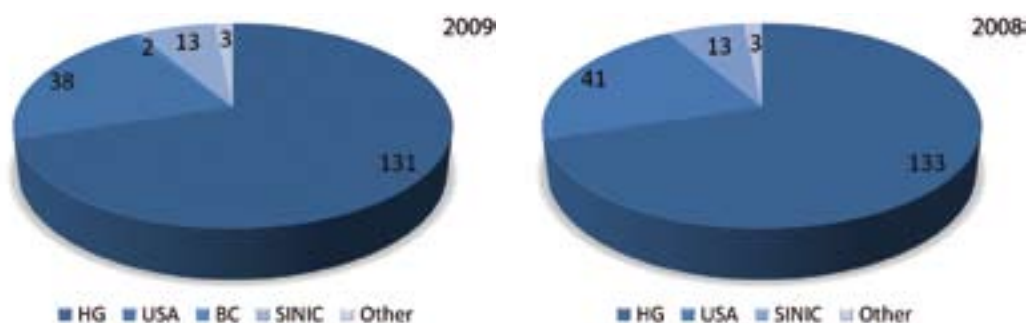
## IBS AG Employees

### Employee Development

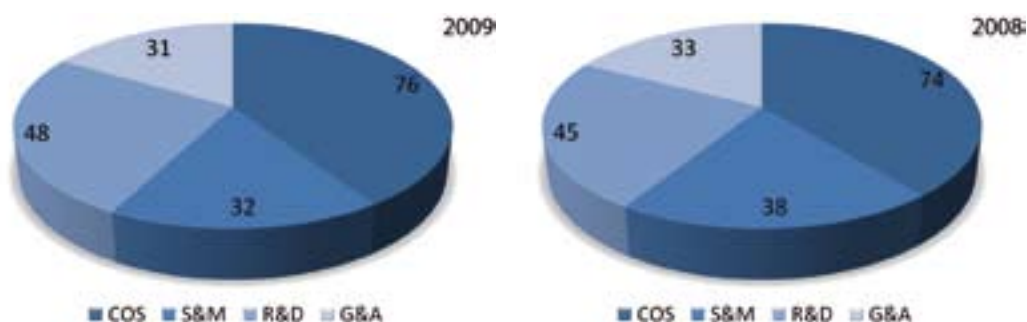
Innovations and the continual improvement of our products, processes and services guarantee the long-term success and competitiveness of IBS AG. Our growth targets are achieved with the support of our competent and dedicated employees. At the same time, it is apparent that the job market is becoming increasingly narrow for certain professional groups. With this as a backdrop, it is becoming increasingly important to find qualified employees and closely involve them in the company. We shall, therefore, be continuing to strive to increase our attractiveness as an employer over the next few years, continually adjusting our human resources management tools to meet the latest developments on the employment market.

The number of employees during the year under review remained virtually constant to that of the previous year. No measures were taken to shorten working hours or release personnel within the scope of compulsory redundancies. IBS AG employed 187 personnel worldwide as at 31st December 2009 (31st December 2008: 190 employees). A total of 133 personnel were employed at the Company's head office in Hoeher-Grenzhausen (including those of IBS Business Consulting GmbH) (previous year: 133 employees). Reinforcements were made in the areas of "cost of sales" and "research and development", while slight fluctuations occurred in the areas of "sales and marketing" and "general and administration".

### Allocation by company per year



### Allocation by cost centre per year





### **Further Training and the Promotion of Young Talent / Social Benefits**

One of the cornerstones of IBS' personnel policy is the recruitment of top executives and the long-term promotion of talent within the corporate group. IBS AG also offers its employees a range of future prospects, both nationally and abroad. The Company fosters methodological, social and management competences with a range of internal further training opportunities.

IBS AG is happy to take on the responsibility of the future of young people. Trainees currently account for approximately 4 per cent of IBS employees. IBS AG also employs and supports a large number of student apprentices, graduands and professional newcomers from universities and technical colleges. IBS AG is a "young", innovative company, the average age of IBS employees during the year under review being 40.

IBS AG also offers its employees a number of attractive pension and healthcare opportunities. The Company offers its Germany-based employees, for example, gross pay deferred compensation with payment into an employee pension scheme.

## **Substantial Changes**

There was a substantial change in the organisation of the Company structure compared to that of the previous year, with the founding of IBS Consulting GmbH. This is designed to expand the Company's range of products and services to incorporate consulting services.

## **Supplementary Report**

No transactions or events of major significance occurred or had any significant effect on the Company following the close of the financial year.

## Risks and Opportunities Report

In striving to achieve its corporate aims, the IBS Group is exposed to considerable corporate and market-specific risks.

The IBS Group is exposed to a variety market-specific risks arising from the economic cycles and trends influencing the business of IBS. In the case of mid-market companies, influencing factors are limited to these factors. The Company holds a comfortable volume of liquidity and shareholders' equity, ensuring a relatively secure position on the market. Investments undergo close scrutiny and are only made if anticipated to make a positive contribution to the Company's goodwill. The corporate culture, which is oriented towards continuity and sustainability, fosters the long-term commitment of the IBS employees, who are in a position to competently assess the investment opportunities and risks.

The company-specific risks arise from the Company's use of various resources in order to reach its corporate targets. IBS applies the German Corporate Governance Code in order to monitor these risks. The German Corporate Governance Code defines recommendations pertaining to corporate management and monitoring. The Company observes the changes made to the Code by the Government Commission on 18th June 2009. The organisational structures and procedures are defined in a quality management handbook showing the job descriptions of the employees and the business processes. Regular audits are carried out by a member of quality personnel. An audit department is not deemed necessary, given the size of the Company hierarchy structures and the certified control mechanisms in operation. The security concept behind the Company's IT infrastructure is constantly aligned and undergoes regular assessments. This also applies to compliance with data protection regulations.

The market-specific opportunities and risks are discussed within the scope of interdisciplinary meetings held at regular intervals. The knowledge shared during these discussions is noted in the minutes, compiled as a report and then distributed on company level. The Company management assesses the situation and ensures that internal and external information is promptly checked in terms of relevance and can be used for the management of the Company.

An accounting-based internal controlling system is operated within each of the Company's Business Units. The basis of this controlling is the IBS Group business plan, which is derived from the corporate strategy. The corporate strategy is derived from the Company's growth concepts and development plans. The controlling process results in a systematic definition of Company's short, mid and long-term aims covering all organisational levels.

Each of the IBS Group's Business Units reports on its business development in terms of turnover, performance, incoming orders and project statuses, within the scope of a bi-weekly management meeting.

Closing financial statements are drawn up for the individual companies and the Group on a monthly basis. A quarterly financial statement is drawn up for the Group.

At the end of the financial year, the business plan is closed and written for the following year, based on the latest results and changes to the market environment.

Each Business Unit describes its business plan guidelines for the coming business period, giving a detailed breakdown of targets, measures and key figures, right down to team level.

Each business unit has its own controlling and reporting system for assessing the achievement of its objectives. The achievement of objectives (target/actual comparison) is monitored at all management levels within the scope of regular report meetings. The control measures that come into play within the controlling process are agreed upon within the management bodies.

### **Internal Controlling and Risk Management System**

Since the parent company IBS AG is a capital market-oriented corporation in the sense of § 264 of the German Commercial Code, the main points of the internal controlling and risk management system in terms of the accounting procedures of the companies involved and the consolidated accounting procedures are to be described in accordance with § 315, section 2, no.5 of the German Commercial Code.

There is no legal definition of the internal controlling and risk management system in terms of the accounting procedure and consolidated accounting procedure. The internal controlling system is to be generally understood as the principles, procedures and measures applied by the management directed towards the organisational realisation of management decisions

- » to secure the effectiveness and efficiency of the business activities (comprising, inter alia, the protection of assets, including the prevention and coverage of asset losses),
- » for the correctness and reliability of the internal and external accounting and
- » compliance with the legal regulations applicable to the Company.

The risk management system comprises all organisational regulations and measures for the identification of risks and business operation for the management of risks.

Group implements the following structures and processes with regard to the accounting procedures of the companies involved and the consolidated accounting procedures:



The Group's Board of Management is solely responsible for the internal controlling and risk management system in terms of the accounting procedures of the companies involved and the consolidated accounting principles within the Group. All companies and strategic Business Units included in the Consolidated Financial Statements are bound by precisely defined management and reporting organisation.

The principles, organisational structures and procedures and the procedures of the accounting-related internal controlling and risk management are defined in a handbook that is adapted to the latest internal and external developments at regular intervals.

Internal controlling and risk management system issues that may considerably affect the consolidated balance sheet and the overall statement of the Consolidated Financial Statements, including the Consolidated Position Report, are considered important in terms of the accounting procedures of the companies involved and the consolidated accounting principles. This comprises, in particular, the following elements:

- » Identification of the main risk and control areas with relevance to the group-wide accounting procedure;
- » Monitoring measures for monitoring the group-wide accounting procedure and the results of these measures at Group Board of Management level, strategic Business Unit level and at company level for the companies included in the Consolidated Financial Statement;
- » Preventative control measures in the Group's bookkeeping and accounting, within the companies involved in the Consolidated Financial Statements and in the operative, performance-related corporate processes that generate important information for the compilation of the Consolidated Financial Statements, including the Consolidated Position Report, also including a division of functions and the pre-defined approval processes in relevant areas;
- » Measures to ensure the correct computer-assisted processing of corporate accounting issues and data;

Within the scope of the group-wide accounting procedure, the Group has also implemented a risk management system that contains measures for the identification and assessment of the major risks and the respective risk-limiting measures to ensure the correctness of the Consolidated Financial Statements.

## **Risks**

Of the risks identified within the scope of risk management, the major 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 productivity management solutions. This demand correlates with the development of the macroeconomy, which is shaped by the economic cycle. In the aftermath of a severe recession, the economic cycle is now in an early recovery phase. Companies are therefore still showing great reluctance to invest.

The economy has a pro-cyclic effect on the majority of existing IBS Group customers. The IBS Group therefore follows a strategy of expanding its customer base to include companies from economically defensive sectors. The Company has succeeded in the diversification of its income sources over the past few years. The IBS Group has greatly expanded the proportion of turnover from the economically defensive industries, energy and medical technology. The Company therefore sees no existential economic risks that may threaten its business.

In the Company's opinion, growing quality requirements concerning the products and processes of the target customers due to globalisation and regulation will lead to a higher demand for the products and services of the IBS Group. There is a risk that the market could fail to develop in the way anticipated by the Company. There is a risk that the Company's products and services for productivity management will fail to meet the requirements of the market.

### **Competitive Risks**

The Company views the intensity of competition on the market for productivity management software and process consulting to have remained relatively unchanged during the 2009 financial year. An increase in the number of competitor companies, resulting in an increase in competitive pressure, cannot be excluded, however. The majority of the Company's competitors are providers with a lower turnover than the IBS Group, however it cannot be excluded that there will be no significant changes to the competitive environment as a result of competitor consolidation. There is a risk that the IBS Group will not have the resources to successfully deal with possible changes to the market or the emergence of new competitors on the market.

The Company acknowledges the risk that the Company's competitors may carry out improvements to existing products or services and announce or introduce new products based on new technologies or different customer requirements unanticipated or not fully anticipated by the IBS Group. This may significantly affect the marketability of IBS Group products and services, which could in turn have a negative effect on the financial and earnings position of the Company.

The Company goes to considerable lengths to ensure the competitiveness of its products and services. With its involvement in public research projects and high-volume expenditure in research and development, the Company is confident that it will remain in a position to continue to meet market demands completely.

### **Growth Risks**

IBS AG's corporate strategy focuses on the development of new growth areas on the global market for productivity management and is dependent on the development of the competition situation, financing opportunities, the employment of qualified personnel and the Company's ability to gain new customers.

The IBS Group plans a budget that is currently deemed appropriate to cover the risks and organisational challenges arising from the development of new growth sources. It is, however, possible that the organisational processes and control mechanisms could prove inappropriate. It is also possible that the IBS Group company management may not be able to urge the quick integration of new business areas in order to succeed in opening up the desired market with its efforts.

In the mid and long-term, each of the Company's cost items can be influenced. In the short term, however, the majority of the cost items are fixed within the scope of contractual agreements, which affords the Company a high degree of operative leverage. There is a risk that decreases in turnover could lead to an overproportional decline in business success. The Company has implemented effective processes for the early identification of changes within the market environment. The scope identifies sufficient scope for short-term influence of the cost structure in order to react to unforeseeable events.

### **Product and Service Risks**

The IBS Group is a technological leader with its software products. Retention of this strategic market position presupposes efficient and effective product development. The IBS Group's main processes are organised such that a continuous exchange of information takes place between the development, implementation and sales departments, ensuring that the development of the software products meets customer and market requirements. The alignment of the organisation and planning systems is analogue.

Lower customer satisfaction is often the precursor of a drop in turnover and performance. To avoid this risk, IBS directs all of its marketing and development activities towards customer benefits. Regular customer benefit analyses are also carried out.

The quality of the products and corporate processes of the IBS Group are assured using an integrated quality management system. IBS AG meets the criteria of the DIN ISO 9000/2008 standards and undergoes regular audits carried out by external auditors. Internal audits of the company processes are also carried out several times a year.

IBS has built itself an excellent reputation during the course of its twenty-eight-year existence. Illegal use of the IBS brand and the loss of copyrights constitute a considerable risk for the Company. The corporate name IBS AG excellence collaboration manufacturing is protected by copyright.



### **Intellectual Property and Licences**

The Company is reliant on the protection of its intellectual property and its legal rights of use. It is not possible to guarantee the defence of all necessary rights in order for the Company to continue its sales and further development. Should this not be possible, this may have a substantially negative effect on the Company.

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, financial and earnings position of the Company.

### **Partnerships and Cooperations**

The IBS Group is currently involved in cooperations and partnerships in various companies and institutions. The Company can envisage entering into further cooperations and partnerships in the future.

The IBS Group runs the risk that the aims of its cooperations and partnerships may not be reached or in the worst case may even have a negative effect on the Company. Furthermore, there is a risk that successful partnerships and cooperations may be terminated due to changing market conditions or corporate strategies of the partner companies, which may have a negative effect of turnover and performance.

### **Financial Risks**

Fluctuations in foreign exchange rates can have a significant affect on the market performance and financial results of export-oriented companies. Approximately 25 per cent of the IBS Group's sales volume is generated in the United States. Foreign exchange rates between the Euro (EUR) and the US Dollar (USD) can therefore greatly influence the Company's performance. The Company safeguards against such exchange rate risks by way of a natural hedge. USD-denominated turnover is listed against USD-denominated costs. This limits foreign currency risks to translation risks arising from exchange rate fluctuations, which may occur in the conversion of currency on the consolidated balance sheet. As the performance of the American subsidiary is largely reinvested, the application of financial instruments to safeguard against currency exchange risks is not deemed necessary.

Clarity of reporting and a stable balance sheet structure minimise the financial risks to which the Company is exposed. Liquidity is monitored using systematic cash funds and receivables management. Monthly turnover and financial planning covers the Company's financing requirements. A key figure system serves as an early warning system for the Board of Management. The early warning system is described in greater detail in the notes on the Company's internal reporting system.

Investments are assessed in accordance with fixed criteria and evaluated by the Company management. The IBS Group is not dependent on individual markets or customers to any significant degree. Since the Company's customers are predominantly creditworthy, credit risks are deemed low. The Company accrues a sufficient volume of provisions to cover bad debt losses. 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.

**Risks arising 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 the IBS Group. The Company continually runs the risk of legal disputes due to the nature of its operative business. The Company accrues provisions to cover the risk of legal disputes.

**Personnel Risks**

As a technological leader the Company is subject to considerable personnel risks. Its employees are carriers of the Company's expertise. The risk of employee enticement by competitor software companies is high. The Company goes to considerable lengths to combat this risk, closely involving its valuable employees in the Company by way of profit-sharing, further training options and non-compete agreements. The fluctuation of IBS Group personnel is below average.

**Opportunities**

In addition to listing the risks, risk management is also aimed at the identification of opportunities for Company that may arise from economic events. The main opportunity types are listed below.

**Growth Opportunities**

The Company takes systematic note of the growth opportunities on the market. Information is collected in cross-business unit committees and used for the improvement and expansion of the range of products and services offered. This information relates to new market trends, new customer requirements and innovative technologies.

**Opportunities Arising from Macroeconomic Trends**

In the Company's opinion, the macroeconomic trend towards globalisation will secure in an increase in demand for software-based productivity management systems. The global manufacturing industry is shaped by growing complexities and increasing requirements in the supply chain. A continuous increase in the time and innovation pressure which burdens the globally-operative companies is brought about by the need to develop new, market-ready product in increasingly shorter times. Competitive intensity on the global market results in higher cost pressure. A reduction in the vertical range of manufacture among OEMs is leading to exponential growth of logistic complexity. The expanding range of variants demanded by the market demands leads to increasing technical complexity. Management of these complexities is reliant on computer-assisted process automation.

### **Economic Opportunities**

The Company anticipates greater investment in productivity management systems during economically difficult times. The IBS Group's system solutions offer their users so-called rationalisation potentials, with the systems enabling the production of higher qualities with lower overall costs. Lower demand generates price pressure, which in turn leads to cost and differentiation pressure among manufacturing companies.

### **Overall Assessment of Opportunities and Risks**

The Company anticipates being able to identify and assess its risks with its currently effective processes and systems. Potential risks are analysed and documented. From a present-day perspective, there are no indications that threaten or may threaten the existence of the Company. The Company assumes the opportunity potential to considerably outweigh the risk potential. With its current organisation, processes and financial resources, the IBS Group believes itself to be in a good position to be able to deal effectively with the risks and potentials.

## Payments Report

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

### Payments to the Board of Management during the 2009 Financial Year

Payments to the Board of Management are determined by the Supervisory Board. Payments to the members of 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 the Board of Management in similar 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.

For the 2009 financial year, the variable payment component was linked to the achievement of a results target for the 2009 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 following the Supervisory Board's approval of the Consolidated Financial Statements.

The members of the Board of Management received the following remuneration (gross, with no statutory deductions) for the 2009 financial year:

Board of Management salaries	2009	2008
	K EUR	K EUR
<b>Dr. Klaus-Juergen Schroeder</b>		
Fixed salary	180	180
Other non-cash benefits	15	15
Variable salary	0	60
<b>Total</b>	<b>195</b>	<b>255</b>
<b>Volker Schwickert</b>		
Fixed salary	144	142
Other non-cash benefits	15	18
Variable salary	0	40
<b>Total</b>	<b>159</b>	<b>200</b>
<b>Board of Management salaries total</b>	<b>354</b>	<b>455</b>



The Company holds group financial loss liability insurance, currently without excess for the members of the IBS AG boards (the Board of Management and the Supervisory Board). The excess shall be introduced in accordance with § 93 II 3 of the German Stock Corporation Act within the scope of the legal transitional measure in accordance with § 23 I of the German Stock Corporation Act Introductory Law. 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.

Dr. Schroeder is granted a retirement pension annuity of 7,669.38 EUR, an occupational disability pension of 7,669.38 EUR and a widow's annuity of 4,601.63 EUR in the form of a pension (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.

IBS AG has granted Volker Schwickert a defined contribution assurance with a monthly payment of 2,500 EUR as at 1st January 2010, with a maximal payment term until 1st September 2026. The non-forfeiture of claims to a retirement pension annuity shall take effect on 1st January 2012, provided that Mr. Schwickert's existing Board of Management contract is extended by a further period. The Company's monthly payment obligation to the sum of 2,500 EUR shall cease in the event that Mr. Schwickert leaves IBS AG of his own accord.

#### 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.

The following loans were granted to Dr. Schroeder:

	K EUR
As at 01.01.2009	154
Additions	23
<b>As at 31.12.2009</b>	<b>177</b>

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

**Remuneration of the Supervisory Board for the 2009 Financial Year**

Remuneration of the Supervisory Board is based on a resolution of the Annual General Meeting from 27th June 2008.

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

	2009	2008
	K EUR	K EUR
Supervisory Board remuneration	84	88

Insofar as the sum of the remuneration and the 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

The report of the Board of Management on the disclosures made in accordance with §§ 289 Section 4, 315 Section 4 of the German Commercial Code is included in the Position Report and Consolidated Financial Statement for the 2009 financial year.

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

### **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 2009 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.

### **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.

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

The Company's shares are 61.12 per cent free float, 38.88 per cent are held by Dr. Klaus-Jürgen 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.

**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.

**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.

**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 Board.

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 8 and § 7 section 10 of the Articles of Association in accordance with § 179 section 1 sentence 2 of the German Companies Act.



**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)**

**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 26.07.2010.

**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.

**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 aforementioned resolution of the Shareholder's Annual General Meeting, the Board of Management resolved to issue a Stock Option Plan on 8th May 2003. 182,100 of the 200,000 possible stock options were issued.

As at 31st December 2009 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 may only be exercised after 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 2009 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 2009.

**Acquisition of Treasury Stock**

The Annual General Meeting of 26th June 2009 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 25th December 2010, 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 within the scope of three share repurchase programmes during the 2009 financial year. A total of 75,161 were purchased during this period. Consequently, the Company held a total of 110,391 shares as at 31st December 2009.

**Disclosures in accordance with § 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.

**Disclosures in accordance with § 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 2010

### Macroeconomic Development

According to a forecast issued by the International Monetary Fund (IMF), economic performance and trade flows on the global markets will continue to grow during the 2010 financial year. Global economic performance will grow by 4 per cent again in 2010, following a 1 per cent decline in 2009. World trade dropped by 12 per cent during 2009 and will grow by 6 per cent again in 2010. With the start of a reversal of the negative development of 2009, careful optimism is now spreading across the world markets.

The outlook for the USA remains cautious, according to the Hamburg Institute of International Economics (HWWI). Early indicators, such as consumer confidence, the purchasing manager index and incoming orders have all been climbing again over the last few months but are still very low. By and large the American gross domestic product is expected to increase by 2 per cent in 2010.

The Chinese economy is responding positively to interventions from the government and a recovery in export demand. Positive developments are therefore expected in consumer spending and the employment market. Promising early indicators would suggest a strengthening of the employment market, which will have a favourable effect on the development of the economy. On the whole the HWWI is forecasting a 9 per cent growth in the performance of the Chinese economy.

Economic recovery will remain sluggish in 2010. The economic assistance programmes are continuing to have a stabilising effect but are failing to emit any positive growth impulses. Unemployment, as a subsequent indicator, is expected to increase over the course of the year. This will have a negative effect on consumer spending, which remains weak. Due to an increase in the demand for European goods, the world markets are expected to contribute towards growth, with Asia leading the way.

The economic development perspectives for Germany in 2010 have improved. Market players are looking to 2010 with subdued optimism. The HWWI forecasts 1.5 per cent growth for Germany. The danger of setbacks, however, is high. The financial crisis of the Arab Emirate state of Dubai and other, southern European countries is indicative of the fragility of the international financial system. The reluctance of the banks in their appraisal of credit risks could lead to credit shortages and hinder necessary corporate investments. A growth in world trade will benefit the German economy. It would seem that the major industrial nations, such as the USA, already have the worst behind them in terms of economic performance and are now back on a growth path. Dynamic growth has returned to important emerging countries, such as China.

### IT Sector

According to the industry association Bitkom the global high-tech market will grow by approximately 2 per cent to 1.3 trillion EUR. Contributions to growth will come from not only the industrialised nations but also emerging countries, such as China, India and Brazil in particular. These countries are expected to chart a growth in IT expenditure of approximately 10 per cent. IT penetration of the private and public sectors is not yet so extensive.

While IT expenditure in the USA is anticipated to drop by approximately 1 per cent to 304B EUR, IT spending in Europe is expected to grow by 0.2 per cent to 303B EUR in 2010.

IT spending in Germany is anticipated to grow by 1.4 per cent to 64.4B EUR, with the investment backlog for IT solutions diffusing slowly. Manufacturing trade will continue to suffer at the hands of the economic crisis. The financial economy, energy providers and the public sector will all contribute to an increase in IT spending. Modern technology is still required to replace the current infrastructures in the health, energy provider, transport and education sectors. The software market is set to grow by 0.9 per cent to 14.4B EUR in 2010, with IT services growing by 2.2 per cent to reach 33B EUR.

According to a statement made by Bitkom's President, Professor Scheer, software and IT services are the "hidden champions" of the German economy, representing the most powerful growth and job drivers.

### Target Markets

According to the German Association of the Automotive Industry, the sale of cars has dropped by 30 per cent in Germany to 194,000 units, following the expiry of the environmental incentive for new vehicles in February 2010. German car sales reached a 10-year high in January 2010. The average for both months was 5 per cent higher than the long-term average. After the new car market grew to 3.8M new car registrations in 2009, normalisation to a level of 2.75M new car registrations is expected for 2010. The worldwide car market is set to expand from 55.3M units to approximately 57M units in 2010. The strongest growth is anticipated on the Chinese market, with a growth of 121 per cent to 1.06M units in January 2010 alone. This makes the Chinese car market greater than that of the whole of Western Europe for the first time.

A low point was reached on the domestic market for new vehicles in February 2010. Compared to the previous month, the market for new vehicles did drop by a further 3 per cent in February, to 16,400 units but sales in the "up to 6 tonnes" vehicle group started to rise again for the first time since September 2008. Heavy utility vehicle sales fell by a further 18 per cent in Germany, compared to the figure of the previous month. Domestic orders reflected a positive trend, however. The foreign markets are also showing a reversal of this trend. February 2010 saw an increase in the number of export units for the first time since 2008, with an increase of 58 per cent to 17,950 units. This is the fourth consecutive increase in the number of foreign orders. The order volume is gradually approaching that of the mid-term average.

The industry association ZVEI anticipates an increase in production of 3 to 4 per cent to 150B EUR for the German electrical industry in 2010. Exports are expected to increase by 5 per cent, signalling a positive trend reversal. The recovery process, however, will take some years to reach a production level similar to that of before the economic crisis, according to the ZVEI.



### Outlook 2010

On the whole, the Board of Management is not entirely satisfied with the last financial year. In spite of the weak macroeconomic situation that crept increasingly onto the scene in the second half of 2008 and remained throughout 2009, the IBS Group was able to close the last financial year profitably and with EPS of 0.19 EUR or a profit margin (Group result margin for the period) of 7 per cent nevertheless.

Leading market research institutes predict a more positive development for the software and IT services markets in 2010. The Board of Management agrees with this evaluation. The tense worldwide economic situation will present IBS AG with further challenges, with sustained increased pressure on margins and daily rates expected.

Given the afore-mentioned macroeconomic situation it is currently very difficult to forecast performance during the 2010 financial year in any detail. We anticipate having greater clarity of the business development from mid-2010 and look forward to a more positive development than that of 2009. If the macroeconomic situation stabilises any further, we anticipate our customers' investment willingness to normalise and, inter alia, we will be able to process a higher proportion of the volume of orders on hand. The Board of Management sees positive signals for the 2011 financial year. These signals are dependent on the development of the macroeconomy, however. The key financial figure in corporate management is a company's earnings before interest and taxes (EBIT). Turnover growth is a secondary figure. Major changes to the whole Group that should have a positive effect on the IBS Group's earnings situation over the next two financial years are the conclusion of the two research projects LifeCycleQM and LAENDmarkS at the end of 2009, which have now reached market maturity, and a marketing offensive for the calibration software CALVIN, that has so far been marketed by the Company's subsidiary IBS SINIC GmbH.

## Assurance of the Legal Representatives

The IBS AG Board of Management hereby assures that, to the best of its knowledge and in accordance with the accounting principles applicable to the compilation of the Annual Report of the consolidated annual accounts, the respective image of the actual circumstances relating to the assets, financial and income situation of the Group is correctly portrayed 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, 23rd March 2010

IBS Aktiengesellschaft excellence, collaboration, manufacturing



Dr. Klaus-Juergen Schroeder



Volker Schwickert



# Consolidated Financial Statement

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## Consolidated Statement of Recognised Income and Expenditure

	Appen- dix	12-monthly report as at 31.12.2009 K EUR	12-monthly report as at 31.12.2008 K EUR
Sales revenue	18	18,280	21,879
Cost of sales		-7,466	-9,055
<b>Gross profit</b>		<b>10,814</b>	<b>12,824</b>
<b>Operating income</b>			
Other operating income	19	95	128
Selling expenses	20	-4,235	-4,700
Administrative expenses	21	-2,415	-2,646
Research and development expenses	22	-2,789	-2,873
Other operating expenses	23	-190	-114
		<b>-9,534</b>	<b>-10,205</b>
<b>Operating profit (EBIT)</b>		<b>1,280</b>	<b>2,619</b>
Interest income	24	90	202
Interest expenses	25	-163	-180
		<b>-73</b>	<b>22</b>
<b>Result before tax</b>		<b>1,207</b>	<b>2,641</b>
Taxes on income and profits	26	60	-252
<b>Consolidated result for the period</b>		<b>1,267</b>	<b>2,389</b>
of which to be allotted to the parent company		1,267	2,388
of which to be allotted to the minority shareholder		0.3	0.7
<b>Earnings per share in EUR</b>			
undiluted		0.19	0.35
diluted		0.19	0.35
<b>Consolidated result for the period</b>		<b>1,267</b>	<b>2,389</b>
Other result			
Currency conversion („net of tax“)		-25	8
Fair value valuation („net of tax“)		0	-12
<b>Total consolidated result</b>		<b>1,242</b>	<b>2,385</b>
of which to be allotted to the parent company		1,242	2,384
of which to be allotted to the minority shareholder		0.3	0.7

## Consolidated Statements of Shareholders' Equity

	Equity attributable to the shareholders of the parent company						Minority share K EUR	Consolidated equity Capital Total K EUR
	Subscribed capital K EUR	Own shares K EUR	Reserve from currency conversion K EUR	Fair value provision K EUR	Other Group provisions K EUR	Total K EUR		
	Note 8	Note 9						
<b>As at 31.12.2007</b>	<b>6,883</b>	<b>-7</b>	<b>-670</b>	<b>12</b>	<b>6,477</b>	<b>12,696</b>	<b>46</b>	<b>12,743</b>
Currency conversion	0	0	8	0	0	8	0	8
Fair value valuation of securities (sale)	0	0	0	-12	0	-12	0	-12
Consolidated result for the period	0	0	0	0	2,388	2,388	1	2,389
<b>Overall net income for period</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>-12</b>	<b>2,388</b>	<b>2,384</b>	<b>1</b>	<b>2,385</b>
Dividend 2007	0	0	0	0	-688	-688	0	-688
Own shares	0	-105	0	0	0	-105	0	-105
Correction of balance carried forward IBS Austria	0	0	0	0	2	2	0	2
<b>As at 31.12.2008</b>	<b>6,883</b>	<b>-112</b>	<b>-662</b>	<b>0</b>	<b>8,179</b>	<b>14,289</b>	<b>47</b>	<b>14,337</b>
Currency conversion	0	0	-25	0	0	-25	0	-25
Consolidated result for the period	0	0	0	0	1,267	1,267	0	1,267
<b>Overall net income for period</b>	<b>0</b>	<b>0</b>	<b>-25</b>	<b>0</b>	<b>1,267</b>	<b>1,242</b>	<b>0</b>	<b>1,242</b>
Dividend 2008	0	0	0	0	-680	-680	0	-680
Own shares	0	-221	0	0	0	-221	0	-221
<b>As at 31.12.2009</b>	<b>6,883</b>	<b>-332</b>	<b>-687</b>	<b>0</b>	<b>8,766</b>	<b>14,630</b>	<b>47</b>	<b>14,678</b>

## Balance Sheet

Assets	Appendix	31.12.2009 in K EUR	31.12.2008 in K EUR
<b>Long-term assets</b>			
Intangible assets	1	4,143	3,827
Tangible assets	2		
Property and buildings		1,839	1,582
Other equipment, factory and office equipment		374	609
Deferred taxes	3	3,940	3,870
		<b>10,296</b>	<b>9,888</b>
<b>Short-term assets</b>			
Cash and cash equivalents	4	6,413	6,718
Trade receivables	5	4,030	5,304
Other receivables and other assets	6	412	412
Inventories	7	366	349
		<b>11,221</b>	<b>12,783</b>
		<b>21,517</b>	<b>22,671</b>

Shareholders' equity and liabilities	Appendix	31.12.2009 in K EUR	31.12.2008 in K EUR
<b>Shareholders' Equity</b>			
Subscribed capital	8	6,883	6,883
Own shares	9	-332	-112
Capital reserve	10	8,080	7,519
<b>Equity attributable to the shareholders of the parent company</b>		<b>14,631</b>	<b>14,290</b>
Minority share		47	47
		<b>14,678</b>	<b>14,337</b>
<b>Long-term liabilities</b>			
Accruals for pensions	11	514	493
Liabilities to credit institutes	12	2,036	2,054
		<b>2,550</b>	<b>2,547</b>
<b>Short-term liabilities</b>			
Trade receivables	13	548	1,023
Other liabilities	14	2,556	2,751
Liabilities to credit institutes	15	134	116
Tax liabilities	16	99	159
Deferred Liabilities	17	952	1,738
		<b>4,289</b>	<b>5,787</b>
		<b>21,517</b>	<b>22,671</b>



## Consolidated Statements of Cash Flow

	12-monthly report 01.01. - 31.12.2009 in K EUR	12-monthly report 01.01. - 31.12.2008 in K EUR
<b>Cash flow from investment activities:</b>		
Consolidated result for the period	1,267	2,388
<b>Adjustment for the carryover of the net profit for the period to operating cash flow:</b>		
Depreciation and amortization	561	704
Profit/loss from the disposal of assets	0	-50
Minority shares	0	1
Deferred taxes	-70	164
Other expenses / income without an effect on cash	-11	0
Accruals for pensions	21	18
<b>Changes in operational assets and liabilities:</b>		
Trade receivables	1,262	699
Inventories	-16	-64
Prepaid expenses / deferred income and other assets	1	-41
Trade receivables	-476	-89
Advance payments received	493	78
Accruals	-778	122
Tax liabilities	-60	47
Other liabilities	-653	401
<b>Cash flow from operating activities</b>	<b>1,541</b>	<b>4,378</b>

	12-monthly report 01.01. - 31.12.2009 in K EUR	12-monthly report 01.01. - 31.12.2008 in K EUR
<b>Cash flow from investment activities:</b>		
Expenditure for investments in intangible and tangible assets	-326	-629
Expenditure for investments in capitalized software developments	-586	-1,156
Income from the sale of tangible assets	0	202
Expenditure from the acquisition of securities available for sale	0	-12
<b>Cash flow from financing activities</b>	<b>-912</b>	<b>-1,595</b>
<b>Cash flow from financing activities:</b>		
Changes in short-term loans	0	-1,025
Changes in long-term loans	0	920
Redemption of liabilities from financial lease	-5	0
Expenditure from the acquisition of treasury stock	-220	-105
Dividend pay-out	-680	-688
<b>Cash flow from financing activities</b>	<b>-905</b>	<b>-898</b>
<b>Increase in liquid funds and short-term investments</b>	<b>-276</b>	<b>1,885</b>
<b>Cash and cash equivalents at the start of the financial year</b>	<b>6,718</b>	<b>4,801</b>
Effect of foreign currency changes on payments	-29	32
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6,413</b>	<b>6,718</b>
<b>Additional information:</b>		
Payments effected during the financial year for		
Income Taxes	112	75
Interest	163	137

## Development of Intangible Assets and Fixed Assets

2009	Acquisition and production costs					
	01.01.2009	Additions	Disposals	Book transfers	Currency conversion	31.12.2009
	K EUR	K EUR	K EUR	K EUR	K EUR	K EUR
<b>Intangible assets</b>						
Goodwill	5,997	0	0	0	0	5,997
Software, licences and other intangible assets	1,237	51	0	0	-14	1,274
Self-created software	4,898	586	-902	0	-35	4,547
	<b>12,132</b>	<b>637</b>	<b>-902</b>	<b>0</b>	<b>-49</b>	<b>11,818</b>
<b>Tangible assets</b>						
Property and buildings	2,018	57	0	253	0	2,328
Other equipment, factory and office equipment	1,638	217	-8	-253	-8	1,586
	<b>3,656</b>	<b>274</b>	<b>-8</b>	<b>0</b>	<b>-8</b>	<b>3,914</b>
	<b>15,788</b>	<b>911</b>	<b>-910</b>	<b>0</b>	<b>-57</b>	<b>15,732</b>

2008	Acquisition and production costs					
	01.01.2008	Additions	Disposals	Book transfers	Currency conversion	31.12.2008
	K EUR	K EUR	K EUR	K EUR	K EUR	K EUR
<b>Intangible assets</b>						
Goodwill	5,997	0	0	0	0	5,997
Software, licences and other intangible assets	1,152	99	-34	0	20	1,237
Self-created software	3,695	1,156	0	0	47	4,898
	<b>10,844</b>	<b>1,255</b>	<b>-34</b>	<b>0</b>	<b>67</b>	<b>12,132</b>
<b>Tangible assets</b>						
Property and buildings	2,380	67	-429	0	0	2,018
Other equipment, factory and office equipment	1,293	463	-137	0	19	1,638
	<b>3,673</b>	<b>530</b>	<b>-566</b>	<b>0</b>	<b>19</b>	<b>3,656</b>
	<b>14,517</b>	<b>1,785</b>	<b>-600</b>	<b>0</b>	<b>86</b>	<b>15,788</b>

Write-offs / depreciation				
01.01.2009	Additions	Disposals	Currency conversion	31.12.2009
K EUR	K EUR	K EUR	K EUR	K EUR
5,591	0	0	0	5,591
1,022	96	0	-7	1,111
1,691	209	-899	-28	973
<b>8,304</b>	<b>305</b>	<b>-899</b>	<b>-35</b>	<b>7,675</b>
436	53	0	0	489
1,029	194	-6	-5	1,212
<b>1,465</b>	<b>247</b>	<b>-6</b>	<b>-5</b>	<b>1,701</b>
<b>9,769</b>	<b>552</b>	<b>-905</b>	<b>-40</b>	<b>9,376</b>

Net carrying values	
31.12.2009	31.12.2008
K EUR	K EUR
406	406
163	215
3,574	3,207
<b>4,143</b>	<b>3,828</b>
1,839	1,582
374	609
<b>2,213</b>	<b>2,191</b>
<b>6,356</b>	<b>6,019</b>

Write-offs / depreciation				
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
<b>7,893</b>	<b>370</b>	<b>0</b>	<b>41</b>	<b>8,304</b>
526	188	-278	0	436
987	163	-135	14	1,029
<b>1,513</b>	<b>351</b>	<b>-413</b>	<b>14</b>	<b>1,465</b>
<b>9,406</b>	<b>721</b>	<b>-413</b>	<b>55</b>	<b>9,769</b>

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



## Notes on the Consolidated Financial Statements as at 31st December 2009

### The Company

IBS Aktiengesellschaft excellence, collaboration, manufacturing, Rathausstrasse 56, 56203 Hoeher-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 Hoeher-Grenzhausen. The Company is listed in the Prime Standard of the Frankfurt stock exchange (ISIN DE0006228406) and is a member of the German Entrepreneurial Index (GEX®) of the Deutsche Boerse AG.

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

These Consolidated Financial Statements for the financial year ending on 31st December 2009 were approved for release by the Company management on 23rd March 2010.

### General Principles

The Consolidated Financial Statements summarise the financial statements of IBS AG and its subsidiaries (hereinafter referred to as "the IBS Group"). These comprise the Consolidated Financial Statements compiled in accordance with § 315a of the German Commercial Code and in accordance with IFRS, as applicable within the EU. Application of the individual standards is indicated in the explanations of the individual items of the Consolidated Financial Statements.

The Consolidated Financial Statements have been compiled on the basis of the historical purchase costs principal. Unless otherwise stated, assets and debts are reported in the balance sheet on the basis of the historical purchase or production costs principle, less the necessary write-offs and depreciation.

The Consolidated Profit and Loss Account and the Consolidated Balance Sheet have been compiled in accordance with the IAS 1 account classification rules and the income statement has been prepared in accordance with the cost-of-sales method. The Consolidated Financial Statements are shown 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 accounting methods applied by IBS AG correspond to the methods applied during the previous year. Additions or amendments to the IFRS are as follows:

Obligatory accounting standards and interpretations to be applied:

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) announced the following new accounting regulations in previous years. These were to be applied for the first time in 2009, due to recognition by the EU as a result of a corresponding endorsement procedure:

- » IAS 1 Presentation of Financial Statements (revision relating to additional information)
- » IAS 23 Borrowing Costs (revision relating to the annulment of a voting right, inclusion of borrowing costs as expenditure)
- » IFRS 1 / IAS 27 Consolidated and Separate Financial Statements in accordance with IFRS (revision relating to specific first-time adoption themes)
- » IAS 32 Financial Instruments: Presentation (revision relating to puttable financial instruments and obligations arising on liquidation)
- » IAS 39 Financial Instruments: Recognition and Measurement (revision relating to the reassessment of embedded derivatives and relating to transitional regulations in the reclassification of financial assets)
- » IFRS 2 Share-based payment (revision relating to vesting and non-vesting conditions and cancellations)
- » IFRS 4 Insurance Contracts (revision relating to more detailed information regarding fair value assessments and liquidity risks)
- » IFRS 7 Financial Instruments: Disclosures (revision relating to more detailed information regarding fair value assessments and liquidity risks and relating to transitional regulations in the reclassification of financial assets)
- » IFRS 8 Operating Segments (new standard)
- » IFRIC 9 Reassessment of Embedded Derivatives (revision relating to the reassessment of embedded derivatives)
- » IFRIC 13 Customer Loyalty Programmes (new interpretation)
- » IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (new interpretation)
- » Various IFRS improvements (revision of 35 standards relating to presentation, application and assessment and relating to terminology and editorial disclosures)

The regulations relevant to the IBS Group are summarised as follows, along with their effects on the Consolidated Financial Statements:

- » The IASB issued revised IAS 1 "Presentation of Financial Statements" in September 2007, which is effective for financial years beginning on or after January 1 2009. The new standard contains major changes to the presentation of financial information in financial statements. In future, the statement of changes in equity will include only details of transactions with owners shown to be owners within their capacity. The other changes to shareholders' equity apply to the presentation of the total profits for the period, with the presentation all items of income and expense recognised in the income statement, either in one statement, or in two linked statements. Furthermore, the standard allows for the first inclusion of a balance sheet in a company's financial statements at the start of the earliest comparative period if accounting methods are applied consequentially or items in the financial statements are consequentially amended or restructured. The new standard influences the way in which the Group's financial information is announced but does not effect the application or assessment of assets and debts in the Consolidated Financial Statement. IBS compiles its presentation in the form of a single presentation.
- » The revised IAS 23 "Borrowing Costs" was issued by IASB in March 2007 and is to be applied for the first time in the reporting period beginning on or after January 1 2009. The standard annuls the previous option and requires the capitalisation of borrowing costs that may be allocated to a qualified asset. An asset is defined as a qualified asset if considerable time is required in order to transform the asset into its intended utility or sellable state. The standard allows prospective application of the new regulation.
- » IFRS 7 "Financial Instruments: Disclosures" outline additional disclosure requirements for fair value assessments and liquidity risks. This amendment requires the quantitative analysis for determining the attributable fair value based on a three-tier hierarchy for each classification of financial instrument used for the attributable fair value included on the balance sheet. Furthermore, for level-three assessments of attributable fair value a transition is now prescribed between the opening balance and the closing balance and the disclosure of major restructuring between levels 1 and 2 of the determination hierarchy. Furthermore, this amendment clarifies the requirements for disclosures on liquidity risks in relation to transactions relating to derivatives and on assets applied for liquidity management purposes.
- » IFRS 8 was issued by IASB in November 2006 and is obligatory for first time for financial years beginning on or after 1st January 2009. IFRS 8 prescribes the disclosure of information of the business segments of a company and replaces the company's obligation of determining primary (business segments) and secondary (geographical segments) segment reporting formats. IFRS 8 follows the so-called Management Approach, whereby the segment reporting is only aimed at financial information used by the company's decision-makers for the internal control of the company. The internal reporting and organisational structure and key financial figures called upon for decision-making on the allocation of resources and the assessment of profitability. For further information, please refer to the segment reporting.

New and amended accounting standards and interpretations that are not yet obligatory in application:

In addition to the obligatory applicable new accounting standards and interpretations, the IASB and IFRIC have issued further standards and interpretations, some of which have already passed through EU endorsement but the application of which shall not become obligatory until a later date. The following standards shall be applied at the time at which the application becomes obligatory, unless applied prior to this on a voluntary basis.

The following standards and interpretations already passed through the EU endorsement procedure as at 31st December 2009:

- » IAS 32 Financial Instruments: Presentation (revision relating to the classification of rights)
- » IAS 39 Financial Instruments: Recognition and Measurement (revision relating to qualified underlying transactions)
- » IFRS 1 First-time application of IFRS (revision relating to a new structure enabling easier application)
- » IAS 27 / IFRS 3 Business Combinations (phase II: general revision within the scope of an IASB and FASB convergence project)
- » IFRIC 12 Service Concession Arrangements (new interpretation)
- » IFRIC 15 Agreements for the Construction of Real Estate (new interpretation)
- » IFRIC 16 Hedges of a Net Investment in a Foreign Operation (new interpretation)
- » IFRIC 17 Distributions of Non-cash Assets to Owners (new interpretation)
- » IFRIC 18 Transfers of Assets from Customers (new interpretation)

Application of these regulations is not likely to have any significant affect on the future financial statements of the IBS Group.

EU endorsement of 31. December 2009 has not yet been passed for the following further standards and interpretations issued:

- » IAS 24 Related Party Disclosures (revision relating to reporting obligations of companies with governmental stakeholders)
- » IFRS 1 First-time Adoption of International Financial Reporting Standards (revision relating to additional exceptions)
- » IFRS 2 Share-based Payment (clarification of inclusion of share-based payments with intra-group cash settlements in the balance sheet of the separate financial statements of a subsidiary)
- » IFRS 9 Financial Instruments (new standard)



- » IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (revision relating to advance payments of minimum funding requirements)
- » IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (new interpretation)

The effects of the above-mentioned standards and interpretations on the Group's assets, financial and earnings situation is currently being analysed.

Furthermore, the second part of the so-called improvements to the International Financial Reporting Standards was issued by the IASB during the year under review, which has not yet been adopted in EU community law.

Management judgements and main sources of estimation uncertainties:

Compilation of the Consolidated Annual Report in accordance with IFRS requires the management to make estimations and assumptions that have affected the amount of the assets debts, earnings and expenditure shown on the balance sheet. These assumptions and assessments mainly refer to the uniform Group determination of economic lifetimes, the depreciation of assets, the estimation of provisions, the realisability of receivables, application of achievable residual values of inventory assets and the realisability of future tax relief. In some cases the actual values may differ from the assumptions and estimations made. Amendments are shown on the balance sheet at the time of improved perception.

The main areas of judgement and estimation uncertainties affecting the IBS Group are as follows:

a) Depreciation of Assets

The Group checks for the depreciation of goodwill at least once a year. Furthermore, where indications of potential asset depreciation exist, examination of the intrinsic value of the asset is made, based on an assessment of the achievable value of the asset. Should it not be possible to estimate the achievable value of the individual asset, the achievable value of the cash-generating to which the asset belongs unit is determined.

This requires an estimation of the achievable value of the asset or cash-generating equivalent to which the goodwill or asset is allocated.

#### b) Deferred Tax Claims

Deferred tax claims are shown on the balance sheet for all temporary differences and for all unused tax losses carried forward to the degree to which future taxable income is likely to be available for actual use of the losses carried forward. Determination of the value of the deferred tax claims requires the management to make fundamental judgements based on the anticipated time of occurrence and the value of the future taxable income and the future tax planning strategies. We also refer to the items listed in note 3.

#### c) Pension Obligations

Expenditure from performance-related plans is determined on the basis of actuarial calculations. The actuarial assessment is carried out on the basis of the assumptions regarding the discounting rate, future wage increases, mortality and future pension increases. In keeping with the long-term alignment of these plans, such evaluations are subject to significant uncertainties. We also refer to the items listed in note 11.

#### d) Self-created Software

Development costs are capitalised in accordance with the balance sheet and assessment method shown in these notes in the section "self-created intangible assets". The Company management makes assumptions on the value of the anticipated future cash flow from assets, the applicable discounting rates and the period of inflow of the anticipated future cash flow needs that generate the assets, in order to determine the amounts to be capitalised. We also refer to the items listed in note 1.

#### e) Leasing

The Group has entered into leasing contracts. The determination of whether or not a contract contains a leasing relationship is made on the basis of the economic content at the time of entering into the contract and requires an estimation of the transition of opportunities and risks of the leasing object.

## Consolidation Principles

### Consolidated Balance Sheet Date

The Consolidated Balance Sheet date is 31st December and is the same date as that 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 31st December of each year. Control exists if the Company has the possibility to determine the financial and business policies of a company and benefit from this activity. The consolidation is terminated as soon as the control of the parent company is ceased.

The following companies are affiliated to the Corporate Group:

		Amount of share capital	
		Per cent	EUR
1.	IBS Aktiengesellschaft excellence, collaboration, manufacturing, Hoehr-Grenzhausen, Germany (parent company)		
2.	IBS Business Consulting GmbH, Hoehr-Grenzhausen (subsidiary)	100.00	100,000.00
3.	IBS America Inc., Lexington, USA (subsidiary)	100.00	42,965.00
4.	IBS SINIC GmbH, Neu-Anspach, Germany (subsidiary)	100.00	52,300.00
5.	IBS engineering consulting software GmbH, Linz, Austria (subsidiary)	100.00	136,000.00
6.	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 2009. 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.

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 percentage of the fair market value of the recognised 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 company.

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 the Group's 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 deferrals 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 have been converted in accordance with the functional currency principle and with application of the modified reporting date method, in accordance with IAS 21. Since the foreign subsidiaries operate 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 to USD	2009	2008
Rate of exchange on balance sheet closing date	1.44060	1.39170
Average rate of exchange	1.39327	1.47060

EUR to LTL	2009	2008
Rate of exchange on balance sheet closing date	3.45280	3.45280
Average rate of exchange	3.45280	3.45280

### Presentation or Grouping Changes

In application of IAS 1 the consolidated profit and loss statement is shown on the balance sheet as a calculation of overall performance, in which the profit components are shown on the balance sheet in the shareholders' equity with no effect on net profit.

## 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.

### 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 may 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. Write-offs are indicated in the production costs.

### 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 2010 financial year. A specific increase in turnover and costs is assumed for the years 2011 to 2014. Growth rates after this time are generally assumed at 1.0 per cent. A capital cost rate based on the so-called WACC has been used to determine the cash value of the future cash flow. The following assumptions have been applied:

Parameter	Assumption
WACC (before taxes)	8.1 per cent
Beta factor	1.0
Long-term growth rate	1.0 per cent
Risk-free rate of interest	4.25 per cent
Market risk premium	5.0 per cent

The Impairment Test carried out in 2009 (balance sheet date: 31. 12. 2009) 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.

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 company equipment (10 - 30 per cent), each in relation to the procurement or production costs.

### **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.

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 102 EUR. The subsidies are accounted for by deducting the grant from the asset's carrying amount.



### **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 debts and anticipated losses from irrecoverable debts are included in the balance sheet by way of appropriate value adjustments, whereby lump-sum individual value adjustments are created for individual delinquency classifications based on empirical values. 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 from the date of acquisition as cash equivalents. These mainly refer to short-term payable bank balances. This definition is also applicable to holdings of cash and cash equivalents in the capital account.

### **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 range-exceeding 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.

Securities are held solely as 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.

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.

No classifications of financial assets or debts have so far been made in the category "designated at fair value in the income statement". No reclassifications have been made.

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 and contracts for work is principally calculated in accordance with IAS 11 based on the respective performance and project progress, in accordance with the so-called "percentage-of-completion method" (PoC 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 shown pro rata temporis over the contractual term of service.

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

Deferred revenue for turnover from advance payments made but not shown on the balance sheet until the following financial year are shown on the balance sheet as deferred income.

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 PoC 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 Consolidated 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 asset claims.

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 PoC 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.

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.

### **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.

## Detailed Notes on the Accounts

### Long-term Assets

#### 1 Intangible Assets

##### Goodwill

The term "acquired goodwill" applies exclusively to IBS America, Inc. Depreciation was 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.

A globally integrated Track&Trace system with the necessary data management structures and technologies has been developed for this purpose. The BMWI (German Federal Ministry of Economics and Technology) initiated a joint project for this content, which it sponsored until the end of 2008. The IBS traceability solution constitutes one of the key areas of the LAENDmarkS concept. This enables the traceability of all processes involved in the product lifecycle. The IBS traceability product was further developed to market maturity outside the scope of the BMWI sponsorship during the period under review. The associated, capitalised own funding is to be written off from the 2010 financial year over a period of 5 years. LAENDmarkS was sponsored to the sum of 37K EUR during the financial year under review and a total of 674K EUR was capitalised for the project at the end of the year.

##### LifeCycleQM

The LifeCycleQM project, also sponsored by the BMWI, was aimed at the conception of a target and life-cycle-oriented quality strategy for the development of software components. The project, which was 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.

The project was also sponsored by the BMWI and completed by IBS during the year under review. The associated, capitalised own funding is to be written off from the 2010 financial year over a period of 5 years. LifeCycleQM was sponsored to the sum of 66K EUR during the financial year under review and a total of 642K EUR was capitalised for the project at the end of the year.

### 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. The relevant documentation (evidence of hours worked) and project definitions (documentation requirement) are available. During the 2009 financial year a total of 14,493 working hours were documented. The country-specific hourly rate of pay ranged from approximately 36 EUR per hour to approximately 49 EUR per hour. The valuation is carried out with the traceable production costs. External labour costs to the sum of 35K EUR were invested in the creation of own software. A total of 1,990K EUR was capitalised for the SOA project at the end of the year.

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

## 2 Fixed Assets

We refer to the assets overview for the development of fixed 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	
	2009	2008
	K EUR	K EUR
Tax loss carried forward	4,873	4,822
Provisions	61	56
Set off against deferred tax losses	-994	-1,008
	<b>3,940</b>	<b>3,870</b>

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

	Deferred tax assets		Deferred tax losses	
	2009	2008	2009	2008
	K EUR	K EUR	K EUR	K EUR
Self-created software	0	0	983	838
Current assets	0	0	11	170
Provisions	61	56	0	0
Tax loss carried forward	4,873	4,822	0	0
Set off against deferred tax losses	-994	-1,008	-994	-1,008
	<b>3,940</b>	<b>3,870</b>	<b>0</b>	<b>0</b>

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

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 utilisable within 5 years at 14,870K EUR. According to preliminary calculations, IBS AG's actual tax loss carried forward from the previous year as at 31st December 2009 was 23,870K 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 647K EUR. The Company has valued this loss carried forward on the basis of 1,618K 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 1,933K EUR. The applicable rate of tax is 40 per cent. Due to currency conversion there was a reducing effect on deferred tax claims to the sum of 23K EUR.



### **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 the risks 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 balances. 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 2009 the Group had an undrawn borrowing limit to the sum of 4,490K EUR (previous year: 3,000K EUR), for which all redemption conditions had already been fulfilled.

## 5 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

	31.12.2008	Additions	Use	31.12.2009
	K EUR	K EUR	K EUR	K EUR
<b>Due period structure</b>				
Receivables due:				
< 3 months	4,035			3,246
4-6 months	766			439
7-12 months	223			262
> 12 months	441			307
	<b>5,465</b>			<b>4,254</b>
Value adjustments	- 221	-72	61	-232
Receivables PoC	60			8
	<b>5,304</b>			<b>4,030</b>
<b>Regions</b>				
Receivables inland	4,439			2,999
Receivables foreign	1,086			1,263
Value adjustments	-221	-72	61	-232
	<b>5,304</b>			<b>4,030</b>

### Age structure of receivables, value adjustment overview - previous year

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

### Receivables from the Percentage-of-Completion Method

Production orders are recorded in the balance sheet in accordance with Percentage-of-Completion method (PoC).

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

	31.12.2009	31.12.2008
	K EUR	K EUR
Turnover PoC	154	1,016
Accumulated costs of PoC orders	179	838
Loss/profit PoC	-24	178
Part payment	14	22
Receivables PoC	8	60

The percentage (degree) of completion is determined on the basis of man days performed in relation to planned man days. PoC losses resulted from a single project for which additional services were carried out during the year under review due to renegotiations that were thus far not included in the project calculation.

### 6 Other Receivables

The other receivables are broken down as follows:

	31.12.2009	31.12.2008
	K EUR	K EUR
Loans to the Board of Management	177	154
Tax claims	67	106
Advance payments	98	76
Security deposits and disbursements	19	19
Others	51	57
	<b>412</b>	<b>412</b>

### 7 Inventories

	31.12.2009	31.12.2008
	K EUR	K EUR
Goods	13	30
Work in process	353	319
	<b>366</b>	<b>349</b>

No depreciation was carried out for inventory assets during the year under review.

## Shareholders' equity

### 8 Subscribed Capital

	Quantity	2009	2008
		K EUR	K EUR
As at 01.01. Ordinary shares	6,883,065	6,883	6,883
<b>As at 31.12.</b>	<b>6,883,065</b>	<b>6,883</b>	<b>6,883</b>

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

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

Due to treasury stock, the holding of outstanding shares developed as follows:

<b>1.1.2008</b>	<b>6,880,643</b>
Change	-32,808
<b>31.12.2008 / 1.1.2009</b>	<b>6,847,835</b>
Change	-75,161
<b>31.12.2009</b>	<b>6,772,674</b>

### 9 Treasury Stock

	K EUR	Qty	Proportion of nominal capital	
			K EUR	Per cent
As at 01.01.2009	111	35,230	35	0.512
Additional purchase	221	75,161	75	1.092
<b>As at 31.12.2009</b>	<b>332</b>	<b>110,391</b>	<b>110</b>	<b>1.604</b>

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 in part and as a single or multiple transactions.

The Company acquired a total of 75,161 treasury shares during the financial year under review. The holding of treasury shares was valued at an average market price of 3.01 EUR per share as at 31st December 2009.

## 10 Provisions

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 2009:

	2009	2008	Total number of options
	No. of options	No. of options	
In circulation as at 01.01.	11,500	15,400	
Granted	0	0	182,100
Exercised	0	0	95,850
Expired	0	3,900	74,750
<b>In circulation as at 31.12.</b>	<b>11,500</b>	<b>11,500</b>	<b>11,500</b>
Exercisable at end of year	0	0	



### 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 EUR in 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 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 2009, 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 following table shows the undiluted and diluted earnings per Share, based on the aforementioned calculations:

Earnings per Share:	Group profit	
	2009	2008
Group profit by minority in K EUR	1,267	2,388
Lowest common denominator per share (undiluted)	6,804	6,868
EPS undiluted in EUR	0.19	0.35
Effect of diluted elements (stock options)	12	12
Lowest common denominator per Share (diluted)	6,816	6,880
EPS diluted in EUR	0.19	0.35

## Long-term Liabilities

### 11 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). The liability has developed as follows:

	2009	2008
	K EUR	K EUR
As at 01.01.	859	823
Interest expenditure	49	45
Service costs	33	33
Actuarial profits/losses	-21	-42
<b>As at 31.12.</b>	<b>920</b>	<b>859</b>

As is common in Germany, two life insurance policies were used to reinsure the pension obligations, whose expected return on the capitalised 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:

	2009	2008
	K EUR	K EUR
As at 01.01.	464	417
Expected return	20	18
Employer's contribution	41	41
Actuarial profits/losses	-17	-12
<b>As at 31.12.</b>	<b>508</b>	<b>464</b>

The current period and past period amounts are as follows.

	2009	2008	2007	2006
	K EUR	K EUR	K EUR	K EUR
Cash value of max. defined benefit obligation	920	859	823	886
Plan assets	-508	-464	-417	-375
<b>Short cover / surplus cover</b>	<b>412</b>	<b>395</b>	<b>406</b>	<b>511</b>
Actuarial profits/losses not included in the income statement	102	98	69	-55
<b>Debt arising from the performance-related obligation</b>	<b>514</b>	<b>493</b>	<b>475</b>	<b>456</b>
Empirical adjustment	-15	-14	-14	-13

The Group anticipates performance-related pension plan contributions to the sum of 64K EUR for the 2010 financial year.

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

Basis for actuarial calculation at the start of the year	2009	2008
Interest rate used to value pension obligation	5.75 per cent	5.7 per cent
Expected returns on external plan assets	4.2 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

We refer to the disclosures on the total payments made to the Board of Management and Supervisory Board.

## 12 Liabilities to Credit Institutions

The entry refers to the share of liabilities with a residual term of over one year.

The item liabilities towards credit institutions involves a fixed-rate interest subsidised loan (4.5 per cent - 5.05 per cent), which is to be repaid in instalments from 2010 or 2014 and is to be repaid in full by 2016. The subsidised loan was granted in relation to the SOA project. Due to interest rate development since 2008, the loan is currently to be viewed as in line with the market.

The detailed residual terms and collateralisation can be found in the Liabilities Overview.

## Short-term Liabilities

### 13 Trade Liabilities

The entry to the sum of 548K EUR (previous year: 1,023K EUR) applies exclusively to liabilities with a residual term of less than one year.

### 14 Other Liabilities

The other liabilities are broken down as follows:

	2009	2008
	K EUR	K EUR
Pre-paid income	1,294	1,786
Received deposits	611	117
Income and turnover tax	460	702
Social insurance contributions	20	6
Others	172	140
	<b>2,557</b>	<b>2,751</b>

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

### 15 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.

### 16 Tax Liabilities

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

	2009	2008
	K EUR	K EUR
IBS AG excellence, collaboration, manufacturing, Hoehr-Grenzhausen, Germany	90	147
UAB IBS Baltic GmbH, Kaunas, Lithuania	0	3
IBS America Inc., Lexington, USA	9	9
	<b>99</b>	<b>159</b>

The tax liabilities are to be fulfilled within one year. The values shown relate to taxes for the 2008 and 2009 financial years.

### Liabilities Overview

	Residual term of up to one year	Residual term of between one and five years	Residual term of more than five years	Total	Amount secured by liens or similar rights
	K EUR	K EUR	K EUR	K EUR	K EUR
1. Liabilities to Credit Institutions	134	780	1,256	2,170	2,170
2. Trade Liabilities	548	0	0	548	0
3. Tax Liabilities	99	0	0	99	0
4. Other Liabilities of which: - from taxes: 460K EUR - of which within the scope of social security: 20K EUR	2,556	0	0	2,556	0
	<b>3,337</b>	<b>780</b>	<b>1,256</b>	<b>5,373</b>	<b>2,170</b>

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 for Previous Year

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



## 17 Deferred Liabilities

	As at 01.01.2009	Amount drawn upon	Cancellat- ion	Additions	As at 31.12.2009
	K EUR	K EUR	K EUR	K EUR	K EUR
Profit-sharing	688	688	0	184	184
Personnel liabilities	417	189	7	203	424
Rework and guarantees	123	0	56	0	67
Annual audit costs	158	146	5	162	169
Outstanding invoices	106	76	0	38	68
Others	246	193	32	19	40
	<b>1,738</b>	<b>1,292</b>	<b>100</b>	<b>606</b>	<b>952</b>

The writing back of personnel provisions leads to a 23K EUR reduction in personnel costs.

The provisions for profit-sharing comprise solely sales commission.

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

## 18 Sales Revenue

	2009	2008
	K EUR	K EUR
Licence revenue	3,804	4,931
Services revenue	6,458	8,924
Software maintenance/ support/hotline revenue	7,725	6,629
Trade revenue	293	1,395
	<b>18,280</b>	<b>21,879</b>

During the period under review order revenue to the sum of 154K EUR was included on the balance sheet in accordance with the Percentage-of-Completion method. These projects are ascribed costs to the sum of 179K EUR. The losses included on the balance sheet for the year under review amount to 24K EUR.

## 19 Other Operating Income

	2009	2008
	K EUR	K EUR
Income from release of provisions	77	26
Earnings from loan write-offs	5	7
Profit from sale of assets	0	50
Earnings from exchange rate fluctuations	0	21
Others	13	24
	<b>95</b>	<b>128</b>

## 20 Sales 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.

## 21 Administration 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.

## 22 Research and Development Costs

Research and development costs to the sum of 2,789K EUR were recorded in the income statement as expenditure during the year under review.

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 586K EUR was carried out during the year under review, which had a cost-reducing effect on the profit and loss statement.

## 23 Other Operating Costs

	2009	2008
	K EUR	K EUR
Value-adjustment of receivables	72	75
Currency losses	38	6
Purchase for resale	0	5
Others	80	28
	<b>190</b>	<b>114</b>

## 24 Interest Revenue

	2009	2008
	K EUR	K EUR
Bank interest	71	162
Other interest	19	40
	<b>90</b>	<b>202</b>

## 25 Interest Expenditure

	2009	2008
	K EUR	K EUR
Bank interest	105	93
Other interest	58	87
	<b>163</b>	<b>180</b>

## 26 Taxes on Income and Profits

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

	2009	2008
	K EUR	K EUR
Current tax expenditure	33	88
Deferred tax expenditure / income	-93	164
	<b>- 60</b>	<b>252</b>

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 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 deferred tax income comprises 74K EUR from losses carried forward and 19K EUR from balance sheet differences.

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

	2009	2008
	K EUR	K EUR
Anticipated tax expenditure	343	751
Effect of losses carried forward	-412	-356
Other foreign tax rates / tax rate adjustments	12	-95
Others	-3	-48
Income tax expenditure / (income) shown on income statement	(60)	252

### Personnel Costs

The personnel costs for the 2009 and 2008 financial years are as follows:

	2009	2008
	K EUR	K EUR
Wages and salaries	10,292	10,560
Social security contributions	1,733	1,788
	<b>12,025</b>	<b>12,348</b>

### Material costs

	2009	2008
	K EUR	K EUR
Goods	374	1,017
Costs for services rendered	852	1,692
	<b>1,226</b>	<b>2,709</b>

Goods expenditure generally refers to resold hardware components.

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

### 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 257K EUR, under the item "Selling costs" at 10K EUR, under the item "Administrative costs" at 32K EUR and under the item "Research and development costs" at 13K EUR.

It is shown in the profit and loss account under the item "Production costs" at 257K EUR, under the item "Selling costs" at 10K EUR, under the item "Administrative costs" at 32K EUR and under the item "Research and development costs" at 13K EUR.

The difference to the values shown in the Liabilities Overview are due to the effects of currency conversion.

### Other Notes

#### Segment Reporting

##### Primary Segments (Business Segments)

For operational purposes, the Group is currently divided into the three business segments IBS AG/IBS Baltic/IBS Business Consulting GmbH, IBS America, Inc. and IBS SINIC GmbH. These areas form the basis for the segment reporting format.

The primary activities are as follows:

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



Product families 2009	IBS AG/IBS Baltic/ IBS Consulting GmbH	IBS America, Inc.	IBS SINIC GmbH	Others	Reconciliation	Entire Group
	K EUR	K EUR	K EUR	K EUR	K EUR	K EUR
Segment income	13,452	4,466	1,070	0	-708	18,280
Segment profit (EBIT)	1,264	-46	64	0	-2	1,280
Segment assets	14,479	1,929	768	0	401	17,577
Segment liabilities	2,916	1,534	209	0	-88	4,571
Segment investments	738	173	1	0	0	912
Segment write-offs	267	270	24	0	0	561

The segment debts shown do not contain subsidised loans to the sum of 2,170K EUR.

Product families 2008	IBS AG/IBS Baltic/ IBS Consulting GmbH	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

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 6,413K EUR (previous year: 6,718K 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 31.12.2009	Fair value 31.12.2009
Trade receivables	LaR	4,030	4,030
Other receivables	LaR	412	412
Cash and cash equivalents	LaR	6,413	6,413
Debts from trade receivables	FLAC	548	548
Loans and others financial debts	FLAC	2,170	1,929

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

LaR (Loans and Receivables)

AfS (Available for Sale)

FLAC (Financial Liabilities Measured at Amortised Cost)

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.

Liabilities to credit institutions carry a fixed rate of interest.

The liabilities towards credit institutions shown in the Liabilities Overview carry the following due dates for repayments and tax payments:

	Residual term of up to one year	Residual term of between one and five years	Residual term of more than five years	Total	Amount secured by liens or similar rights
	K EUR	K EUR	K EUR	K EUR	K EUR
Liabilities to credit institutions	134	780	1,256	2,170	2,170
Applicable interest	101	332	41	475	

### Depreciation of financial assets

With regard to the trade receivables, we refer to the Value-adjustment 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. No significant net profits were earned from securities.

### Net Profits and Losses on Financial Liabilities

A currency exchange profit of 14K EUR resulted from the loan granted to IBS America, Inc. 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 the risks 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 2009 approximately 8 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, Inc. IBS AG granted IBS America, Inc. a loan to the sum of 500K EUR in 2008, which resulted in a currency exchange effect of 344K EUR on the balance sheet closing date. A currency exchange effect of 14K EUR arose in 2009.

### **Interest Risks**

Due to the loan's fixed rate of interest there is no interest rate risk.

### **Capital Management**

IBS AG financial management is aimed at the safeguarding of liquidity and a sustainable increase in goodwill. Optimisation of the capital structure and effective risk management are designed to contribute to the achievement of targets and to the reduction of financing costs.

## 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:

	2009	2008
	K EUR	K EUR
Due within one year	772	877
Due in between two and five years	1,295	1,393
Due after five years	0	0
	<b>2,067</b>	<b>2,270</b>

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

Date	Name	Transaction	Type	Quantity	Share price
09.02.2010	Dr. K.-J. Schroeder	Executive Body	Purchase	10,000	3.24

### Average number of employees

	2009	2008
Employees	191	184

### 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 01.01.2009	154
Additions	23
<b>As at 31.12.2009</b>	<b>177</b>

Interest is applied to the loan at a rate of 6 per cent p.a.

2. The Company's office building in Rathausstrasse 56 in Hoeher-Grenzhausen, Germany, is owned by Ingret Schroeder & Heike Schroeder GbR, Hoeher-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 Notes in 9.

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

### 1st June 2007

Siemens AG announced that it has exceeded the threshold value of 5 per cent of the voting rights and now holds 6.75 per cent of the voting rights (corresponding to 458,027 voting rights).

### 2nd July 2007

Oppenheim Pramerica Asset Management S.a.r.L. announced that it has exceeded the threshold value of 3 per cent of the voting rights and now holds 2.77 per cent of the voting rights (corresponding to 188,335 voting rights).

### 20th August 2007 / 26th October 2007

Ost-West Beteiligungs- und Grundstücksverwaltungs-Aktiengesellschaft announced that it has exceeded the threshold value of 5 per cent of the voting rights and now holds 5.1402 per cent of the voting rights (corresponding to 353.800 voting rights).

### 10th December 2007

Alpha First GmbH announced that it has exceeded the threshold value of 3 per cent of the voting rights and now holds 4.23 per cent of the voting rights (corresponding to 291.400 voting rights). The company further announced that it has exceeded the threshold value of 5 per cent of the voting rights and now holds 8.75 per cent of the voting rights (corresponding to 600.4800 voting rights).

### 10th December 2007

Ms. Nina Schroeder announced that she has exceeded the threshold value of 3 per cent or 5 per cent of the voting rights and now holds a 8.72 per cent share of the voting rights (corresponding to 600.400 voting rights).

Ms. Nina Schroeder further announced on behalf of Ms. Heike Schroeder that Ms. Heike Schroeder has exceeded the threshold value of a 3 per cent or 5 per cent share of the voting rights and now holds 8.72 per cent of the voting rights (corresponding to 600.400 voting rights).

No disclosures were made in accordance with the German Securities Trading Act during the 2009 financial year.

### Director's Dealings after the balance sheet closing date:

Date	Name	Transaction	Type	Quantity	Share price
09.02.2010	Dr. K.-J. Schroeder	Executive Body	Purchase	10,000	3.24

#### Declaration in Accordance with the Corporate Governance Code

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 was published in the 2009 Annual Report.

#### Disclosures in accordance with § 264 section 3, no. 4a of the German Commercial Code

IBS SINIC GmbH has been included in these Consolidated Annual Accounts and in accordance with § 264 section

#### Auditor's Fees, in Accordance with § 314 No. 9 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) auditing fees	115
b) other consulting fees	0
c) tax consulting fees	0
d) fees for other services	
	<b>115</b>

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

Name	First name	Current occupation
<b>Board of Management:</b>		
Schroeder	Dr. Klaus-Juergen	Chief Executive Officer (CEO)
Schwickert	Volker	Executive Vice President
<b>Supervisory Board:</b>		
Koechling	Christoph	(Chairman) Managing Partner of KM Results GmbH & Co. KG
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 Gruenland GmbH » Monument Vermoegensverwaltung GmbH
Muenster	Andreas	Client Executive IBM Deutschland GmbH

### Total Remuneration of the Board of Management and Supervisory Board

Board of Management salaries	2009	2008
	K EUR	K EUR
<b>Dr. Klaus-Juergen Schroeder</b>		
Fixed salary	180	180
Other non-cash benefits	15	15
Variable salary	0	60
<b>Total</b>	<b>195</b>	<b>255</b>
<b>Volker Schwickert</b>		
Fixed salary	144	142
Other non-cash benefits	15	18
Variable salary	0	40
<b>Total</b>	<b>159</b>	<b>200</b>
<b>Board of Management salaries total</b>	<b>354</b>	<b>455</b>
<b>Supervisory Board remuneration</b>	<b>84</b>	<b>88</b>

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.

IBS AG has granted Mr. Volker Schwickert a defined contribution assurance with a monthly payment of 2,500 EUR as at 01.01.2010, with a maximum payment term until 1st September 2026. The non-forfeiture of claims to a retirement pension annuity shall take effect on 1st January 2012, provided that Mr. Schwickert's current Board of Management contract is extended by a further period. The Company's monthly payment obligation to the sum of 2,500 EUR shall cease in the event that Mr. Schwickert leaves the IBS AG of his own accord.

Hoehr-Grenzhausen, 23rd March 2010

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 and describes the major opportunities and risks and the anticipated development of the Group.

Hoehr-Grenzhausen, 23rd March 2010

IBS Aktiengesellschaft excellence, collaboration, manufacturing



Dr. Klaus-Juergen Schroeder



Volker Schwickert

## Auditor's Certificate

We have examined the consolidated financial statement of IBS Aktiengesellschaft excellence, collaboration, manufacturing, Hoehr-Grenzhausen – consisting of balance sheet, calculation of overall performance, 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 2009. 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 significant 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 applicable accounting regulations. 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, 23rd March 2010

Ernst & Young GmbH  
Auditing Company

Oppermann  
Auditor

Ranker  
Auditor



## Glossary

### **Application Service Providing (ASP)**

The term ASP is applied when a software company provides its customers with a given application via the Internet.

### **APQP**

An Advanced Product Quality Planning tool.

### **ASQ World Conference**

The USA's largest quality trade fair.

### **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. CAQ=QSYS® is available in three variants: CAQ=QSYS® Professional – for cross-industry application, 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 standards 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 control of quality assurance steps.

### **Control**

Control is the leading international trade fair on the theme of quality assurance.

### **Control Plan**

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

### **Corporate Governance**

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

### **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 interest and income taxes.

**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.

**FDA**

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

**FED Conference**

A conference organised by the German Electronics Design Association

**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 Boerse" 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 (HWWI)**

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.

**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.

**IMF**

International Monetary Fund.

**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 product 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.

**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 reusable quality management 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.

### **Mobile Applications**

Applications previously used on a stationary basis can be configured to use a so-called App (portable application) for mobile access using a mobile phone (so-called Smartphone)

### **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.

### **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.



**Quality Expo**

A leading quality trade fair in the USA.

**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), to name but a few.

**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.

**Release**

Release refers to a version number or the launch of a new software version.

**RFID**

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

**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.

#### **Service-orientierte Architekturen SOA**

Service-oriented Architectures (SOAs) are gaining in importance. An increasing number of major enterprises are relying on SOAs 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 refer to 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.

#### **Software as a Service:**

The term SaaS is applied when a software company provides its customers with the respective applications via the Internet.

#### **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 supply 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.

#### **TAS**

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

#### **Total Quality Management (TQM)**

TQM refers to a management method that focuses on quality through customer satisfaction and is aimed at long-term business success and benefits for the members of the organisation and the company.

#### **Traceability**

Traceability refers to 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.

#### **VDI**

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

#### **Virtualisation**

The IT trend virtualisation enables companies to reduce their number of servers, whilst at the same time improving the flexibility and availability of their IT systems. Virtualisation therefore revolves around the theme of resource-saving. While the average server only works at between 3 and 15 per cent of its actual capacity it still uses 100 per cent of its energy.

#### **Warranty**

Also known as guarantee.

#### **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.

## Notes

[illegible]

[illegible]



[illegible]

## Financial Calendar 2010

IR Events	Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Annual Document 2009	CW 16, '10												
Preliminary Figures Q1 2010	CW 18, '10												
Quarterly Report Q1 2010	12.05.2010												
Annual General Meeting 2010	25.06.2010												
Preliminary Figures Q2 2010	CW 31, '10												
Quarterly Report Q2 2010	11.08.2010												
Preliminary Figures Q3 2010	CW 44, '10												
Quarterly Report Q3 2010	11.11.2010												

### 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/>

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## Disclaimer

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.

**IBS AG**  
**EXCELLENCE**  
**COLLABORATION**  
**MANUFACTURING**

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