PRODUCTIVITY ADVANTAGE

ANNUAL REPORT 2012

MANUFACTURING IT PARTNER | IBS

Key Financial Figures for the Group (in K EUR)	Annual Document 2012 1st January 2012 to 30th September 2012	Annual Document 2011 1st January 2011 to 31st December 2011
Turnover	18,393	24,899
Operating Profit (EBIT)	-763	2,116
Consolidated profit / loss for period	-2,957	2,012
Subscribed capital	6,883	6,883
Shareholders' equity	14,453	16,883
Shareholders' equity ratio	63%	66%
Balance sheet total	23,089	25,744
Cash flow from operating activities	189	2,413
Employees	229	218

Key Share Figures	30.09.2012	2011	2010
End of year closing price (Xetra) (in EUR)	7.88	4.20	4.52
Highest price based on closing price (in EUR)	8.40	4.70	4.70
Lowest price based on closing price (in EUR)	4.24	4.00	3.15
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)	54.2	28.9	31.1
Dividend per Share (in EUR)	0.04e	0.15	0.15
Earnings per Share (in EUR)	-0.44	0.30	0.36
P/E ratio (price-earnings ratio) as at end of financial year	-	14	12.5
Operative cash flow per Share as at end of financial year (in EUR)	0.03	0.35	0.39

5-year Overview	30.09.2012 (in K EUR)	2011 (in K EUR)	2010 (in K EUR)	2009 (in K EUR)	2008 (in K EUR)
Consolidated turnover	**18,393**	**24,899**	**21,304**	**18,280**	**21,879**
Production Costs	-7,626	-10,883	-8,250	-7,466	-9,055
Gross profit	**10,767**	**14,016**	**13,054**	**10,814**	**12,824**
Selling Costs	-4,113	-4,565	-4,341	-4,235	-4,701
Administrative Costs	-3,534	-3,302	-2,904	-2,415	-2,646
Research and development costs	-3,859	-3,971	-3,380	-2,789	-2,873
	-11,506	**-11,837**	**-10,624**	**-9,439**	**-10,220**
Operating profit (EBIT)	**-763**	**2,116**	**2,396**	**1,280**	**2,619**
Earnings before Taxes (EBT)	**-870**	**2,007**	**2,275**	**1,207**	**2,641**
Consolidated profit / loss for period	**-2,957**	**2,012**	**2,380**	**1,267**	**2,388**
Earnings per Share (undiluted) in EUR	-0.44	0.30	0.35	0.19	0.35
Earnings per Share (diluted) in EUR	-0.44	0.30	0.35	0.19	0.35
Cash flow					
from operating activities	189	2,413	2,664	1,541	4,378
from investment activities	-3,010	-1,738	-1,261	-912	-1,595
from financing activities	454	-1,573	-659	-905	-898
Investments					
in intangible asset values and tangible assets	-2,500	-601	-328	-326	-629
in self-created software	-511	-1,144	-945	-586	-1,156
Depreciation					
of intangible asset values and tangible assets	336	383	330	344	472
of self-created software	619	541	465	209	249
Shareholders' equity	**14,453**	**16,883**	**16,121**	**14,631**	**14,290**
Balance sheet total	**23,089**	**25,744**	**24,768**	**21,517**	**22,671**
Shareholders' equity ratio	**63%**	**66%**	**65%**	**68%**	**63%**
Number of employees as at balance sheet closing date	229	218	188	187	190
Average number of employees	225	203	188	189	184

IBS Profile: IBS 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 a sustainable boost in corporate productivity. IBS customers receive the support of a team of experienced consultants and specialists throughout each project phase and beyond. IBS AG, founded in 1982, today employs 220 personnel in Europe, China and the USA.

The Company is listed in the Prime Standard of the German Stock Exchange in Frankfurt/Main (ISIN DE0006228406).

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

ANNUAL REPORT **2012**

ANNUAL REPORT CONTENTS

QUALITY MANAGEMENT

IMPROVING PRODUCTS

Improving Quality, Ensuring Margins

Product quality governs the success of manufacturing companies. Efficient quality management leads to a sustainable reduction in costs and guarantees first class quality products for a high degree of customer satisfaction.

Our comprehensive quality management software manages complexities and fulfils even the highest of requirements.

- **Valuable process optimization**
- **Significant cost reduction**
- **Intuitive quality control**

CAQ=QSYS - The Quality Benchmark for Large and Mid-market Companies

We have developed a standard software, which we have continuously improved with the requirements of over 4,000 projects. CAQ=QSYS enables product manufacture in the desired quality.

SINIC::CAQ Leads Smaller Production Companies to the Top of the World

The special requirements of small and medium-sized companies of a quality management system are well known to IBS SINIC. SINIC::CAQ offers all the possibilities for transforming the product quality of smaller production companies into world class quality.

CAQ=QSYS LIMS – Quality Management for Laboratories

In the material processing industry the quality assurance, administration, organisation and documentation of laboratory-specific processes are all perfectly supported by CAQ=QSYS LIMS (Laboratory Information Management System). Provides optimal support for GMP/GLP guidelines and ISO/TS 16949, DIN EN ISO 9000:2008.

PRODUCTION MANAGEMENT

EFFICIENT PRODUCTION

Intelligent Process Control

Process optimisation plays an important role in industry. This starts with process transparency and the objective evaluation of performance. We offer an integrated software solution for planning, control, monitoring and documentation management.

- **Shorter process times**
- **Lower defect costs**
- **Complete transparency**
- **High degree of investment security**

IBS:prisma – High-end MES

Our MES (Manufacturing Execution System) IBS:prisma is the first choice for production management software for the discrete manufacturing industry. IBS:prisma links the shop floor with the company-wide ERP system.
Homogenisation of the IT systems enables IBS:prisma to achieve transparent production control. The software, which can be adapted to meet individual requirements, offers a valuable technological advantage.

IBS Lean Management – Method-supported Optimisation

IBS:prisma analyses intelligent data flows and combines these with methodical knowledge, such as Lean Management, extrapolating possible actions. This enables the realisation of additional optimisation potentials.

TRACEABILITY MANAGEMENT

INTELLIGENT TRANSPARENCY

Complete Traceability Along the Complete Product Life Cycle

Manufacturers of all industries can significantly minimise their corporate risks with the complete documentation of their production processes. Product recalls, product liability and industry-relevant guidelines are gaining in importance and require proactive management.

- **100% Transparency**
- **Minimisation of product liability cases**
- **Reduction in the number of recalls**
- **Shorter cycle times**

Minimising Risks, Increasing Goodwill

We have created a configurable and scalable solution to enable the complete traceability of products and their components. IBS:Traceability allocates assembly, process and quality data to each product. This allows the allocation of parts, from the supplier to the customer.

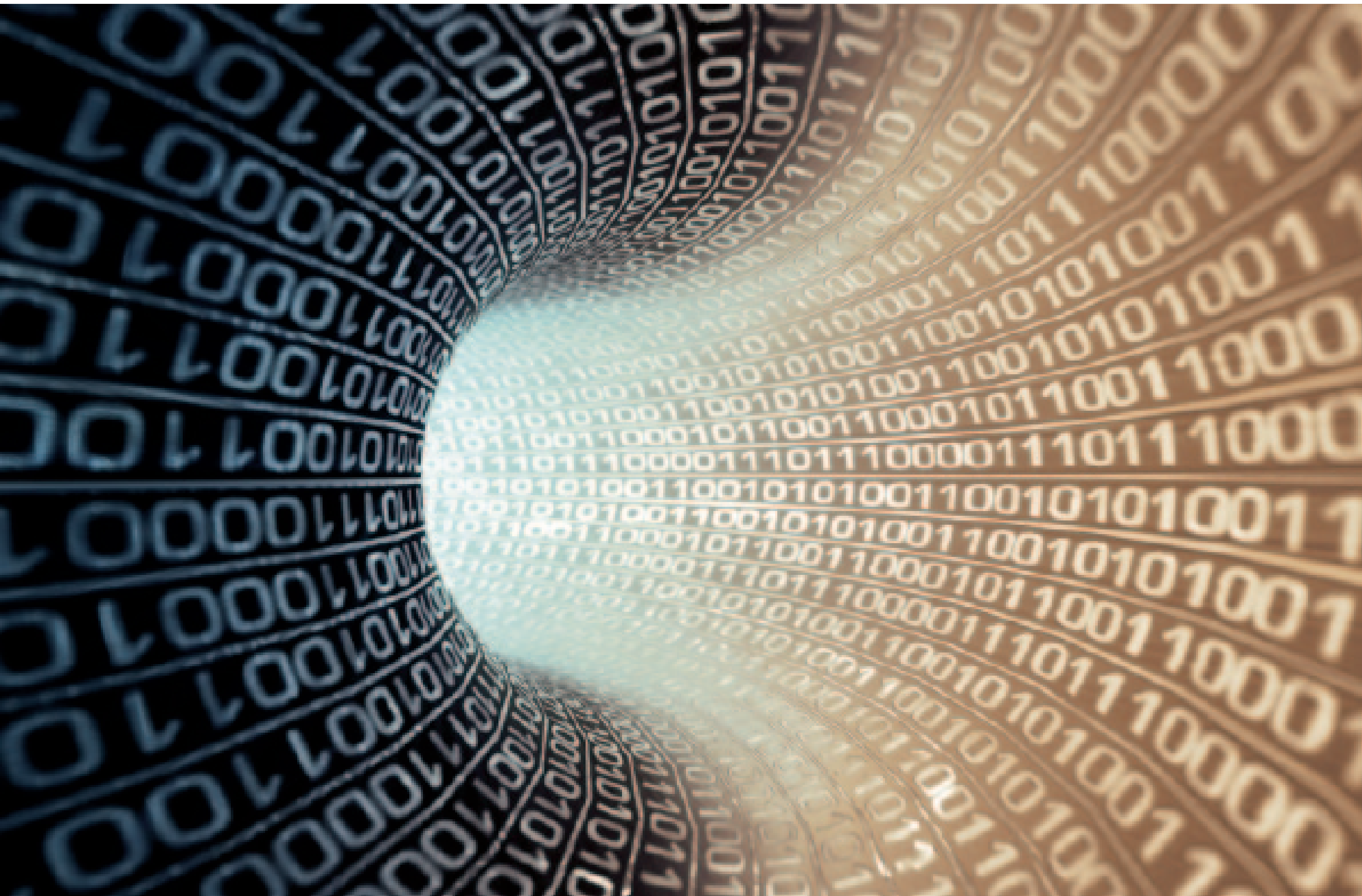
Modern Technology Supporting Process Reliability

State-of-the-art, tried-and-tested ident technology is used to ensure reliable and precise allocation. Product data is captured with the necessary degree of precision, before being allocated and intelligently linked to the respective processes.

Well Prepared for the Worst Case

The resulting database forms the basis for documentation. It fulfils legal guidelines and minimises the risk of product recalls and warranty cases.

IBS:Traceability ensures the most rapid action options. Positive side-effects include internal production optimisation due to increased transparency, the reduction of defect costs and the shortening of cycle times.



COMPLIANCE MANAGEMENT

MINIMISE RISKS

Operating in Compliance with Laws, Standards and Guidelines

Compliance management software enables the achievement of actions transparency – on a cross-process basis. This creates trust, minimises risks and supports the fulfilment of statutory reserves.

- **Significant risk minimisation**
- **Adherence to standards and guidelines**
- **Improved corporate image**
- **Higher degree of occupational safety**

Corporate Governance – Support for Risk Management

In addition to the fulfilment of legal aspects, IBS' CompliantPro also supports Corporate Governance and risk management activities.

Processes can thus be controlled and a higher degree of fulfilment achieved, enabling the realisation of optimisation potentials.

CompliantPro identifies and evaluates potential risks and proposes possible actions. This enables the achievement of strategic and business objectives. An increasing number of stakeholders are in favour of the introduction of company-wide compliance systems for the creation of transparency. CompliantPro documents the conformity with relevant standards and simplifies the communication of activities.

A STRONG TEAM

Wolfgang Schneider
Head of Automotive

Volker Schwickert
Chief Executive Officer

André Bertram
Chief Financial Officer

Gerhard Floeck
Head of Administration

Achim Buedenbender
Head of Industry

Matthias Grossmann
Head of Development

Dear Shareholders,

Volker Schwickert,
Chief Executive Officer

André Bertram,
Chief Financial Officer

The year 2012 was a very eventful year for IBS AG and its stakeholders. 2012 was not only the year of the Company's 30-year jubilee, but also the year in which Siemens secured the majority shareholding of IBS AG Shares within the scope of a public takeover bid. Our future integration in a financially sound and internationally-oriented DAX-listed corporation has set the course for a successful future. We expect the control agreement, which was concluded in the fourth quarter of 2012, to bring about significant benefits arising from our co-operation with Siemens - a step which will facilitate entrepreneurial decision-making and at the same time enable a more extensive knowledge transfer between the two companies.

Before we list the further benefits of the control agreement and the ensuing perspectives for IBS, let us take a look at the past financial year. Thirty years after its founding, IBS AG began a new era in summer 2012. On 30th June 2012 the Company founder and long-standing Chief Executive Officer, Dr. Klaus Juergen Schroeder, retired from the Company. At this point, and on behalf of all IBS employees, we would like to express our heartfelt thanks to Dr. Schroeder, for his enormous commitment and dedication in developing IBS into a leading software and solutions supplier for the field of productivity management. With his spirit and visions, Dr. Schroeder was the driving force behind the IBS success story for over three decades.

The changes during 2012 were not limited to the Board of Management with the retirement of Dr. Schroeder and the appointment of André Bertram, however. On 28th June the 12th IBS AG Annual General Meeting approved the Supervisory Board's proposal to appoint Mr. Roland Melzer, CEO of Siemens Industry Automation Holding AG and Manager of the Industry Automation Systems Software division at Siemens AG, and Mr. Wolfgang Seltmann, a member of Siemens AG Beteiligungsverwaltung (administration of corporate shareholdings), as IBS Supervisory Board members. The former Chairman of the Supervisory Board Mr. Christoph Koechling and Supervisory Board member Mr. Andreas Muenster resigned from their posts as Supervisory Board members. At this point we would like to express our heartfelt thanks for their long-standing constructive support of IBS.

Professor Dr. Heiko Aurenz was appointed the new Chairman of the Supervisory Board on 28th June 2012. Professor Aurenz has been a member of the IBS AG Supervisory Board since 2000 and represents continuity within the controlling body of our Company.

The Annual General Meeting 2012 also approved the proposed adjustment of the financial year. In future, the IBS AG financial year shall begin on 1st October of a given calendar year and shall end on 30th September of the following calendar year. A short financial year has been created for the period from 1st January 2012 to 30th September 2012. The financial years of IBS AG and Siemens have thus been aligned.

Despite the economic uncertainties and buying resistance of the customers, during the short financial year 2012 we succeeded in increasing not only our gross yield but also our licence and maintenance turnover, compared to the same period of the previous year. During the nine months of the reporting period the IBS Group generated revenue to the sum of 18.4M EUR and a gross yield of 16.3M EUR. Comparative figures for the first nine months of 2011 reflected revenue of 18.3M EUR and a gross yield of 15M EUR. This clear increase in gross yield in the face of the current global economic situation - a sign of our operating strength.

This was, however, not sufficient to compensate the costs of additional personnel investments and the one-time special effects. These special effects, which amounted to approximately 1.1M EUR during the short financial year 2012, arose primarily in connection with additional costs in view of the takeover bid, the conclusion of a control agreement, an compensatory equalisation payment for the Company's former CEO and the early settlement of variable remuneration represented by virtual Shares.

Besides these special factors, we also continued to make sustainable investments in research and development and in the expansion of our workforce, aimed at developing further growth potentials. This resulted in a notable increase in personnel costs, which were not offset by a respective increase in turnover during the period under review. At the end of September 2012 the IBS Group employed 229 members of personnel worldwide, compared with 218 members of personnel as at 31st December 2011. Under consideration of the special factors and the additional investments, the IBS Group's EBITDA for the short financial year 2012 amounted to approximately 0.2M EUR and its EBIT to -0.8M EUR.

The development of the volume of orders on hand is a further factor which enables us to look positively to the future. As at 30th September 2012 the volume of orders on hand for project and maintenance orders amounted to 14,5M EUR. Compared to the volume as at 31st December 2011 (12.5M EUR), this corresponded to an increase of 16.5 per cent. Liquid funds to the sum of 3.9M EUR and a shareholders' equity ratio of 62.6 per cent as at the balance sheet closing date of 30th September 2012 continue to secure the IBS Group a comfortable financial position.

The IBS AG Share ranked among the outperformers of the positive stock market environment during the first nine months of 2012. After opening the 2012 stock trading year at an Xetra trading price of 4.259 EUR, the Share trading price peaked at 8.40 EUR on 14th September 2012. The listed share concluded trading at the end of September 2012 at the Xetra closing price of 7.88 EUR. With a share price plus of approximately 85 per cent for the period between January and September 2012 the IBS Share certificates underwent a significantly more favourable development than the German share index DAX, which gained 22.3 per cent during the same period.

The backdrop of the positive development of the IBS Share price was the takeover bid announced by the Siemens Group. On 29th February 2012, Siemens Industry Automation Holding AG, a 100% subsidiary of Siemens Beteiligungen Inland GmbH and thus an indirect 100% subsidiary of Siemens AG, announced its offer document pertaining to the voluntary public takeover to all IBS shareholders. Following conclusion of the takeover bid, which provided for the purchase of all IBS Shares at a price of 6.10 EUR per Share, Siemens Industry Automation Holding AG now holds a total of 4,739,520 IBS Shares, which corresponds to an approximately 68.9 per cent share of IBS AG's nominal capital. The Siemens Group currently holds a total of 5,572,660 IBS Shares, which corresponds to an almost 81 per cent share of IBS AG's nominal capital.

On 29th June 2012, Siemens AG informed us of its intention to conclude a control agreement between a company of the Siemens Group and IBS AG within the next twelve months. We, the IBS AG Board of Management, welcomed this offer.

Following conclusion of the necessary preparations, IBS and the corporate management of Siemens Beteiligungen Inland GmbH (SBI) jointly drafted a control agreement between SBI (as controlling company) and IBS AG (as controlled company) on 21st September 2012. The General Assembly of SBI gave its approval of the control agreement on 10th October 2012. The approval of the IBS AG Supervisory Board followed on 11th October 2012. The agreement was signed by the SBI corporate management on 10th October 2012 and by the IBS Board of Management on 11th October 2012. After approval was attained at the IBS AG Extraordinary General Meeting held on 29th November 2012, the control agreement became effective upon entry in the IBS AG commercial register on 17th December.

Conclusion of the control agreement enables us to react to market developments quicker and more flexibly, and to realise a whole range of synergies in the areas of development, technology and sales. Our larger customers, in particular, are increasingly opting for larger partners for their production-critical business relationships, in order to achieve greater investment security. This helps us show that we are able to offer our employees long-term perspectives and can assure our customers that their strong partner IBS AG will become even stronger in the future.

A whole host of mutual synergies are expected in the area of sales and marketing. The thus far different target markets, solutions portfolios and customer structures hold the potential to achieving a significantly greater range, along with an associated increase in turnover and revenues. This will enable the development of new markets, not only geographically but also in terms of strategic and technological target groups. Close co-operation between the common sales channels will also have a positive effect here. The incorporation of IBS products in the Siemens Group market presence will generate further sales potentials for IBS. Benefits from the use of favourable purchasing conditions and framework agreements with suppliers and partners are also expected to ensue.

Each of these parameters lead us to the conclusion that IBS will continue its positive development during the 2012/13 financial year and beyond. Realisation of the synergies arising from the co-operation with the Siemens Group, however, will require the IBS Group to undertake advance investments, in particular within the scope of interface programming and the further development of sales channels. Such investments will have a negative effect on the Company's EBIT. In spite of these burdening factors, we expect a positive EBIT for the 2012/2013 financial year and a sustainable increase in EBIT margin from the 2013/2014 financial year - according to plan.

At this point we would like to express our sincere thanks for the support and constructive dialogue given over the course of the last financial year. Our success is based on trust - the trust of our customers, business partners and shareholders - but also, and certainly not least, based on the achievements of our employees. We have every reason to be optimistic about things to come.

With best regards,

Volker Schwickert André Bertram

2012 AT A GLANCE

IBS AG 30th jubilee celebrations. Since our founding as IBS GmbH on 1st July 1982, we have continually developed our software and services over the years and expanded our market position.

Siemens announces voluntary public takeover bid for IBS AG. The voluntary public takeover bid submitted by Siemens achieves the required majority. The Siemens Group is thus the majority shareholder of IBS AG and, as at 30th September 2012, held almost 81 per cent of the nominal capital.

The **control agreement between Siemens and IBS** is aimed at reinforcing the co-operation between the two companies and fostering further synergies, for example in the areas of development, technology and sales.

New Chief Executive Officer is Volker Schwickert. André Bertram is appointed **Chief Financial Officer.** Dr. Klaus-Juergen Schroeder, the Company founder and former CEO, left the Company on 30th June 2012.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21 SAMSTAG
22 SONNTAG

SUCCESSFUL **CUSTOMERS**

Excellent References

Our long-standing customers include both international concerns and a large number of mid-market companies. We are proud to be able to accompany our customers along their path to the Productivity Advantage.

Audi · ARCH · Atlas Copco · AWW Autoschingen · BEAM · BMW · BorgWarner Turbo Systems · BOSCH

CeramTec · DAIMLER · DELPHI · DEHN + SÖHNE · DURA · EATON · EBERLE Präzisionstechnik · ElectronicNetwork

FCI · FELSS · +GF+ · GOODYEAR · Hornschuch · HÜGEL · JAGUAR · KAUTEX

KNORR-BREMSE · LACROIX Electronics · LAMBORGHINI · LIEBHERR · Lohmann · Lufthansa · MAPA · NWS

Parker · PORSCHE · PULS · rebmann · Rolls-Royce · SCHMITZ Cargobull · SIEMENS · SMA

SWISS STEEL · TRIDONIC · TRW · ThyssenKrupp Stahl · Valeo · viega · Yves Rocher · ZIEHL-ABEGG

IBS Customer Examples

IBS Software Switches to Productive at Siemens Energy

Siemens Energy is one of the world's leading suppliers of a wide range of products, solutions and services for the field of power generation with thermal power plants and renewable energy sources, as well as for power transmission across electricity grids, and for the extraction, conversion and transport of oil and gas. During the 2011 financial year (30th September) Siemens Energy generated a turnover of 24.9B EUR and received orders to the volume of approximately 31.8B EUR. The company generated an EBIT of 3.9B EUR. As at 1st October 2011 Siemens Energy employed a workforce of over 82,000 personnel.

The successful pilot software project in 2011 was followed by the activation of additional software functions for QSYS Professional and PRISMA during the last financial year, in what can only be considered record time. To this extent the joint project teams required just 6 weeks for the specification, developing and testing of the new software functionalities before switching to productive.

New IBS Customer W.E.T. Automotive Systems AG

W.E.T. Automotive Systems AG is a worldwide innovative systems supplier of future-oriented thermal comfort concepts within the automotive sector.

The international market leader specialises in the research and development-intensive competences of heated and climate-controlled vehicle seating, as well as interior heating and automotive cable technology. W.E.T. innovations focus on providing a healthy and comfortable micro-climate between the surface and the passenger, thanks to special heat transport and moisture uptake. In the field of heated seating, W.E.T. provides customised solutions for all installation and production requirements.

State-of-the-art technologies and a high degree of expertise are channelled into in the development of the materials used. All components are subject to various endurance and climate tests and a series of thermographic tests ensures that individual levels of comfort are optimally met.

The motto "Quality 1st – everywhere" embodies the W.E.T. global and inter-site quality concept.

To ensure fulfilment of the increasing quality and reliability demands of its customers, W.E.T. continuously scrutinises each of its production process for the identification of possible improvement potentials. As a further optimisation measure, W.E.T. has now opted for the introduction of IBS' software-based MES system and its integration with SAP. The initial phase will comprise the introduction of the central, scalable IBS project management module APQP for the product development phase at all W.E.T. sites, aimed at ensuring efficient and faster project handling. Further benefits will include a universal, standardised reporting cockpit for all departments, integration of the development, manufacturing and product testing processes, a reduction in quality costs and greater process stability and transparency.

Implementation of the IBS solution will bring about the harmonisation and standardisation of all relevant IT systems, replacing the existing FMEA/CAQ system environment. Thanks to IBS AG, the themes of production, quality and traceability will be merged in a single database.

IBS Customer Examples

Otto Bihler Maschinenfabrik GmbH & Co. KG Commissions IBS AG

Otto Bihler Maschinenfabrik GmbH & Co. KG has been supplying highly-specialised machines for sophisticated production tasks in the field of forming, welding and assembly technologies for over 50 years. Bihler also specialises in the realisation of complete automation solutions for a variety of industries and has successfully implemented over 12,000 plant solutions for its worldwide customer base. The wide range of machines is complemented by compact process modules for various process steps, such as feeding, thread forming, screwing and contact welding, etc. These modules can be flexibly integrated in assembly concepts and Bihler machines, as well as in third party machinery. State-of-the-art control technology, indicatory 3-D construction software and specially-tailored services round off the product portfolio. The company's head office is located in the south Bavarian town of Halblech and further locations are based in Fuessen (Bavaria) and in the USA. Bihler also has 30 trade representations in the major industrial countries.

The following targets were defined within the scope of the co-operation between Bihler and IBS:

The new system should replace the self-programmed, isolated defect report database solution and function bidirectionally with the existing ERP environment. The user should be supported by a central dashboard function, Web capability, automated work flows and a user-friendly operting interface for concern and complaint handling, aimed at achieving greater efficiency and greater process transparency in complaint handling and actions tracking.

This should put Bihler in a position to track and document all processes linked to internal and external concerns and complaints after project completion. "Analysis of the overall complaint procedure costs at cost centre and cause level" was defined as a further requirement.

IBS Customer Examples

New Customer Gestamp Automocion

Gestamp Automocion is an international group dedicated to the design, development and manufacture of metal components and structural systems for the automotive industry. The company's customers include a number of renowned car manufacturers. Today Gestamp Automocion is present in 19 countries and has over 100 production sites stretching across almost every continent. The company, with its head office in Madrid, employs approximately 25,000 members of personnel. In 2011 the company generated a turnover of 4,775M EUR. IBS AG is now carrying out the installation of various modules from the CAQ=QSYS Professional suite to achieve software-controlled optimisation of Gestamp's quality processes. The system, which is installed in central Spain, operates worldwide with SAP via a certified interface.

Rutronik Elektronische Bauelemente GmbH Places Order with IBS AG

Rutronik Elektronische Bauelemente GmbH is a leading broad-spectrum distributor of semiconductors, passive and electromechanical components, as well as storage technologies, displays & boards and wireless products. The company's primary target markets include the automotive, medical, industrial, home appliance, energy and lighting sectors. Rutronik also offers photovoltaic solutions and services and lighting solutions through its subsidiary, Rusol. Competent technical support in product development and design-in, individual logistics and supply chain management solutions and a comprehensive range of services complete the customer and future-oriented product portfolio. The company, founded by Helmut Rudel in Ispringen (Germany) in 1973, employs over 1,200 personnel worldwide today. The group generated a group turnover of 793M EUR during the 2011 financial year.

With its CAQ software solution, IBS AG offers a system that enables customer-specific applications, thanks to its process-orientation, integration capabilities and modularity - irrespective of the vertical range of manufacture or processing, production processes, production models and position in the supply chain. The realisation of Rutronik's requirements was thus possible within the scope of a solution.

IBS' concern and complaint management software can be used to achieve the following:

- Increased efficiency and transparency in concern and complaint handling
- Minimised number of customer complaints
- Reduction of guarantee and goodwill costs

The system will first be used in the area of customer and supplier complaints and then later for internal concerns and complaints.

CAQ=QSYS® CCM thus provides effective support in achieving structured complaint handling procedures. Integrated, detailled documentation, track and trace and analysis can all carry significant cost-saving potentials. A wide range of analysis functions enables the rapid and efficient identification of weaknesses and the prompt initiation of counter measures. Request handling within due dates can also help achieve a higher level of customer satisfaction.

The IBS AG Share

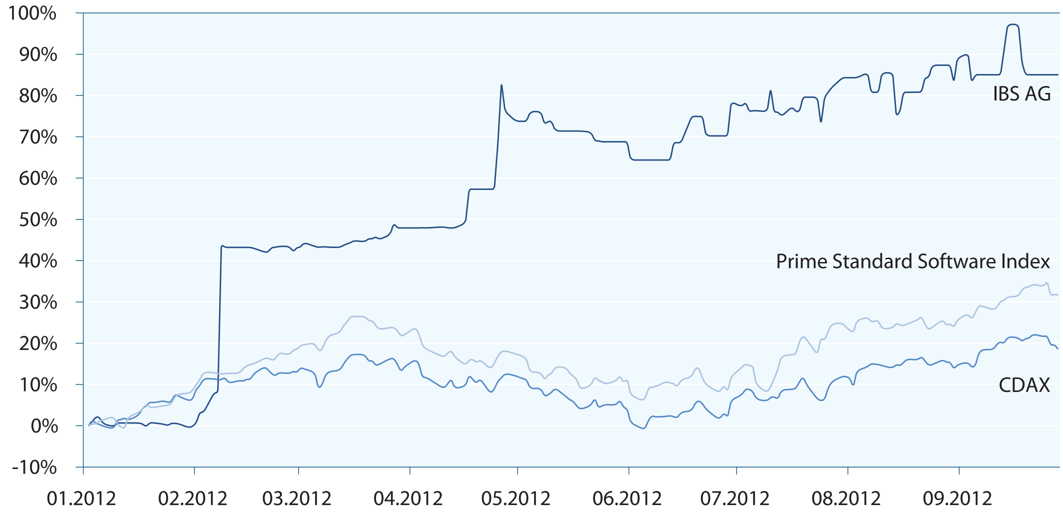
Development of the IBS Share

The German share index DAX underwent a positive development during the first nine months of 2012, despite the prevailing uncertainty on the capital markets due to the European debt crisis. The German benchmark index opened the 2012 trading year at 5,900 points and closed at 7,216 points at the end of trading on 28th September 2012. This corresponded to an increase of 22.3 per cent. The market-wide CDax and the Prime Standard Software Index underwent a similar development during the period under review, with a plus of 21.8 per cent and 34.1 per cent respectively.

The IBS AG Share, listed on the Prime Standard of the Frankfurt stock exchange, ranked among the outperformers of the positive stock market environment. The IBS Share (WKN: 622840) opened the 2012 stock trading year at an Xetra trading price of 4.259 EUR. The Share reached 8.40 EUR, its highest trading price of the reporting period, on 14th September 2012. The annual low of 4,10 EUR was charted on 11th January 2012. The listed share concluded trading at the end of September 2012 at the Xetra closing price of 7.88 EUR. This corresponds to a plus of 3.621 EUR or 85 per cent between January and September. The IBS Share certificates thus underwent a significantly more favorable development than the market as a whole.

The average trading price of the IBS Share was 6.558 EUR. The average trading volume of the IBS Share (Xetra and Frankfurt) during the reporting period was 5,740 Shares per day (2011 financial year: 2,649 Shares per day).

The analyst house Warburg Research rated the IBS Share for the short financial year 2012. In a study dated 9th August 2012 the IBS Share was rated a “sell” recommendation. According to Warburg Research, the target price, based on a DCF model, was 5.50 EUR per Share. Warburg Research confirmed this assessment in its study dated 20th November 2012.



Annual General Meeting 2012

The twelfth IBS AG Annual General Meeting was held in Hoehr-Grenzhausen on 28th June 2012. The shareholder meeting was attended by approximately 94.2 per cent of IBS AG's nominal capital. IBS stakeholders acknowledged the Company's successful business development and approved the actions of the Board of Management and Supervisory Board with an overwhelming majority.

The Annual General Meeting also resolved a dividend pay-out for the 2011 financial year. A payout of 1.03M EUR was made to the Company's shareholders from the balance sheet profit of 5.0M EUR shown in the 2011 Annual Financial Statements. The dividend per Share was 0.15 EUR. The sum of 3.97M EUR was carried forward.

The Annual General Meeting also accepted all other proposals with an over 85 per cent majority. The shareholders approved the Supervisory Board's proposal to appoint Mr. Roland Melzer, CEO of Siemens Industry Automation Holding AG and Manager of the Industry Automation Systems Software division at Siemens AG, and Mr. Wolfgang Seltmann, employed at Siemens AG Beteiligungsverwaltung (administration of corporate shareholdings), as IBS Supervisory Board members. The former Chairman of the Supervisory Board Mr. Christoph Koechling and Supervisory Board member Mr. Andreas Muenster resigned from their posts as Supervisory Board members with effect from the end of the Annual General Meeting. Professor Heiko Aurenz continues to be a member of the Supervisory Board and was appointed Chairman of the Supervisory Board during the Supervisory Board meeting held on 28th June 2012.

The Annual General Meeting also approved the adjustment of the financial year, with effect that, in future, the IBS AG financial year shall begin on 1st October of a given calendar year and shall end on 30th September of the following calendar year. A short financial year has been created for the period from 1st January 2012 to 30th September 2012.

Corporate Governance – Declaration of Conformity

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 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, 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 30th September 2012 the IBS AG Board of Management comprised two members. One of the tasks of the Board of Management is 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

Name	First name	Current occupation
Board of Management		
Schroeder	Dr. Klaus-Juergen	Chief Executive Officer (CEO) until 30th June 2012, retired from Board of Management as at 30th June 2012
Schwickert	Volker	Chief Executive Officer (CEO) from 1st July 2012
Bertram	André	Chief Financial Officer (CFO), appointed on 1st July 2012
Supervisory Board		
Koechling	Christoph	(Chairman until 28th June 2012, thereafter retired from the Supervisory Board) Managing Partner of KM Results GmbH & Co. KG
Aurenz	Prof. Dr. Heiko	(Chairman from 28th June 2012) 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 Vermögensverwaltung GmbH
Muenster	Andreas	Client Executive IBM Deutschland GmbH, retired from the Supervisory Board on 28th June 2012
Seltmann	Wolfgang	From 28th June 2012 Administration of corporate shareholdings at Siemens AG Mr. Seltmann has further mandates in the domestic and foreign controlling bodies of commercial enterprises: • Member of the Shareholder Representatives Group of Mechanik Center Erlangen GmbH • Member of the Shareholder Representatives Group of Sykatec Systeme, Komponenten, Anwendungstechnoloigie GmbH • Member of the Shareholder Representatives Group of Weiss Spindeltechnologie GmbH • Member of the Advisory Council of Atecs Mannesmann Unterstützungskasse GmbH • Member of the Advisory Council of evosoft GmbH • Member of the Advisory Council of Siemens Industry Software GmbH & Co. KG • Member of the Supervisory Board of evosoft Hungary Kft, Budapest, Hungary.
Melzer	Roland	From 28th June 2012 Head of the business segment Industrial Automation Systems Software at Siemens AG and CEO of Siemens Industry Automation Holding AG

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 Articles of Association, capital raising operations and the approval of certain inter-company agreements. The influence of the Annual General Meeting on the management of the company remains limited by law. Decisions on the management of the business can only be made by the Annual General Meeting at the request of the Board of Management.

Transparency 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 the analysts' conference, held in connection with the announcement of the Annual Financial Statements, further analysts' conferences are usually organised throughout the course of the year. Dates of the important announcements and publications (e.g. Annual Report, quarterly reports or Annual General Meeting) are also shown in advance on a financial calendar. Insider issues, involving the company directly, are announced by IBS AG in accordance with the legal requirements and without delay, even when such events fall outside the regular reporting intervals.

Risk Management

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

Stocks Trading of the Board of Management and Supervisory Board

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

The following Directors' Dealings transaction announcements were made to IBS AG during the last financial year:

Date	Name	Transaction	Quantity Item	Share price EUR
30th March 2012	Dr. Klaus-Juergen Schroeder (CEO)*	Sale	2,705,630	5.60
30th March 2012	Volker Schwickert (Board of Management)	Sale	39,600	6.10

* resigned on 30th June 2012

No Directors' Dealings announcements were made following the accounts closing date of 30th September 2012.

Stock Ownership by the Board of Management and Supervisory Board

Members of the Board of Management during the financial year under review held no IBS Shares as at 30th September 2012. Members of the Supervisory Board during the financial year under review held no IBS Shares as at 30th September 2012.

Payments Report

The Payments Report can be found in the Position Report, on page 90.

Declaration of Compliance

Declaration of the IBS AG excellence, collaboration, manufacturing Board of Management and Supervisory Board in accordance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG)

IBS AG excellence, collaboration, manufacturing ("IBS AG") declares that, with the following exceptions, the Company meets the recommendations of the Government Commission for the "German Corporate Governance Code" published in the official part of the electronic Federal Gazette by the Federal Ministry of Justice in the version of 15th May 2012, and will continue to do so in the future, with the following exceptions:

(1) The Board of Management and Supervisory Board do not conform to the recommendations to endeavour to respect diversity and to ensure the due consideration of women for executive positions in the company (Number 4.1.5) and in the occupation of Board of Management positions (Number 5.1.2, section 1, sentence 2), since the occupation of executive and Board of Management positions is governed solely by the qualifications of the available personnel and in this respect, a person's sex is not assigned any priority decision-making relevance.

(2) The rules of procedure, established by the Supervisory Board for the IBS AG Board of Management, do not conform to Number 4.2.1, sentence 2, since they do not explicitly regulate the allocation of duties among individual Managing Board members. Given the size of the Board of Management, this ensures the necessary degree of flexibility if changes are required and thus ensures the efficient division of work.

(3) The code recommends, in Number 5.1.2, section 1, sentence 2, that the Supervisory Board, along with the Board of Management, should ensure long-term succession planning. 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.

(4) Divergent from the recommendations in Number 5.1.2, section 2, sentence 3, agreements with members of the Board of Management contain no set age limit for Board of Management members, since we believe that the age of an individual as a sole factor has no bearing on the ability of the actual or potential member of the controlling body.

(5) Divergent from the recommendations in Number 5.1.3, given the extensive statutory guidelines and the reserves of the Articles of Association, the Supervisory Board has set no separate rules of procedure of its own to prescribe the number of its members, nor has it set its own regulations within the scope of the Board of Management rules of procedure.

(6) The code contains in several recommendations in connection with Supervisory Board committees in Number 5.2, section 2, sentence 1 (Chairmanship of the Chairman of the Supervisory Board in committees), Number 5.3.1, sentence 1 (Formation of committees), Number 5.3.2, sentences 1 and 2 (Auditing committees and chairmanship), Number 5.3.3 (Nomination committee) and Number 5.4.6, section 1, sentence 3 (Payment of committee memberships). We diverge from these recommendations since no committees have been formed with the IBS AG Supervisory Board. The three-member board is kept intentionally small, being of an appropriate size for the Company.

(7) Divergent from Number 5.4.1, sections 2 and 3, the Supervisory Board has named no specific objectives with respect to its composition that are to be included in the event of Supervisory Board proposals to the relevant election bodies and that could be be reported on in the Corporate Governance report. The composition of the IBS AG Supervisory Board adjusts to the Company's interests and must guarantee the effective monitoring and consultation of the Board of Management. In composing the Supervisory Board, greater importance is consequently attached to the knowledge, abilities and specialist experience required for the proper execution of these tasks. Objectives with respect to the composition of the Supervisory Board are therefore not currently announced. Objectives with respect to the composition of the Supervisory Board within the meaning of the code were also not included in the election proposals to the 2012 Annual General Meeting.

(8) The code recommends a listing of payments to the individual Supervisory Board members in Number 5.4.6, section 3. Payments or benefits granted to members of the Supervisory Board by the Company should also be individually listed for each Supervisory Board member in the explanatory notes on the Consolidated Financial Statements or in the Position Report. We do not deem a 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 to be necessary. The structure of Supervisory Board payments is shown in the Payments Report.

(9) In accordance with Number 5.5.3, sentence 1 of the code the Supervisory Board should inform the Annual General Meeting, within the scope of its report, of any conflicts of interests that may have arisen and also the way in which these have been dealt with. In a ruling (ref. 5 U 104/10) made by the Higher Regional Court in Frankfurt/Main on 5th July 2011, the approval of the Board of Management and Supervisory Board of a listed stock corporation by its Annual General Meeting was declared null and void because, inter alia, the report submitted to the Annual General Meeting on the conflict of interests and the ways in which these were dealt with was considered insufficiently detailed. In particular, in the light of corporate law confidentiality obligations in accordance with §§ 93, 116 of the German Stock Corporation Act (AktG), this ruling resulted in uncertainty as to the required scope of the reporting required by the code. As a precautionary measure, we therefore declare our divergence from the

recommendation contained in Number 5.5.3, sentence 1 of the code. Nevertheless, we shall be continuing to report on the occurrence of any conflicts of interest and the ways in which these are dealt with in the same scope as previously.

Since submission of its last, updated Declaration of Compliance on 9th May 2012, the Company has complied with the recommendations of the Government Commission for the "German Corporate Governance Code" in the version of 26th May 2010, with the aforementioned and following exceptions:

(1) The recommendation included in Number 2.3.3 has been only partially complied with, due to the costs and expenditure involved, since the postal voting option, that could be granted to the shareholders, is not offered. The divergence is now inapplicable, since the recommendation was modified in this year's update of the code.

(2) Board of Management agreements contained no settlement cap up to the end of 30th June 2012. This also applied to payments in the event of premature termination of management duties as a result of a change of control. We thus diverged from the recommendations in Number 4.2.3, section 4 and Number 4.2.3, section 5. Since Board of Management contracts had 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 existed in the form of a maximum of three annual salaries or one annual salary following resolution of the Supervisory Board to terminate the contact.

(3) In Number 4.2.5, sentence 1 the code recommended the disclosure of Board of Management payments as a payments report within the scope of the Corporate Governance report. Divergent to this, the Company's payments report was contained in the Consolidated Position Report in order to avoid duplicate reporting. Specific information on the Company's stock options programmes and similar equity-oriented incentive systems were also contained in the Consolidated Position Report, divergent from the recommendation contained in Number 7.1.3. The divergence is now inapplicable, since the recommendation was modified in this year's update of the code.

Hoehr-Grenzhausen, 27th December 2012

IBS AG excellence, collaboration, manufacturing
Board of Management / Supervisory Board

The Declaration of Compliance was announced in the Investor Relations section of the IBS AG homepage (www.ibs-ag.de) on 27th December 2012.

Report of the Supervisory Board

Dear Shareholders,

During the 2012 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. Due to the adjustment of the financial year by the 2012 Annual General Meeting on 28th June 2012, the reporting year has been made a short financial year, running from 1st January 2012 to 30th September 2012. The Supervisory Board was involved in all decisions that were of fundamental importance to IBS AG. It met seven times during the year under review. Each meeting was attended by all members of the Supervisory Board. In each meeting the Supervisory Board gathered information on the development, position and earnings position of the Company, not only from the reports and presentations given during the meetings but also from written reports submitted by the Board of Management. A regular part of the discussions involved reporting on the sales and profitability developments, as well as the strategic and operative further development of the Company and its subsidiaries. The discussions of the Supervisory Board also involved other key business planning issues, as well as the risk situation and the risk management of the Company. Models and reports were discussed in detail with the Board of Management. The Supervisory Board also passed its incumbent resolutions. Written resolutions were also passed.

Beyond the meetings, the Supervisory Board also remained in contact with the Board of Management to discuss events of vital importance for the situation and development of the Company.

Central Themes of the Supervisory Board

The work of the Supervisory Board was largely shaped by the voluntary public takeover bid submitted to the IBS AG shareholders by Siemens Industry Automation Holding AG on 29th February 2012. Preparations for the conclusion of a control agreement with Siemens Beteiligungen Inland GmbH as controlling company became a further focus of the Company's attention, after Siemens contacted the Company with regard to this matter 29th June 2012. The following individual themes required our particular attention:

- During the meeting held on 26th January 2012 we dealt with the theme of the acquisition of the business premises at the Company's head office, as an alternative to the extension of the existing rental agreement with Ingret Schroeder & Heike Schroeder GbR, for longterm safeguarding of the location. We also dealt with the theme of the sale of Own Shares.

- The IBS Supervisory Board, like the Board of Management, was obligated in accordance with §§ 34, 27 Section 1 of the German Securities Acquisition and Takeover Act (WpÜG) to take a position on the public takeover bid submitted by Siemens Industry Automation Holding AG regarding the acquisition of IBS Shares. In order to do so, all members of the Supervisory Board individually scrutinised the offer document and other information at its disposal – including a Fairness Opinion issued by the Landesbank Baden-Wuerttemberg (LBBW) – during the period from 29th February 2012 to 7th March 2012 and discussed the matter in depth with the other Supervisory Board members. On 7th March 2012 the offer document and the resulting consequences were discussed in detail with the Company's Board of Management, taking into account all aspects, with the aim of achieving a joint opinion of the Company's Board and Management and Supervisory Board. The Supervisory Board considered the purchase price to the sum of 6.10 EUR per IBS Share offered by the bidder to be adequate. It also considered the realisation of the aims, strategies and intentions of the bidder detailed in the offer document to be altogether positive for the IBS Group. The Supervisory Board decided accordingly to recommend to IBS Shareholders acceptance of the offer.

- The auditing firm appointed in 2011 by the Supervisory Board for the 2011 financial year, CAPMA GmbH Wirtschaftsprüfungsgesellschaft, based in Koblenz, audited the Annual Financial Statements of IBS AG, the Consolidated Financial Statements, the position report and consolidated position report for the 2011 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 these documents in detail and discussed these, along with internal control and risk management items, with the Board of Management and the auditor in the special balance sheet meeting held on 20th March 2012. The auditor, who reported on the most important results of his audit and provided additional information, also participated in these discussions. He informed the Supervisory Board that no significant weaknesses had been identified in the internal controlling or risk management system. The financial statements and the other documents were discussed in detail during this meeting, in the presence of the auditor. We accepted the results of the final audit. No objection was raised following our conclusive examination of the Company's financial statements or Consolidated Financial Statements, the position report or the consolidated position report. The Supervisory Board approved the Annual Financial Statements and Consolidated Financial Statements prepared by the Board of Management as at 31st December 2011. The Annual Financial Statements were thus formally adopted.

- The Supervisory Board carried out its own efficiency audit on 9th May. The Supervisory Board also addressed, in particular, the contents of the German Corporate Governance Code and resolved - further to the decision of the Board of Management on the same day - to update its Declaration of Compliance during the year under review. We also addressed the Board of Management's profit utilisation proposal to the Annual General Meeting 2012 of the payout of a dividend to the sum of 0.15 EUR per Share carrying dividend entitlement from the balance sheet profit and for the excess amount to be carried forward; after careful consideration the Supervisory Board approved this proposal during its meeting. In this respect, the decision was made to update last year's Report of the Supervisory Board at the Annual General Meeting 2012. The Supervisory Board also discussed the agenda of the Annual General Meeting and, within the scope of its meeting and in follow-up meetings held on 10th and 14th May 2012, decided upon its resolution proposals for the Annual General Meeting. These included, primarily the appointment of the financial auditor and the selection of two new Supervisory Board members, since Christoph Koechling and Andreas Muenster had declared they would be resigning their seats with effect from the end of the Annual General Meeting. The Supervisory Board also addressed the independence of the proposed financial auditor.

- During the meeting held on 15th June 2012 the Supervisory Board empowered the Chairman of the Supervisory Board to enter into negotiations with Dr. Schroeder regarding a consensual early retirement and discussed the process of successor planning concerning this matter.

- During the meeting held on 28th June 2012, after the Annual General Meeting held on the same day appointed Roland Melzer and Wolfgang Seltmann as new members of the Supervisory Board, in place of the resignee Supervisory Board members Christoph Koechling and Andreas Muenster, Professor Dr. Heiko Aurenz was appointed the new Chairman of the Supervisory Board and Wolfgang Seltmann Vice Chairman. The Supervisory Board determined that Professor Dr. Heiko Aurenz fulfils the requirements of § 100, section 5 of the German Stock Corporation Act (AktG) pertaining to independence and expertise and, in the opinion of the Supervisory Board, belongs to an appropriate number of independent members. The Supervisory Board also decided to appoint Volker Schwickert and André Bertram as members of the Board of Management with effect from 1st July 2012 to 30th September 2016. At the same time, Volker Schwickert was also appointed Chief Executive Officer.

- On 12th July 2012 the Supervisory Board dealt with, inter alia, negotiations of the announced control agreement between IBS AG and Siemens Beteiligungen Inland GmbH (SBI) and with associated questions, such as the creation of a joint report on the intercompany contract in accordance with § 293a of the German Stock Corporation Act (AktG), the commissioning of an expert opinion by a major auditing firm and the application for a joint court-appointed contract auditor. The Supervisory Board also dealt with the replacement of controlling bodies within the subsidiaries following the retirement of Dr. Schroeder.

- In the meeting held on 2nd August 2012 we once again dealt with themes concerning the planned conclusion of the control agreement and with the preliminary figures for the first half of the year, including the explanations pertaining to the initial results of the unqualified audit carried out by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

- On 5th September 2012 the Supervisory Board approved the consolidated business plan concluded by the Board of Management on 4th September 2012 for the period 2012 to 2017.

Audit of the Annual Financial Statements and Consolidated Financial Statements and "Dependent Company Report" Discussed in Detail

The auditing firm appointed in 2012 by the Supervisory Board for the short financial year 2012, Ernst & Young GmbH Wirtschaftspruefungsgesellschaft, based in Stuttgart, audited the Annual Financial Statements of IBS AG, the Consolidated Financial Statements, the Position Report and Consolidated Position Report for the 2012 financial year, including the accounting system, as prepared by the Board of Management on 18th December 2012 and as mandated by the Supervisory Board. The auditor then issued an unqualified audit opinion on 18th December 2012. The Supervisory Board studied these documents in detail and discussed these, along with internal control and risk management items, with the Board of Management and the auditor within the scope of the Supervisory Board meetings held on 19th and 27th December 2012. The auditor, who reported on the most important results of his audit and provided additional information, also participated in these discussions. He informed the Supervisory Board that no significant weaknesses had been identified in the internal controlling or risk management system. The financial statements and the other documents were discussed in detail during these meetings, in the presence of the auditor.

We accepted the results of the final audit. No objection has been raised following our conclusive examination of the Company's financial statements or Consolidated Financial Statements, the position report or the consolidated position report. The Supervisory Board approved the Annual Financial Statements and Consolidated Financial Statements prepared by the Board of Management as at 30th September 2012. The Annual Financial Statements are thus formally adopted.

The Board of Management proposed the payout of a dividend to the sum of 0.04 EUR per Share carrying dividend entitlement from the balance sheet profit and for the excess amount to be carried forward; after careful consideration the Supervisory Board approved this proposal during the scope of its meeting, held on 27th December 2012.

Furthermore, on 18th December 2012, the Board of Management also submitted to the Supervisory Board its report on the business relations with associated companies during the 2012 financial year (Dependent Company Report) and the auditing report drawn up by the Stuttgart-based auditing firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft on 18th December 2012. The auditor issued the following opinion on the basis of the unqualified audit, which was completed with no course for objections:

> "In our opinion, based on the examination which we have carried out in accordance with professional standards, we certify that
> 1. the factual information contained in the report is correct and
> 2. that for the legal transactions listed in the report, the consideration of the company was not unreasonably high."

The Dependent Company Report and the respective auditing report was disclosed to all members of the Supervisory Board in good time and these were discussed in detail in the presence of the auditor within the scope of the Supervisory Board meetings held on 19th and 27th December 2012. The members of the Board of Management participated in both of these meetings, explained the Dependent Company Report and answered questions posed by the members of the Supervisory Board. Within the scope of these meetings, the auditor reported on his audit of the Dependent Company Report and the main auditing results, explained the auditing report and answered questions posed by the Supervisory Board members, in particular on the type and scope of the audit of the Dependent Company Report and on the results of the audit. The Supervisory Board was satisfied with the correctness of the audit of the Dependent Company Report and the audit report. In particular, it satisfied itself that the audit report - and the audit itself, carried out by the auditor - comply with the statutory requirements. The Supervisory Board examined the Dependent Company Report, in particular, in terms of completeness and accuracy and satisfied itself that the group of affiliated companies was determined with due care and that the necessary precautions were taken in ascertaining the reportable legal transactions and measures. The audit did not reveal any indications of objections to the Dependent Company Report. The Supervisory Board agrees to the results of the audit carried out by the auditor and, based on the closing results of its examination, raises no objections to the declaration of the Board of Management on the relationships with associated companies and thus approves the Dependent Company Report. The Supervisory Board agrees with the auditor's report hereto.

Changes within the Supervisory Board and the Board of Management

- The former Chairman of the Supervisory Board Mr. Christoph Koechling and Supervisory Board member Mr. Andreas Muenster resigned from their posts as Supervisory Board members with effect from the end of the Annual General Meeting on 28th June 2012. The Supervisory Board would like to thank both individuals for their long-standing service. The Annual General Meeting of the same day appointed Roland Melzer and Wolfgang Seltmann as new members of the Supervisory Board for the remainder of the term of appointment of the resignee Supervisory Board members. During the Supervisory Board meeting held on the same day, Professor Dr. Heiko Aurenz was appointed the new Chairman of the Supervisory Board and Wolfgang Seltmann Vice Chairman.

- The former CEO, Dr. Klaus-Juergen Schroeder, left the Company at the end of the day on 30th June 2012. The Supervisory Board would like to thank Dr. Schroeder for his many years of strong and successful dedication to the Company. The Supervisory Board also appointed Volker Schwickert and André Bertram as members of the Board of Management with effect from 1st July 2012 to 30th September 2016. Volker Schwickert was also appointed Chief Executive Officer.

We would like to thank the Board of Management and the Company's employees for their outstanding work during the past financial year.

Hoehr-Grenzhausen, 27th December 2012
The Supervisory Board

Prof. Dr. Heiko Aurenz
Chairman of the Supervisory Board

CONSOLIDATED POSITION REPORT (GROUP MANAGEMENT REPORT)

CONSOLIDATED POSITION REPORT
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Business Conditions and Determining Factors

IMPORTANT EVENTS DURING THE SHORT FINANCIAL YEAR

Proposed Takeover by Siemens Industry Automation Holding AG

In accordance with its decision announced on 7th February 2012, Siemens Industry Automation Holding AG (tenderer) submitted its offer document pertaining to the voluntary public takeover of IBS AG to all IBS Aktiengesellschaft excellence, collaboration, manufacturing shareholders on 29th February 2012. Further details can be found in the IBS Annual Report 2011 (p. 86ff.)

The voluntary public takeover bid submitted by Siemens Industry Automation Holding AG was accepted by the shareholders - including the members of the Company management in accordance with their acceptance obligations - following the lapse of the further acceptance deadline of 16th April 2012 at a total of 948,432 IBS Shares, which along with the IBS family shareholders and the Own Shares held by the Company were transferred to Siemens Industry Automation Holding AG by 20th April 2012 at the latest. The total number of IBS Shares held by the Siemens Group following conclusion of the takeover bid amounted to 5,572,660 Shares (as at 15th November 2012). This corresponds to a 80.96 per cent share of IBS AG's nominal capital and voting rights.

Control Agreement with the Siemens Group

On 29th June 2012, IBS AG was informed by Siemens AG that Siemens intends the conclusion of a control agreement between a company of the Siemens Group and IBS AG. Siemens has pledged this step will result in the reinforcement of its co-operation with IBS, as well as the realisation of further synergies in the fields of developing, technology and sales.

For further details of the control agreement, please refer to the Supplementary Report.

Volker Schwickert New Chief Execuitive Officer, André Bertram Chief Financial Officer

Company founder Dr. Klaus-Juergen Schroeder amicably resigned from his position as Company CEO during the course of the day on 30th June 2012, leaving the Company. Volker Schwickert, who has been a member of the IBS AG Board of Management since 1999, was appointed Chief Executive Officer with effect from 1st July 2012. The IBS AG Supervisory Board also appointed André Bertram to the Board of Management as of 1st July 2012. As a member of the IBS Board of Management, Mr. Bertram is responsible for the areas of finance, investor relations and IT.

Changes to the IBS AG Supervisory Board

At the 12th Annual General Meeting held in Hoehr-Grenzhausen on 28th June 2012, IBS AG shareholders approved the Supervisory Board's proposal to appoint Mr. Roland Melzer, CEO of Siemens Industry Automation Holding AG and Manager of the Industry Automation Systems Software division at Siemens AG, and Mr. Wolfgang Seltmann, employed at Siemens AG Beteiligungsverwaltung (administration of corporate shareholdings), as IBS Supervisory Board members. The former Chairman of the Supervisory Board Mr. Christoph Koechling and Supervisory Board member Mr. Andreas Muenster resigned from their posts as Supervisory Board members with effect from the end of the Annual General Meeting on 28th June 2012. Professor Dr. Heiko Aurenz continues to be a member of the Supervisory Board and was appointed Chairman of the Supervisory Board during the Supervisory Board meeting held on 28th June 2012. Professor Dr. Aurenz has been a member of the IBS AG Supervisory Board since 2000.

Financial Year Adjustment

At the Annual General Meeting held on 28th June 2012, IBS AG shareholders also approved the adjustment of the financial year, with effect that, in future, the IBS AG financial year shall begin on 1st October of a given calendar year and shall end on 30th September of the following calendar year. A short financial year has been created for the period from 1st January 2012 to 30th September 2012. The Group balance sheet closing date of the 30th September is thus aligned with that of the parent company.

MACROECONOMIC SITUATION 2012

World Economy

The development of the world economy slowed down again during 2012, affecting not only the industrial countries but also the emerging economies. The International Monetary Fund (IMF) anticipates a serious global economic slow-down, largely shaped by the European debt crisis and the political battles in the USA. In October 2012 the IMF reduced its forecast for the growth of the global economy by 0.2 percentage points to 3.3 per cent for the overall year 2012.

Euro Zone

During 2012 the IMF anticipates a 0.4 per cent shrinkage in European economic performance. According to IMF experts, the monetary policy of the industrial countries is helping control the national debt crisis in the Euro zone. According to the IMF, the Central Bank's announcement vowing to purchase bonds and maintain a low rate of interest should be viewed positively. The austerity programmes implemented by many of the industrial countries, however, are further contributing to the economic downturn.

Germany

The IMF estimates a moderate growth rate of 0.9 per cent for Germany's gross domestic product during 2012. According to the Federal Ministry of Finance, the German economy still grew during the summer, despite the sluggish global economy. A clear economic downturn is expected for the final quarter of 2012, however. Economic weaknesses in some countries in the Euro zone are believed to be placing the greatest burden on economic development The mood among the German companies worsened again during October 2012. The business climate index, announced by the Munich-based ifo Institute, fell for the sixth consecutive month during October, dropping a further 1.4 index points from the month previous, with an index total of 100 points.

Emerging Economies

Emerging countries, such as India and China, were primary contributors to global growth again in 2012. Capacity bottlenecks, a drop in demand from the major economies and country-specific problems in the emerging countries, however, have all led to a slow-down. In particular, the frailties of China's major trading partners, the EU and the USA, have reduced the Chinese economy to a new three-and-a-half-year low during the third quarter of 2012. With a GDP of 7.4 per cent the dynamics of the world's second largest economy continued to weaken for the seventh consecutive quarter.

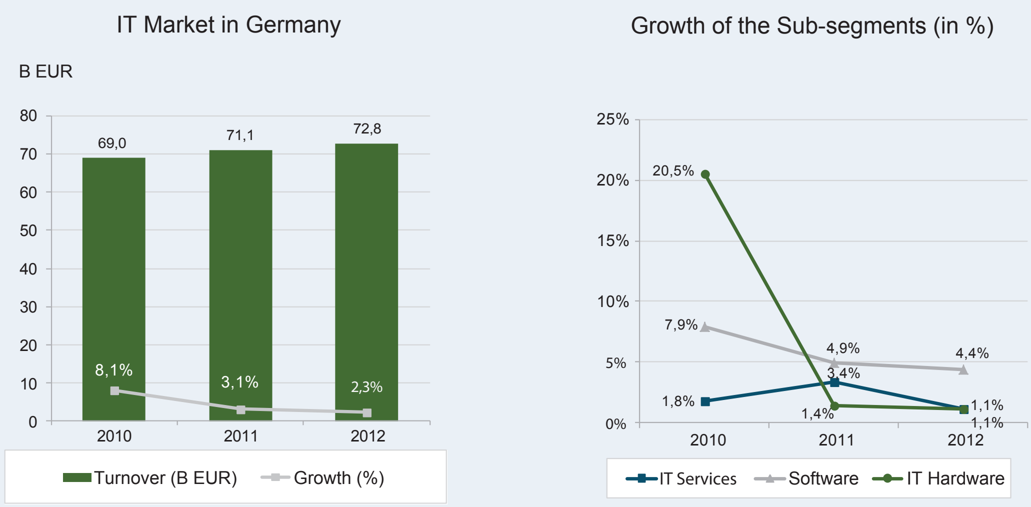
DEVELOPMENT OF THE IT MARKET DURING 2012

The global ITC market remained on a stable growth, path despite the European financial and banking crises. Global turnover is likely to rise by 5.1 per cent to 2.57B EUR this year. Companies continued to make sustainable investments in their IT infrastructures, aimed at improving competitiveness.

In October 2012 the German Association for Information Technology and New Media e.V. (BITKOM) considerably improved its forecast for the German ITC market. Turnover generated by products and services from the information technology, telecommunications and consumer electronics sector is expected to increase by 2.8 per cent to 152B EUR during the full 2012 financial year. This market evaluation is based on forecasts announced by the European Information Technology Observatory (EITO). The high-tech industry association BITKOM had anticipated a mere 1.6 per cent increase in the spring of 2012.

According to the BITKOM forecast, the German information technology sector looks set to grow by 2.3 per cent to 72.8B EUR in 2012, with the German software market likely to grow by 4.4 per cent to 16.9B EUR. IT services business, such as outsourcing and maintenance, will grow by 2.1 per cent to 34.9B EUR. In the light of the continue price erosion, the development of the hardware market is anticipated to be somewhat weaker, with a plus of just 1.1 per cent.

Software a Growth Contributor in the IT Sector



Source: BITKOM, EITO, IDC

Over two thirds (69 per cent) of small and mid-market companies in Germany charted an increase in turnover during the third quarter, according to the results of the BITKOM economic survey carried out in the ITC sector. Although the European debt crisis and the tense situation on the financial markets will not leave the the ITC markets unscathed, the industry, according to the Managing Director of BITKOM, Dr. Bernhard Rohleder, will be strikingly stable compared to the macroeconomy. IT service and software providers are currently profiting from very good business stemming from, inter alia, new technologies such as Cloud Computing and an increase in demand for mobile applications for smart phones and tablet computers. The BITKOM index has now reached 44 points.

Export is one reason for the favourable appraisal of the high-tech companies. During the first half of 2012 German companies sold 14.5B EUR of ITC and consumer electronics products to overseas. This corresponds to an increase of 4.4 per cent from the same period of the previous year, according to a BITKOM analysis based on data provided by the German Federal Statistical Office.

The overall year 2012 is likely to be a successful one for the majority of ITC companies. According to the BITKOM survey, published on 11th October 2012, 69 per cent of participating companies anticipated an increase in turnover, while 19 per cent expected turnover to drop. This growth also delivers a further positive impetus for the job market. According to the latest figures, the ITC sector employed 876,000 people in 2011. BITKOM anticipates the number of people employed in the ITC industry to increase by 1.2 per cent to 886.000 during 2012.

Source information: The market forecasts are based on surveys carried out by the European Information Technology Observatory (EITO). EITO provides the latest data on the global IT, telecommunications and consumer electronics markets (www.eito.com) and is a project operated by Bitkom Research GmbH in association with the market research institutes IDC and GfK.

BUSINESS MODEL, INFLUENCING FACTORS AND STRATEGY

Business Model

The IBS AG business model comprises the development and sale of industrial software solutions and consulting services for productivity, quality, traceability and compliance management. IBS AG offers its customers solutions and services that contribute to optimising business processes and increasing company productivity. The Company focuses on solutions that support the integration of operational ERP systems with production-related systems and enable production and quality management along the entire supply chain (added value), also in co-operation with suppliers and customers.

IBS AG productivity management solutions involve the optimisation, control and monitoring of business and production processes. The benefits for IBS AG customers lie in the generation of cost-savings and a simultaneous increase in quality and productivity by establishing transparency throughout the entire product lifecycle.

IBS AG quality management systems enable the organisation of actions aimed at improving products, processes and services. Thanks to their modular construction, the systems support the areas of quality management, gage and measurement systems management, project management and complaint management, to name but a few. The automotive solution, for instance, improve readiness and ability to act, promotes adherence to schedules, and enables increased production stability and shorter production cycle times, from the development phase to the point of vehicle delivery.

IBS AG traceability software supports customers in ascertaining which parts were assembled in which products, at what time and at which location, as well as providing information on the production conditions (in-house or external) and delivery destination. It also provides an overview of which raw materials entered the production process from which consignments, at which machine they were processed, by whom it was operated, who carried out the quality inspection and which quality data was used. IBS AG traceability software also enables the track and trace of all batches involved in the production process and is able to record the corresponding material movements.

The compliance management software solution controls corporate processes aimed at compliance with rules of conduct, laws and directives. The solution supports IBS AG customers in achieving their operative and strategic corporate targets. The benefits of the IBS software solution lie in the systematic support of management and control structures.

IBS AG consulting services comprise project management, training, support, software validation services, process consulting and solution-oriented software implementation. The consulting benefits lie in the discovery of performance improvement potentials, in process-oriented cost and performance evaluation and in the identification and elimination of wastage.

Influencing Factors

Industrial manufacturing without software-based automation is extremely difficult. Greater cost pressure from the growing internationalisation of business, shorter product life cycles and accumulating innovation pressure from growing competition and greater product complexities due to an increasing number of variants all lead to a growing need for systems that provide companies with complete documentation of product and process data and enable the optimisation of internal production processes. Furthermore, a constant increase in market regulation and in associated liability risks calls for integrated quality management solutions for the reduction of complaint and warranty risks.

Strategy

IBS Group strategy is not only based on over 30 years of experience but also incorporates future developments deemed relevant for the company. It serves as our road map for the coming years and as a guideline for internal and external actions aimed at successful corporate development.

The strategic goal of the IBS Group is not only to secure, but also further expand its market position, primarily in response to an increase in demand for quality management and manufacturing execution systems and associated IT services but also due to the geographical positioning of the Group.

Plans have been made for the long-term strategic incorporation of IBS AG activities in the Automation Systems business unit of the Industry Automation Division of the Industry Sector within the Siemens Group. Due to its well-engineered product portfolio and attractive customer base, the IBS Board of Management believes that the activities of IBS AG would logically enhance the Manufacturing Execution System (MES) portfolio of the Siemens Group. The integration of IBS products in the Siemens product portfolio will enhance the product range, geared towards a fully-integrated MES and quality management solution for all industries, enabling them to map the integration of the entire production process and product life cycle.

The IBS Board of Management expects this convergence with the Siemens Group to bring a whole host of mutual synergies in the area of sales and marketing. Taking into account the thus far different, indeed complementary target markets, solutions portfolios and customer structures, the Company is now striving to achieve a significantly greater range, along with the associated increase in turnover and revenues with its IBS solutions.

The reputation of the Siemens trade name and the global presence of the Siemens Group with its worldwide and regional software sales and large number of key account managers will bring about significant improvements and benefits in sales, support and marketing. The Siemens trade name will offer customers a further increase in investment security. The expertise of the Siemens Group will enable IBS AG to reach out to new markets, not only geographically (particularly in the international sphere) but also in terms of strategic and technological target groups (government agencies, rolling stock, farming and agricultural vehicles, medical technology, aerospace technology, heavy industry, etc.).

The Siemens Group will also offer further benefits in the areas of employee recruitment and loyalty. Favourable purchasing conditions and framework agreements with suppliers and partners will also ensue.

IBS AG Organisation and Business Units

THE ORGANISATIONAL UNITS OF IBS

The IBS Group is a leading supplier of software solutions and services for productivity management. The Company, founded in 1982, operates at international level and generates the majority of its turnover in the field of MES (Manufacturing Execution System) solutions, process-oriented production control, software-based quality management (QM) solutions and compliance management.

The parent company of IBS AG is Munich-based Siemens Industry Automation Holding AG. The ultimate parent company of IBS AG is Siemens Aktiengesellschaft, with registered offices in Berlin and Munich.

The IBS corporate group has operated a specific location strategy for a number of years and is present on the most important key markets. The Group operates a total of 6 locations.

The Company's head office is located in Hoehr-Grenzhausen, near Koblenz (Germany). The IBS Group serves its global customers from five subsidiaries in four countries and with a network of partnerships and co-operation companies. The subsidiaries are IBS Business Consulting GmbH in Hoehr-Grenzhausen (Germany), IBS America, Inc., located in Lexington (USA), IBS SINIC GmbH in Neu-Ansbach, near Frankfurt am Main (Germany), IBS Baltic UAB (Lithuania), the inactive IBS engineering consulting software GmbH, Linz (Austria) and IBS Business Consulting Software (Shanghai), Ltd., in (China) founded in 2011.

The collective solutions and services portfolio of IBS AG, IBS Business Consulting GmbH and IBS SINIC GmbH, aimed at optimising each of the product lifecycle processes, is used primarily in industrial companies. The portfolio of the US subsidiary IBS America, Inc. focuses on risk and compliant management solutions.

IBS AG, Hoehr-Grenzhausen, Germany

IBS AG in Hoehr-Grenzhausen is split into two separately operated business units.

The Business Unit Automotive Solutions supports global car manufacturers (Original Equipment Manufacturers, also known as OEMs). The Company has a large number of reference customers, such as Audi, BMW, Daimler, Porsche and Lamborghini.

The Business Unit Industrial Solutions supports companies from other industrial sectors, such as electronics, mechanical engineering, energy, medical technology, automotive supplier, chemicals and food sectors.

IBS America, Inc.

IBS America, Inc. is the IBS Group’s centre of competence for compliance management. With its risk and compliance management software, IBS America offers a tried-and-tested solution that assists companies in fulfilling the growing number of requirements set by the ISO standards, the automotive industry and the FDA and in their compliance with the Sarbanes-Oxley Act. The software enables efficient document management and defines and monitors the associated processes and workflows.

IBS Industrial Business Software (Shanghai), Ltd.

IBS Industrial Business Software (Shanghai), Ltd., with head office in Shanghai (China), is a wholly-owned subsidiary of IBS AG. The company, founded in 2011 as a response to the dramatic increase in demand for industrial software solutions for quality, production, traceability and compliance management solutions on the Asian market, is aimed at providing support for not only Chinese companies but also existing IBS customers with plants and branches in China. The IBS Group is already able to draw on a large number of software installation references in Southeast Asia.

IBS SINIC GmbH

IBS SINIC GmbH, located in the Hessian town of Neu-Anspach, has been developing and marketing innovative software systems for quality and calibration management for trade, industry and the service sector since 1989.

IBS Business Consulting GmbH

The company provides an expansion to the IBS Group's consulting and project management services in the areas of development, logistics and supply chain, production, and quality and performance management.

IBS Baltic UAB

IBS Baltic supports IBS AG in Eastern Europe with an independent company involved in the development of the standard software CAQ=QSYS® and PRISMA®.

IBS Group software solutions can be found across the globe and customer installations currently amount to over 4,000 worldwide.

DEVELOPMENT OF THE COMPANY

The IBS Group generated revenue to the volume of 18.393M EUR during the nine months of the short financial year 2012 (1st January - 30th September 2012). Revenue for the 2011 financial year (1st January - 31st December 2011) amounted to 24.899M EUR. A comparison with the previous year's volume is of little relevance due to the absence of the traditionally strong fourth quarter. Approximately 58 per cent of turnover (10.665M EUR) was generated in Germany during the short financial year 2012 (2011 financial year: 13.069M EUR, 52.5 per cent). Revenue generated in other EU countries (excluding Germany) amounted to 1.209M EUR during the reporting period (2011 financial year: 2.573M EUR). This corresponded to 6.6 per cent of turnover (2011 financial year: 10.3 per cent). Non-EU turnover generated by the IBS Group (in particular in the USA, Switzerland and China) amounted to 6.519M EUR. This corresponded to 35.4 per cent of consolidated turnover (2011 financial year: 9.257M EUR, 37.2 per cent).

One-time special effects amounted to approximately 1.1M EUR during the short business year 2012 and led to a negative EBIT development. These special effects arose primarily in connection with additional costs in view of the takeover bid, the planned conclusion of a control agreement, an compensatory equalisation payment for the Company's former CEO and the early settlement of variable remuneration represented by virtual Shares. Furthermore, IBS AG continued to make sustainable investments in research and development and in the expansion of its workforce, aimed at developing further growth potentials. This resulted in a notable increase in personnel costs, which were not offset by any significant increase in turnover during the period under review. The annual result was also burdened by balance sheet adjustments in deferred taxes of approximately 2.04M EUR during the short financial year 2012.

The Group result for the period amounted to -2.957M EUR during the short financial year 2012 (1st January - 30th September 2012), compared to annual Group profit of 2.012M EUR generated during the 2011 financial year (1st January - 31st December 2011). Earnings per Share equated to -0.44 EUR, following 0.30 EUR during the 2011 financial year.

Liquid funds fell by approximately 37.6 per cent to 3.932M EUR during the period under review (31st December 2011: 6.299M EUR). The lower volume of liquid funds was largely attributable to the acquisition of business premises in Hoehr-Grenzhausen at the purchase price of 2.035M EUR plus incidental acquisition costs, a dividend payout for the 2011 financial year to the sum of 1.032M EUR and to one-time charges arising from the afore-mentioned special effects. The sale of Own Shares resulted in an inflow of funds to the sum of 1.558M EUR during the period under review.

As at the balance sheet closing date of 30th September 2012, the Group's shareholders' equity dropped to 14.453M EUR (31st December 2011: 16.883M EUR). This was primarily due to the net loss generated during the short financial year 2012 and the dividend payout for the 2011 financial year. The shareholders' equity ratio of 62.6 per cent highlights the strong position of the IBS Group (31st December 2011: 65.6 per cent).

The volume of orders on hand for project and maintenance agreements underwent a pleasing development during the short financial year, amounting to 14,537M EUR as at 30th September 2012. Compared to the volume as at 31st December 2011 (12.475M EUR), this corresponded to an increase of 16.5 per cent or 2.062M EUR. As at the end of the reporting period the IBS Group employed 229 members of personnel worldwide (31st December 2011: 218 employees).

Liquid funds to the sum of 3.932M EUR and the Company's above-average shareholders' equity continue to secure the IBS Group a stable financial position. The overall analysis, after consideration of the risks, shows no threat to the survival of the Group in terms of capital and liquidity. Given the sound volume of orders on hand, the IBS Board of Management anticipates a positive business development for the 2012/2013 and 2013/2014 financial years, provided that the global economy does not undergo any further long-term deterioration.

Research and Development

Continuous investments in the field of research and development are vital to the success of our software solutions and consulting services. In our research and development department, qualified product engineers and software developers collaborate with other experts on the further development of solutions for industrial quality, production, traceability and compliance management. In doing so we remain in constant contact with our customers, incorporating their requirements in our Best Practice solutions in the shortest possible time.

IBS AG also has a large number of sustainable strategic co-operations with leading research institutes.

A selection of our projects follows:
Development of IBS First Sampling Module / Production Part Approval Process (PPAP)
The First Sampling module supports suppliers in documenting that its products fulfil customer quality requirements. An important feature of first sampling is that the products to be sampled are manufactured under realistic full-scale production conditions. The subsequent inspection of the first sampling item must also conform with the technical and non-technical product propertied agreed with and required by the customer.

IBS:FSI (First Sample Inspection) has been now been modified, making it no longer necessary to execute explicit inspection plans and measurement data acquisition in the FSI module. Furthermore, measurement data can now also be used from the incoming goods, production and outgoing goods inspection orders. This reduces administration effort and enables organisation of all all activities required within the process in APQP/Project Management, as well as compiling the respective documentation.

Mobile Defect Detection Application

IBS AG has successfully concluded an innovation project on the theme of "Mobile Data Acquisition". The new tool enables defect acquisition on the production line. Having identified a defect during the production process, the worker is able to make this information available to upstream stations both immediately and in real time, with the help of a mobile device

The application speeds up the defect detection process and, thanks to the graphical acquisition feature, also the defect analysis. Multicolour representation of defects denoting the degree of severity also enables improved visualisation.

Mobile Defect Acquisition e.g. Using the iPad

IBS Actions Portal

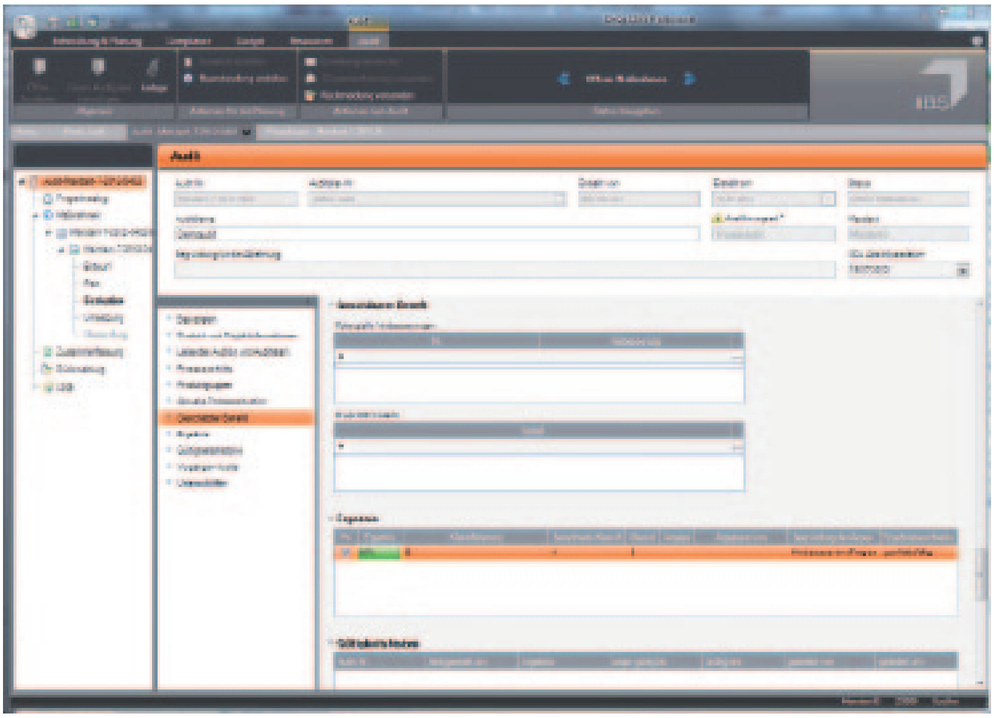
The IBS Actions Portal enables the involvement of individuals, who are not in possession of a version of QSYS, in company processes.
The Actions Portal is available for the CCM (Concern and Complaint Management), APQP (Advanced Product Quality Planning) , FMEA (Failure Mode and Effect Analysis), AUDIT and "Free Actions" modules.

A further practical example of use of the IBS Actions Portal is the linkage of suppliers. This enables the assignment of special tasks to the suppliers. This applies, for example, to the handling of complaints made in conjunction with purchased parts or the creation of first sample inspection reports within the scope of a checklist. Suppliers can manage their own contacts and exchange documentation in the CCM, APQP and AUDIT modules.
The new Actions Portal combines a range of individual portals for greater user-friendliness.

The new IBS AG portal application

Go Live of the IBS Audit Module at a Major Car Manufacturer

A car manufacturer has now switched its SOA (service-oriented architectures)-based Audit module to "productive" for several vehicle makes and has begun operating. In this case the Audit module is being used to safeguard the VDA 6.3 process. A further expansion to incorporate suppliers in the process is also planned. The project involved the central installation of the software, which can now be accessed from all production sites worldwide.



IBS Audit module mask

Communication and Marketing

We communicate actively, continually and reliably with our stakeholder groups, striving to better understand them and enter into targeted correspondence. The Investor Relations department communicates with investors, shareholders and the financial media. Communication with customers, partners and associations is carried out by IBS Sales and IBS Marketing Contact with the specialist press is handled by our Press and Public Relations department.

Examples: IBS Stakeholder Communication: Europe

JANUARY Europe						
FEBRUARY Europe	IBS:forum Rottweil FMEA	IBS:forum Pforzheim 8D				
MARCH Europe	IBS:forum Dusseldorf Audits	IBS:forum Chemnitz APQP	IBS:forum Bielefeld 8D	Event in Osnabrueck FMEA	Trade fair Hanover CeBIT	Event in Boeblingen MES User Work-shop
APRIL Europe	Trade fair Graz (AT) Magna IT	Trade fair Hanover Hanover Messe				
MAY Europe	Trade fair Stuttgart Control	Event Herxheim Industry Circle				
JUNE Europe	IBS:forum Rottweil Best Practice Rees	IBS:forum Hamburg 8D	Event Wolfsburg ITA theme evening			
JULY Europe						
AUGUST Europe						
SEPTEMBER Europe	IBS:forum Leipzig FMEA	IBS:forum Zurich 8D	Event Attendorn Best Practice Viega	Event Berlin "Transforming the Rail Indus-try", WZL		

Forum | Trade fair | Investor event | Other event

Examples: IBS Stakeholder Communication: USA / China

Month	Event 1	Event 2	Event 3
JANUARY USA China	Webinar: Why an Electronic Document Control System Makes Good Business Sense		
FEBRUARY USA China	Trade fair Annaheim: Pacific Design and Manufacturing trade fair	Seminar Shanghai: Solutions to Environmental, Health & Safety (EH&S) Management	
MARCH USA China	Webinar: Managing and Solving Production-based Complaints and Concerns	Webinar: Automotive Webinar	Conference Shanghai: Geely Automotive Conference
APRIL USA China	Conference: ASQ Boscon conference	Forum Detroit: Warranty Forum, AIAG	Forum Shanghai: MES Forum
MAY USA China			
JUNE USA China	Webinar: Using Enterprise Quality Data to Optimise the Supply Chain	Webinar: Corrective Action – The Heart of Continuous Improvement	Webinar: Unified Doc. Control – How to Merge Doc. Control and Shop Floor Quality Control
JULY USA China			
AUGUST USA China	Trade fair Shanghai: Control Shanghai		
SEPTEMBER USA China	Presentation: AIAG Quality Summit, exhibit and presentation	User forum: IBS User Forum	Newsletter: IBS Newsletter (with Gartner)

STAKE HOLDER COMMU-NICATION

Forum | Trade fair | Investor event | Other event

Co-operations and Memberships

Collaboration with our partners and the formation of strategic co-operations are fundamental elements of our strategy. The use of reciprocal strengths enables us to generate competitive advantages. Our partnerships and memberships helped us to develop new markets during the reporting period.

Within the scope of innovation alliances and strategic partnerships we were able to channel our existing strengths into joint efforts in order to create real, usable results.

Other technology, strategic, sales and project partners of IBS AG include ATS, IBM, Microsoft, Oracle, PSIPENTA, RWTH Aachen University, Siemens, SteinhilberSchwehr, Ubisense and the WHU (Otto Beisheim School of Management).

Earnings, Assets and Financial Position

BUSINESS DEVELOPMENT IN THE GROUP

The IBS Group generated revenue to the volume of 18.393M EUR during the nine months of the short financial year 2012 (1st January - 30th September 2012). A comparison with the previous year's volume is of little relevance due to the absence of the traditionally strong fourth quarter. Revenue for the 2011 financial year (1st January - 31st December 2011) amounted to 24.899M EUR. Turnover from licence sales amounted to 3.478M EUR during the period under review (2011 financial year: 4.205M EUR). Turnover from services amounted to 7.338M EUR (2011 financial year: 9.814M EUR) and turnover from software maintenance / support / hotline to 7.130M EUR (2011 financial year: 8.362M EUR). There was a significant project-specific reduction in the volume of turnover from hardware sales, which amounted to 0.447M EUR (2011 financial year: 2,518M EUR).

Overall, the portion of turnover from licence sales and maintenance rose to 57.7 per cent during the short financial year 2012 (2011 financial year: 50.5 per cent). 39.9 per cent of turnover was generated by services (2011 financial year: 39.4 per cent). The percentage of turnover generated by hardware sales suffered a project-specific drop to 2.4 per cent during the period under review (2011 financial year: 10.1 per cent).

Approximately 58 per cent of turnover (10.665M EUR) was generated in Germany during the short financial year 2012 (2011 financial year: 13.069M EUR, 52.5 per cent). Revenue generated in other EU countries (excluding Germany) amounted to 1.209M EUR during the reporting period (2011 financial year: 2.573M EUR). This corresponded to 6.6 per cent of turnover (2011 financial year: 10.3 per cent). Non-EU turnover generated by the IBS Group (in particular in the USA, Switzerland and China) amounted to 6.519M EUR. This corresponded to 35.4 per cent of consolidated turnover (2011 financial year: 9.257M EUR, 37.2 per cent).

Production orders are recorded in the balance sheet in accordance with Percentage-of-Completion method (PoC). The percentage (degree) of completion is determined on the basis of man days performed in relation to planned man days. As at 30th September 2012, a production order existed for an order for which processing began during the short financial year 2012. The volume of PoC receivables amounted to 13K EUR as at the balance sheet closing date of 30th September 2012.

The volume of orders on hand for project and maintenance agreements underwent a pleasing development during the short financial year, amounting to 14,537M EUR as at 30th September 2012. Compared to the volume as at 31st December 2011 (12.475M EUR), this corresponded to an increase of 16.5 per cent or 2.062M EUR.

Production costs amounted to 7.626M EUR during the short financial year 2012 (2011 financial year: 10.883M EUR). In terms of overall turnover, the portion of production costs dropped 41.5 per cent, compared to 43.7 per cent during the previous year. The cost of sales and marketing amounted to 4.113M EUR during the period under review and thus corresponded to 22.4 per cent of overall turnover (2011 financial year: 4.565M EUR, 18.3 per cent). General administrative costs amounted to 3.534M EUR during the period from January to September 2012 (2011 financial year: 3.302M EUR). In relation to turnover this item rose to approximately 19.2 per cent during the short financial year 2012, from 13.3 per cent the previous year. At 21 per cent, research and development costs of 3,859M EUR accounted for a considerably higher portion of turnover (2011 financial year: 3.971M EUR, 15.9 per cent). During the short financial year 2012 the IBS Group continued to invest in the continuous further development of its software solutions (as in the previous year).

RESULT DEVELOPMENT

During the short financial year 2012 the IBS Group generated a gross yield of 16.234M EUR (1st January - 30th September 2011: 15.006M EUR). One-time special effects amounted to approximately 1.1M EUR during the reporting period and led to a negative EBIT development. These special effects arose primarily in connection with additional costs in view of the takeover bid, the planned conclusion of a control agreement, an compensatory equalisation payment for the Company's former CEO and the early settlement of variable remuneration represented by virtual Shares. Furthermore, IBS AG continued to make sustainable investments in research and development and in the expansion of its workforce, aimed at developing further growth potentials. This resulted in a notable increase in personnel costs, which were not offset by any significant increase in turnover during the period under review.

Consolidated earnings before interest and taxes (EBIT) amounted to -0.763M EUR during the short financial year (previous year: 2.116M EUR). The annual result was also burdened by balance sheet adjustments in deferred taxes during the short financial year 2012. The lower volume of deferred taxes to the sum of 2.04M EUR was recognised in the income statement. The Group result for the period amounted to -2.957M EUR during the reporting period, compared to an Group annual surplus of 2.012M EUR generated during the 2011 financial year. Earnings per Share equated to -0.44 EUR, following 0.30 EUR during the previous year.

The IBS Group invested 0.511M EUR in capitalised software developments during the short financial year 2012 (2011 financial year: 1.144M EUR). These capitalisations initially have a positive effect on the profit and loss statement. Amortisation of these capitalisations is carried out over a predefined period of maturity of the software developments, then having a negative effect on the profit and loss statement. During the period under review IBS largely invested in the development projects Service-oriented Architectures (SOA) and RFID-based Automotive Network (RAN).

FINANCIAL AND ASSETS POSITION

As at 30th September 2012, the balance sheet total of the IBS Group was 23.089M EUR, compared with 25.744M EUR as at 31st December 2011. This corresponded to an drop of 10.3 per cent. The Group's shareholders' equity allocated to the owner of the parent company amounted to 14.453M EUR as at the balance sheet closing date of 30th September 2012 (31st December 2011: 16.883M EUR). The shareholders' equity ratio of 62.6 per cent highlights the strong position of the IBS Group (31st December 2011: 65.6 per cent).

The change on the active side as at the balance sheet closing date was due to a moderate decrease in long-term intangible assets of 83K EUR to 5.242M EUR (previous year: 5.325M EUR). As at 30th September 2012, investments in tangible assets to the sum of 4.481M EUR were significantly higher than those of the previous year (31st December 2011: 2.341M EUR). This increase was largely due to the acquisition of business premises in Hoehr-Grenzhausen at the purchase price of 2.035M EUR, plus incidental acquisition costs. Conversely, liquid funds fell by approximately 37.6 per cent to 3.932M EUR during the period under review (31st December 2011: 6.299M EUR). Whereas the dividend payout to the sum of 1.032M EUR for the 2011 financial year also had a negative effect on liquidity, the sale of Own Shares during the period under review resulted in an inflow of funds to the sum of 1.558M EUR. The volume of trade liabilities decreased by 79K EUR to 6,276M EUR as at 30th September 2012 (31st December 2011: 6.356M EUR).

On the debt side of the balance sheet, long-term debts decreased by 50K EUR to 2.457M EUR as at 30th September 2012 (31st December 2011: 2.506M EUR). There was a drop in long-term bank and loan liabilities within the scope of principal repayments as at the 2012 balance sheet closing date to 1.816M EUR (31st December 2011: 1.884M EUR). There was also a reduction in short term debts, which dropped by 175K EUR to 6.132M EUR during the short financial year 2012 (31st December 2011: 6.306M EUR). A significant, project-related decrease in trade liabilities to the sum of 0.976M EUR (31st December 2011: 1.490M EUR) was offset by increase in other liabilities to the sum of 2.972M EUR (31st December 2011: 2.450M EUR). The item other liabilities contains long-term liabilities from finance leases to the sum of 39K EUR (31st December 2011: 53K EUR), which are to be paid off between 2013 and 2015. The tax liabilities item fell by 112K EUR at the 2012 balance sheet closing date, following 152K EUR compared to the previous year. There was a decrease of 49K EUR in deferred liabilities to the sum of 1.836M EUR (31st December 2011: 1.885M EUR).

CASH FLOW FROM OPERATING ACTIVITIES

The IBS Group accrued cash flow from operating activities to the sum of 189K EUR during the period under review. The Group's operative cash flow for the 2011 financial year amounted to 2.413M EUR.

CASH FLOW FROM INVESTMENT ACTIVITIES

The IBS Group's expenditure on investment activities amounted to 3.010M EUR during the short financial year. The Group's outflow of funds for the previous year amounted to 1.738M EUR. The increase was largely due to a significant increase in investments in intangible and tangible assets resulting from the acquisition of business premises in Hoehr-Grenzhausen at the purchase price of 2.035M EUR, plus incidental acquisition costs. Investments in intangible and tangible assets amounted to approximately 2.5M EUR at the balance sheet closing date 2012 (2011 financial year: 0.601M EUR EUR). Capitalisations for software development amounted to 0.511M EUR as at 30th September 2012, compared to 1.144M EUR during the previous year.

CASH FLOW FROM FINANCING ACTIVITIES

The primary objectives of the IBS Group financial management are the safeguard of liquidity and a sustainable increase in company value. Optimisation of the capital structure and effective risk management help achieve these objectives and reduce the costs of financing.

The inflow of funds from IBS Group financing activities amounted to 0.454M EUR during the short financial year 2012. The outflow of funds from financing activities for the previous year amounted to 1,573M EUR. During the period under review, an outflow of funds from the payout of dividends to the sum of 1.032M EUR was offset by an inflow of funds from the sale of Own Shares to the sum of 1.558M EUR. The change of a long-term loan (68K EUR) and cash flow from financing activities had a negative effect on the balance sheet.

Liquid funds amounted to 3,932M EUR as at 30th September 2012, compared to 6.299 M EUR as at 31st December 2011. This enables the IBS Group to continue to duly meet all payment demands.

STATEMENT OF THE BOARD OF MANAGEMENT REGARDING THE MACROECONOMIC SITUATION

Despite the economic uncertainties and buying resistance of the customers, the Company succeeded in increasing not only its gross yield but also its licence and maintenance turnover during the short financial year 2012. This was, however, not sufficient to compensate the costs of personnel investments and the aforementioned special effects.

The economic environment has deteriorated markedly during the course of the short financial year 2012. The Euro debt crisis, in particular, has led to a deterioration of the economic climate and a slow-down in global business development. According to the International Monetary Fund (IMF) experts, the austerity programmes implemented by many of the industrial countries, are further contributing to the economic downturn. As a consequence, the IMF has reduced its forecast for the growth of the global economy by 0.2 percentage points to 3.3 per cent for the current financial year. The Federal Ministry of Finance believes the German economy to be heading for a clear economic downturn during the fourth quarter. A further warning signal has been sounded by the ifo business climate index, which dropped for the sixth consecutive month in October 2012. The automotive and electronics industries - two of the most important target markets of the IBS Group - have been worst hit by this development.

Despite the increasing economic risks, EITO estimations predict that the ITC market will still chart an above-average growth rate during 2013. Thanks to the positive impetus of increased demand for ITC products and services from the emerging countries, experts anticipate 4.6 per cent growth of the global market for the coming year. Western Europe is expected lag behind this development, undergoing a growth rate of just 1.4 per cent. EITO has confirmed positive perspectives for both of the German market sectors relevant to IBS AG, namely software and IT services, which have been forecast a growth rate of 5.1 per cent and 3.5 per cent respectively, for 2013.

By reinforcing its market activities, IBS AG is striving to achieve a notable increase in its software solution licence sales. Furthermore, convergence with the Siemens Group is expected to be an economically and strategically appropriate option for IBS AG, leading to the creation of a sales-oriented, innovative new organisation that fulfils the criteria needed to successfully expand its market position with its existing product portfolio and develop future growth potentials. Integration in the Siemens Group will afford IBS improved sales opportunities and offer a greater customer base for IBS products.

Provided that the global economy does not exhibit any further long-term deterioration, the Board of Management anticipates a growth in turnover for the 2012/2013 financial year. The potential use of existing Siemens sales channels for the sale of IBS software products may accommodate a further growth in turnover in the coming financial years.

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.

According to the forecast of the International Monetary Fund (IMF) experts, the US economy will grow by approximately 2.2 per cent in 2012. IBS America, Inc. generated revenue to the sum of 4.338M EUR during the short financial year 2012 (2011 financial year: 4.230M EUR). The operative result (EBIT) amounted to 413K EUR, which was considerably higher than the previous year’s volume of 67K EUR. IBS America, Inc. achieved an EBIT margin of 9.5 per cent during the period under review, following 1.6 per cent during the previous year. This increase from the previous year was due to higher revenue, in particular from licence sales. The average rate of exchange for the US Dollar (USD) was 1.28168 USD/EUR during the short financial year 2012 (previous year: 1.39171 USD/EUR).

IBS SINIC GMBH

IBS SINIC GmbH, located in the Hessian town of Neu-Anspach, has been developing and marketing innovative software systems for quality management (CAQ) for trade, industry and the service sector since 1989 The company has carried out over 1,500 successful installations in Germany, Europe and overseas. 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 generated turnover to the sum of 0.791M EUR during the 2012 short financial year. This follows a volume of 1.211M EUR during the 2011 financial year. Earnings before interest and taxes amounted to 58K EUR during the period under review (2011 financial year: 175K EUR).

IBS BUSINESS CONSULTING GMBH

IBS Business Consulting enhances IBS AG's consulting and project management services in the areas of development and logistics (supply chain), as well as production, quality and performance management.

The subsidiary IBS Business Consulting GmbH generated a turnover to the sum of 818K EUR during the reporting period, compared with 819K EUR during the overall year 2011. The EBIT volume amounted to 145K EUR (2011 financial year: 245K EUR).

IBS BALTIC UAB

IBS Baltic supports IBS AG in Eastern Europe with an independent company involved in the development of the standard software CAQ=QSYS® and PRISMA®. IBS Baltic generated a turnover of 221K EUR during the short financial year 2012 (2011 financial year: 284K EUR). Earnings before interest and taxes amounted to -0.3K EUR during the period under review (2011 financial year: 0.7K EUR).

IBS INDUSTRIAL BUSINESS SOFTWARE (SHANGHAI), LTD.

The wholly-owned subsidiary, founded during the 2011 financial year, generated revenue to the sum of 365K EUR during the short financial year 2012 (2011 financial year: 192K EUR). Earnings before interest and taxes amounted to -170K EUR (2011 financial year: -169K EUR).

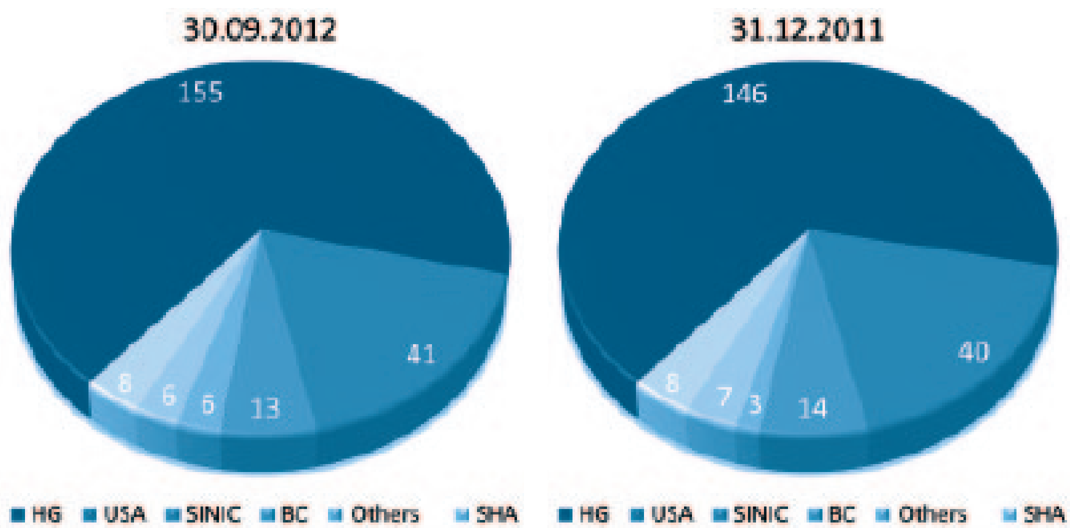
IBS AG Employees

EMPLOYEE DEVELOPMENT

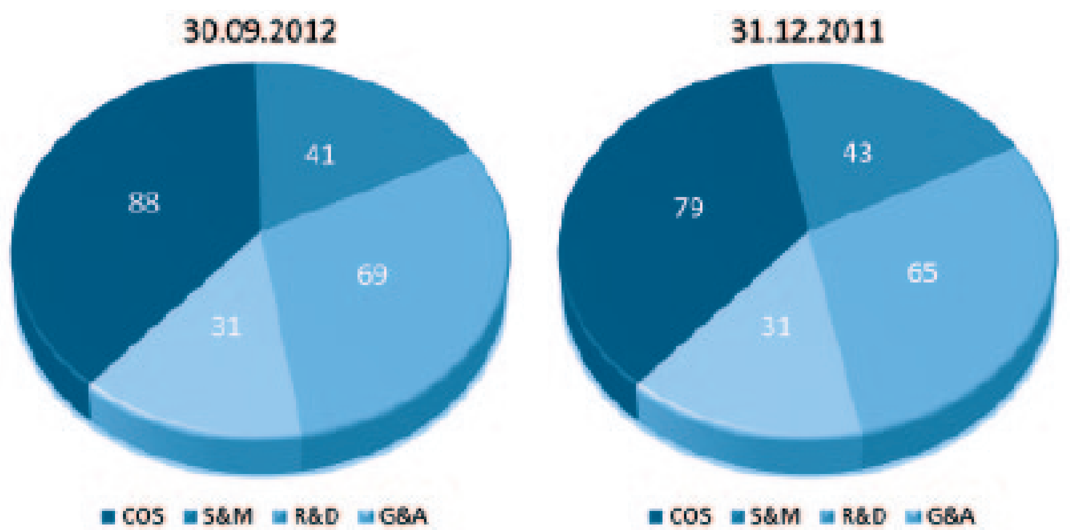
We pursue a foresighted, sustainable personnel policy. After all, motivated, qualified employees are fundamental to the affective achievement of our strategic growth aims.

As at 30th September 2012 the IBS Group employed 229 personnel (31st December 2011: 218 employees). The increase in personnel was mainly aimed at supporting the area of research and development.

SPLIT INTO COMPANIES, PER YEAR



SPLIT INTO COST CENTRES, PER YEAR



FURTHER TRAINING AND THE PROMOTION OF YOUNG TALENT

The IBS Group has been investing systematically in individual further training and qualification programmes for many years. These programmes are aimed supporting the commitment and skills of qualified IBS employees and executives and retaining these in IBS Group for as long as possible. The Company effectively fosters and continually improves methodological, social and management competences with a range of internal and external further training opportunities. The IBS Group offers its employees development prospects, both nationally and abroad.

Supplementary Report

Following the balance sheet reporting date, the IBS Board of Management, with the approval of its Supervisory Board on 11th October 2012, and the Corporate Management of Munich-based Siemens Beteiligungen Inland GmbH (a wholly-owned subsidiary of Siemens AG) signed the announced control agreement between Siemens Beteiligungen Inland GmbH (as controlling company) and IBS AG (as a controlled company) on 11th October 2012 and 10th October 2012 respectively. The General Assembly of Siemens Beteiligungen Inland GmbH gave its approval of the control agreement on 10th October 2012.

The object of the control agreement is, inter alia, a cash settlement in accordance with § 305 of the German Stock Corporation Act (AktG) to the sum of 6.90 EUR per IBS AG Share and an adjustment payment in accordance with § 304 of the German Stock Corporation Act (AktG) to the gross sum of 0.26 EUR (net value after corporate tax and solidarity contribution: 0.23 EUR) for each full financial year per IBS AG Share. Siemens Beteiligungen Inland GmbH is also obligated to compensate any losses incurred by IBS AG in accordance with the reserves of § 302 of the German Stock Corporation Act (AktG) in the applicable version. The obligation to compensate losses initially applies to the entire financial year in which the control agreement becomes effective. In its auditing report, the court-appointed contract auditor, Warth + Klein Grant Thornton AG Wirtschaftspruefungsgesellschaft, Dusseldorf, considers the cash settlement in accordance with § 305 of the German Stock Corporation Act (AktG) and the adjustment payment in accordance with § 304 of the German Stock Corporation Act (AktG) to be adequate.

The IBS AG Annual General Meeting gave the necessary approval within the scope of an extraordinary general meeting held on 29th November 2012. The control agreement became effective upon entry in the commercial register on 17th December 2012.

Furthermore, no transactions or events of major significance occurred or had any significant effect on the business development of the IBS Group following the close of the short financial year.

Risks and Opportunities Report

The IBS Group is equipped with a comprehensive risk management system, which underwent continuous further development during the short financial year.

In striving to achieve its corporate aims, the IBS Group is exposed to a large number of corporate and market-specific risks. The primary function of the IBS Group's risk management system is the detection of opportunities and the simultaneous control of associated risks. The Company’s risk management system identifies, assesses and systematically tracks the development of relevant risks. The Company may also identify or deduce opportunities from within this risk analysis.

As a medium-sized company, the IBS Group has only limited influence over market-specific risks. The Group 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 experienced IBS employees, who are in a position to competently assess the investment opportunities and risks.

IBS applies the German Corporate Governance Code in order to monitor these company-specific 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 15th May 2012. 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.

Regular business development meetings are held to provide updates on the latest opportunities and risks situation and to agree upon targets and control measures. Relevant information and findings arising from these meetings are noted in the minutes and compiled within the scope of reports. The subsequent knowledge is exchanged across all levels of the company and analysed by the executive management. The subsequent initiation of the appropriate measures or cross-company actions depends on the results of this analysis.

The IBS Group has established measures for early detection, monitoring and control, and combines these in a risk management system. The Company uses an accounting-based internal controlling system within each of its Business Units. The Group's risk management principles are documented in the business plan, based on 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 to the executive management on its turnover, performance, incoming orders and project development statuses on a bi-weekly basis. These meetings focus on the continuous monitoring of the relevant sales markets and trends and constant co-ordination with the customer.
Closing financial statements are drawn up for the individual companies and the Group on a quarterly basis.

The business plan is continually updated, 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.

A 5-year plan has also been drawn up for the Group.

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 IBS Group is a corporation in the sense of § 264d 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.
The Group implements the following structures and processes with regard to the accounting procedures of the companies involved and the consolidated accounting procedures:
The 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.

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;
- Control 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 Statements;
- 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 company-wide accounting procedure, the IBS 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.

Risk factors related to the latest economic developments remain largely ascribable to the high level of national debt of some industrial companies and the subsequent drastic cost-saving measures of the public authorities affected. The discontinuation of a number of economic stimulus packages and consolidation pressure for many public authorities could in some cases result in a greater slowdown in economic growth than previously assumed. Tax increases, too rapid hikes in interest rates by the central banks and rising unemployment rates could burden growth opportunities for some time to come. In the light of these imponderables we cannot preclude the occurrence of risks from the macroeconomic environment in 2013/14.

The Company follows a strategy of diversification in terms of its income sources, generating its turnover in as many industrial sectors and regions as possible. The Board of Management therefore sees no existential economic risks that may threaten the business.

The Board of Management believes that growing quality requirements concerning the products and processes of the target customers due to globalization 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 Board of Management. Furthermore, there is a risk that the Company’s products and services for productivity management will fail to meet the requirements of the market.

Political Risks

A concern with an international presence will always be subject to the risk factors of the world’s politics. Ongoing conflicts in Syria, Lebanon, Afghanistan and Irak may also entail risks, as too may the smouldering conflict between the United Nations and Iran. Once these conflict fields become aggravated, the price of crude oil and other raw materials starts to soar. This hampers the development of the global stock markets, complicated the raising of funds and affects consumption.

In addition, earnings may also be affected by wage increases in China, growing employee on-costs and restrictive state laws.

Competitive Risks

The Board of Management views the intensity of competition on the market for productivity management software and process consulting to have remained relatively unchanged during the short financial year 2012. The majority of IBS' direct competitors remain to be smaller software companies. An increase in the number of competitor companies, or that new and larger competitor companies may result from consolation processes, cannot be excluded, however. In this respect, there is a risk that consolidation processes could trigger a significant change in the competitive landscape.

The Board of Management 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 could significantly affect the marketability of the Group's products and services, which could in turn have a negative effect on the financial and earnings position of the Company.

The Board of Management goes to considerable lengths to ensure the competitiveness of its products and services. With its investment in research and development, the Board of Management is confident that the Company will remain in a position to continue to meet market demands.

Growth Risks

The Board of Management is focused on the development of new growth markets for productivity management solutions. In doing so, the Company is dependent on the development of the competition situation, financing opportunities, the employment of qualified personnel and the ability to gain new customers.

The Board of Management 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 over-proportional decline in business success. The Board of Management has implemented effective processes for the early identification of changes within the market environment. The Board of Management identifies sufficient scope for short-term influence of the cost structure in order to react to unforeseeable events.

Product and Service Risks

Innovations and the continuous development of products and services are vital in retaining and developing the market position of the Group.

IBS remains in constant communication with its customers and interested parties. Close co-operation between the sales team and research and development personnel forms the basis for highly-marketable products.

To ensure customer satisfaction, IBS evaluates each of its marketing and development activities in terms of customer benefit. Customer benefit analyses are also carried out.

The quality of IBS Group products and corporate processes is achieved using an integrated quality management system. IBS 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.

The Group has built itself an excellent reputation during the course of its thirty-year history. 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 Board of Management 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 Co-operations

IBS is currently involved in co-operations and partnerships in various companies and institutions. The Board of Management can envisage entering into further co-operations 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 co-operations 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

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.

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 Board of Management accrues a sufficient volume of reserves to cover bad debt losses.

Risks arising from Legal Disputes

Legal risks may arise from the various regulations and laws affecting the Company. In the course of advancements in jurisdiction on patenting laws in the USA and European Union, software is increasingly subjected to protection by patent. The resulting patenting legal procedure may also affect IBS AG. The Company continually runs the risk of legal disputes due to the nature of its operative business. Reserves are accrued for any identified risks.

Credit Risks

Credit volumes are regularly monitored. The Company also applies an effective dunning and reminder system and intensive liquidity management.

Personnel Risks

A key success factor for IBS is its motivated, dedicated employees and executives. The IBS Group is always seeking international specialist personnel and management executives. As a technological leader, the Company runs the risks of its specialist personnel and key management executives leaving the Company. Its employees are carriers of the Company's expertise. The risk of employee enticement by competitor software companies is high. IBS counteracts these risks with systematic human resources measures and by positioning itself as an attractive employer. Employees are closely involved in the Company, e.g. by way of profit-sharing, further training options and non-compete agreements. The growing scarcity of qualified experts and executives in the IT sector poses a further personnel risk.

Acquisition and Divestment Risks

Further potential synergies have been identified from the convergence between the business units of the Siemens Group and the IBS Group and these have been documented along with the respective actions and process steps. There is a general risk, however, that these long-term synergy potentials may not be reached to the anticipated extent.

The associated costs and expenditure for the IBS Group arising from this integration should also be noted. Such costs include alignment with Siemens Group standard processes, in areas such as finance, controlling, compliance and IT.
Advance investments in the programming of special interfaces and the bundling of research, development, marketing and sales activities will also have a negative effect on the Company's EBIT.
Integration carries the risk of inherent uncertainty for customers, partners and IBS employees. Risks may also arise from integration strategies.

The associated synergies of this integration are paramount for IBS, however. To combat these integration risks, the IBS Group will receive lump-sum loss compensation from Siemens at the end of each financial year. The Company is also committed to guaranteeing the remaining shareholders an appropriate annual dividend and to offering them an alternative and appropriate financial settlement for their Shares.

Opportunities

Just like other internationally operative companies, IBS is confronted with not only risks, but also numerous opportunities. Risk management is also aimed at the identification of opportunities for the Company that may arise from economic events. The main opportunity types are listed below.

Growth Opportunities

The Board of Management takes systematic note of the growth opportunities on the market. This involves the regular collection of cross-departmental information (such as market trends, new customer requirements and innovative technologies that may be of relevance for the improvement and expansion of the product and services portfolio) for subsequent analysis by the executive management.

Opportunities for the Group lie in the undiminished strong growth perspectives of the emerging economies. The IBS Group finds favourable conditions for long-term participation in this growth. The IBS subsidiary in Shanghai supports the Company's positioning, particularly in Asia.

Furthermore, convergence with the business units of the Siemens Group is expected to be an economically and strategically appropriate option for IBS, leading to the creation of a sales-oriented, innovative new organisation that fulfils the criteria needed to successfully expand its market position with its existing product portfolio and develop future growth potentials. Integration in the Siemens Group will afford IBS improved sales opportunities and offer a greater customer base for IBS products.

Opportunities Arising from the Siemens Integration

Economic Opportunities

The integration would enhance the product range, geared towards a fully-integrated MES and quality management solution for all industries, enabling them to map the integration of the entire production process and life cycle. Compatibilities have been identified with many Siemens Group solutions and business units.

Synergies

A whole host of mutual synergies are expected in the area of sales and marketing. The thus far different target markets, solutions portfolios and customer structures hold the potential to achieving a significantly greater range, along with an associated increase in turnover and revenues. This will enable the development of new markets, not only geographically but also in terms of strategic and technological target groups. Close co-operation between the common sales channels will also have a positive effect here.

The incorporation of IBS products in the Siemens Group market presence will offer further opportunities in the sharing and joint creation of websites, brochures, media, design resources and campaigns.

The bundling of research and development activities is also at the fore. In future, IBS Group products will be not only be harmonised in the Siemens environment as integrated solutions for MES and PLM, but also used as before, on a stand-alone basis in the usual environment. Technologically speaking, developers and engineers alike will benefit from mutual resource access. The IBS Group will also benefit from the possibility of an even closer alliance with Microsoft - a knock-on effect of the corresponding co-operation agreement between Siemens and Microsoft.

The Siemens Group will also offer further benefits in the areas of employee recruitment and loyalty. Favourable purchasing conditions and framework agreements with suppliers and partners will also ensue.

Opportunities Arising from Macroeconomic Trends

The Board of Management believes that macroeconomic globalisation trends will secure increasing in demand for software-based productivity management solutions. 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 products in increasingly shorter times. Competitive intensity on the global market results in higher cost pressure. A reduction in the vertical range of manufacture is leading to exponential growth of logistic complexity. The expanding range of variants prescribed by market demands leads to increasing technical complexity. Optimal management of these complexities is reliant on software-assisted process automation.

Economic Opportunities

The Board of Management anticipates greater investment in productivity management systems in the course of an economic upturn. The Group’s system solutions offer their users an instrument for harnessing further rationalisation potentials. These systems enable the achievement of higher quality and, at the same time, lower costs.

Overall Assessment of Opportunities and Risks

The Board of Management considers the current opportunities to outweigh the risks. With its current structure and financial resources, the Company is in a good position to be able to deal effectively with recognisable opportunities and risks.

Payments Report

This payments report describes the principles for determining the payments made to the IBS Group Board of Management and the Supervisory Board as well as the payment amount 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 SHORT FINANCIAL YEAR 2012

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.

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 performance-related component.
- A lump-sum remuneration component

The variable payment made to Board of Management members is determined on an individual basis and regularly linked to the achievement of business objectives.

Due to the numerous special effects during the short financial year 2012, the Supervisory Board has decided to pay the Board of Management a lump sum for the short financial year, in place of a variable payment.

The members of the Board of Management received the following remuneration (gross, with no statutory deductions) for the short financial year 2012:

Board of Management salaries	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Volker Schwickert		
Fixed salary	117	144
Non-cash benefit use of car	10	17
Variable salary	50	83
of which payable immediately	50	50
of which virtual shares	0	33
Others	2	0
Total	**180**	**244**
André Bertram (Member of Board of Management since 1st July 2012)		
Fixed salary	26	0
Non-cash benefit use of car	3	0
Variable salary	12	0
of which payable immediately	12	0
of which virtual shares	0	0
Other	8	0
Total	**48**	**0**
Dr. Klaus-Juergen Schroeder (Member of Board of Management up to (incl.) 30th June 2012)		
Fixed salary	90	180
Compensatory equalisation payment	543	0
Non-cash benefit use of car	7	15
Variable salary	0	104
of which payable immediately	0	63
of which virtual shares	0	41
Other	1	0
Total	**641**	**299**
Board of Management salaries total	**869**	**543**

The Company holds group financial loss liability insurance for the members of the IBS Group boards (the Board of Management and the Supervisory Board). This contains excess in accordance with § 93 II 3 of the German Stock Corporation Act (AktG) for members of the Board of Management. As of the 2011 financial year and contractual amendment, excess is included for members of the Supervisory Board. This insurance covers the risk of personal liability for the eventuality that a member of one of the boards is involved in a claim for financial loss whilst performing his or her duties.

Dr. Schroeder resigned from the Group's Board of Management with effect from 30th June 2012. Dr. Schroeder was granted an compensatory equalisation payment in the course of termination of his employment. He will continue to use his current company car until 31st December 2013. The Company will bear the costs associated with the use of the company car.
Dr. Schroeder remains entitled to 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.

Volker Schwickert has an unforfeitable defined contribution assurance to the company pension scheme with a monthly payment of 3,500 EUR, with a maximal payment term until 1st September 2026. The Company's monthly payment obligation shall cease in the event and at the time that Mr. Schwickert leaves the IBS AG of his own accord.

As of 1st July 2012 the IBS Group approved Andre Bertram a defined contribution assurance to the company pension scheme with a monthly contribution sum of 1,500 EUR. The contributions to the company pension scheme were declared immediately unforfeitable.

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 and advance payments were granted to Dr. Schroeder:

	K EUR
As at 1st January 2012	219
Additions	13
Items disposed of	232
As at 30th September 2012	**0**

Interest was applied to the advanced payments and loans at a rate of 4 per cent p.a.

In February 2012, the Company's business premises in Rathausstrasse 56 in Hoehr-Grenzhausen were sold to IBS AG by Ingret Schroeder & Heike Schroeder GbR, Hoehr-Grenzhausen, whose partners are the wife and daughter of the former Chief Executive Officer (retired on 30th June 2012). The arm's-length sales price is shown in a certified valuation appraisal.

REMUNERATION OF THE SUPERVISORY BOARD FOR THE SHORT FINANCIAL YEAR 2012

Remuneration of the Supervisory Board is based on a resolution of the Annual General Meeting from 28th June 2012.

In addition to reimbursement of expenses and the income tax payable on the remuneration and expenses for the last financial year in each case, members of the Supervisory Board also receive:

(1) fixed annual remuneration set at 30,000.00 EUR for the Chairman of the Supervisory Board and 20,000.00 EUR for each further Supervisory Board member;

(2) profit-based annual remuneration to the sum of 0.5 per cent of the Group's positive EBIT generated in the last financial year for each member of the Supervisory Board.

	2012 (in K EUR)	2011 (in K EUR)
Supervisory Board salaries	**53**	**99**
of which virtual shares	0	12

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 of the German Commercial Code is included in the Position Report and Consolidated Financial Statements for the 2012 short financial year.

Disclosures on the composition of the subscribed capital (§ 289 Section 4, No. 1 of the German Commercial Code)
The Company's subscribed capital at the end of the short financial year 2012 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.

Restrictions apply to proxy shareholders in accordance with § 5 section 2 of the Articles of Association. § 5 section 2 of the Articles of Association states: "Holders of Company Shares are entered in the Share register upon submission of notification and identification. The notification must contain the name, date of birth and address of the shareholder, as well as the Share certificate numbers of the Shares for which the entry is to be made. The notification must state whether the entry is to be made for Shares that are held by the applicant but in third party ownership (proxy shareholders). Notwithstanding the following sentence, each proxy shareholder may be entered in the Share register against a maximum of 0.5% - 3% of the Company's Shares. The registration of a credit institution as a proxy shareholder within the scope of a transfer of registered shares is also permitted in exceedance of the aforementioned proportion for a maximum period of 2 weeks, without loss of voting rights. For purposes of this § 5 section 2 of the Articles of Association, legal entities and companies that are affiliated companies within the meaning of §§ 15 et seq. of the German Stock Corporation Act (AktG) are considered proxy shareholders".

The Company held no Own Shares at the end of the short financial year 2012.

Disclosures on the limitations relating to voting rights or the transfer of shares (§ 289 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 (§ 289 Section 4, No. 3 of the German Commercial Code)
As at 30th September 2012, Siemens Industry Automation Holding AG held a 68.9 per cent share of IBS AG's nominal capital and voting rights. A 12.1 per cent share of IBS AG's nominal capital and voting rights was held by Siemens AG. To the best knowledge and belief of the Board of Management, these are the only shareholders who held a minimum of over 10 per cent of the nominal capital as at the balance sheet closing date 2012.

Disclosures on the holders of shares with special rights (§ 289 Section 4, No. 4 of the German Commercial Code)
No shareholder has been granted any special rights.

Disclosures in accordance with § 289 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 § 289 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 Group Articles of Association can only be amended by resolution of the Annual General Meeting in accordance with §§ 133 and 179 of the German Stock Corporation Act (AktG).

Resolutions of the Annual General Meeting, unless otherwise prescribed by the Articles of Association or by compulsory provision of the law, are, to be passed with an ordinary majority of the votes, and insofar as the law prescribes a majority of votes as opposed to a majority of shares, with the ordinary majority of the represented nominal capital in the passing of a resolution by the majority of votes.
The authority to amend the Articles of Association, which only relate to that version, is transferred to the Supervisory Board in accordance with § 4 sections 5 and § 7 section 10 of the Articles of Association in accordance with § 179 section 1 sentence 2 of the German Stock Corporation Act (AktG).

Disclosures on the authority of the Board of Management, in particular in terms of the ability to issue or recall shares (§ 289 Section 4, No. 7 of the German Commercial Code)

Authorised Capital

According to a resolution of the Annual General Meeting from 25.06.2010, 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 3,441,532.00 EUR by non-recurrent or recurrent issue of new, shares payable to the bearer against cash or fixed assets ("authorised capital 2010") in the period until 30.07.2015.

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 continent 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 Program

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.

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.

No further stock options were in circulation as at 30th September 2012. A total of 95,850 stock options were exercised during the 2007 financial year and 86,250 stock options expired on the closing date of 30th September 2012.

Acquisition of Own Shares

The Annual General Meeting of 25th June 2010 empowered the Board of Management the right to acquire Own Shares. The Company is empowered the right to acquire Own Shares of up a maximum of 10 per cent of the nominal capital existing as at the resolution of the Annual General Meeting, until 24th May 2015, in accordance with § 71 Section 1 No. 8 of the German Stock Corporation Act (AktG). This empowerment may be exercised in whole or in part, once or on several occasions. No IBS Shares were acquired during the short financial year 2012. 255,356 of these IBS Shares were disposed of. Consequently, the Company held a total of 255,356 shares as at 30th September 2012.

Disclosures in accordance with § 289 Section 4, No. 8 of the German Commercial Code (HGB)

Employee contracts of employment and several supplier agreements contain “change of control” clauses, which enter into effect in case of company takeover. The Board of Management anticipates, however, that even in the case of exercise, no negative consequences will arise regarding the assets, financial and income situation of the Company.

As at the balance sheet closing date, IBS AG had liabilities from two subsidized loans from the “KfW” reconstruction loan corporation to the sum of 1,798M EUR. Each lender has a special right of termination in case of a change of control. Due to the liquidity situation of IBS AG, the Board of Management does not anticipate any unfavourable consequences for the assets, financial and income situation of the company, even in case of exercise of these special termination rights.

Disclosures in accordance with § 289 Section 4, No. 9 of the German Commercial Code

Employee contracts of employment contain a "change of control" clause, which has not been exercised.

The retention periods for the exercise of rights to virtual Shares are no longer applicable due to the change of control. Those entitled to do so have exercised the rights granted to them.

Corporate Governance Declaration

The Corporate Governance Declaration, made in accordance with §289a of the German Commercial Code (HGB), was submitted to the Company's shareholders and is permanently accessible on the Company's homepage (http://www.ibs-ag.de/unternehmen/investor-relations/erklaerung-zur-unternehmensfuehrung).

Forecast Report

IT SECTOR

Based on the EITO ICT market report, a slow-down in global ITC market growth is expected for 2013, increasing by just 4.6 per cent following a 5.1 per cent increase during the current financial year.

The experts of the Economist Intelligence Unit (EIU) have forecast an average annual growth rate of 3.6 per cent for the field of IT services between 2012 and 2016. The EIU anticipates the average annual growth rate for package software to reach 6.2 per cent.

According to the European Information Technology Observatory (EITO), the emerging countries, which accounted for approximately 27 per cent of global demand for ITC products and services, will expand their share to almost 50 per cent by the year 2020. The Chinese market is likely to grow by 12 per cent to 220B EUR this year, looking set to replace Japan as the world's second largest ITC consumer by the end of this year.

The West European ITC market, however, will chart a notably lower growth rate. According to EITO forecasts the West European ITC turnover will increase by 1.2 per cent to 617B EUR this year, provided that the nation debt crises in the Euro zone does not become more acute during the fourth quarter. For 2013, EITO expects a growth rate of 1.4 per cent in Western Europe.

The EITO experts are somewhat more optimistic about the German market, for which they expect a growth rate of 3.2 per cent during the coming year, based on overall IT market expenditure. In particular, software and IT services - both of which are relevant to IBS AG - have been forecast above-average perspectives for 2013, with growth rates of 5.1 per cent and 3.5 per cent respectively.

TARGET MARKETS

The development of the international car market is still very mixed. According to the German Association of the Automotive Industry (VDA), the car market in Western Europe charted a 7.2 per cent decline in sales between January and September 2012 to approximately 9.7M cars. This compares with growth rates of 14.5 per cent and 13.8 per cent in the USA and Russia. During the first nine months of 2012 the Chinese car market reported an 8.5 per cent increase in sales, while the growth rate in India rose to ten per cent.

According to a study carried out by the Center for Automotive Management (CAMA) at Duisburg-Essen University, the German car market suffered a 1.8 per cent drop in sales between January and September 2012, compared to the same period of the previous year. CAMA estimates the German car market will continue to regress during the fourth quarter of 2012. Experts anticipate the German market will suffer a 2.3 per cent drop in new vehicle registrations to almost 3.1M for the overall financial year 2012.

The German electrical industry is headed for a record year in terms of export, which saw growth of approximately 4.5 per cent to 105.2B EUR between January and August 2012. Electrical industry exports were above average during the first eight months of 2012, in particular, exports to Japan (+24 per cent), Russia (+18 per cent) and the USA (+11 per cent). Despite these successful exports, the business climate for the German electrical industry slipped into minus figures during September 2012, for the first time since December 2009. According to a survey carried in September 2012 out by the German Electrical and Electronic Manufacturers' Association (ZVEI), on balance, the expectations for the next sixth months were negative for the third consecutive month, with twelve per cent of electrical companies anticipating an increase in trade, 62 per cent no change and 26 per cent a decrease in trade.

OUTLOOK

The market for industrial software solutions for productivity management is highly fragmented. IBS AG is one of the largest providers in this field, offering an integrated, sector-independent MES (Manufacturing Execution System) solution. The Board of Management does not foresee any interruption in this growth trend in the field of production software. The competitive environment will force production companies to increase the quality of their products and production processes. Investments in integrated information systems that connect the production level with cross-company levels are therefore necessary.

The strategic goal of the IBS Group is not only to secure, but also further expand its market position, primarily in response to an increase in demand for quality management and manufacturing execution systems and associated IT services but also due to the geographical positioning of the Group. The Board of Management is aiming to achieve a further increase in software solutions licence revenue with intensified market development and a market penetration strategy.

The IBS Board of Management also expects further turnover from the combined sale of IBS products in connection with Siemens Industry Automation products (Siemens AG) and from the sale of IBS products to Siemens AG.

According to EITO forecasts, the global ITC market will grow by 4.6 per cent during 2013. The German Association for Information Technology and New Media e.V. (BITKOM) anticipates the German ITC market to achieve a growth rate of 1.6 per cent, reaching a volume of 154.3B EUR during the coming year. BITKOM estimates a probable three per cent growth to 74.9B EUR for information technology.

The IBS Board of Management agrees with this expert assessment and, given the sound volume of orders on hand, anticipates a positive business development for the 2012/2013 and 2013/2014 financial years, provided that the global economy does not undergo any further long-term deterioration. The potential use of existing Siemens sales channels for the sale of IBS software products may accommodate a further growth in turnover. Realisation of the synergies arising from the co-operation with the Siemens Group, however, will require the IBS Group to undertake advance investments, in particular within the scope of interface programming and the strengthening of sales channels. Such investments will have a negative effect on the Company's EBIT. In spite of these negative factors, the IBS Board of Management expects a positive EBIT for the 2012/2013 financial year and a sustainable increase in EBIT margin from the 2013/2014 financial year, according to plan.

Hoehr-Grenzhausen, 18th December 2012

IBS Aktiengesellschaft excellence, collaboration, manufacturing

Volker Schwickert | André Bertram

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, 18th December 2012

IBS Aktiengesellschaft excellence, collaboration, manufacturing

Volker Schwickert

André Bertram

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTENTS

Statement of comprehensive income (Statement of Recognised Income and Expenditure)

	Explanatory notes	2012 (in K EUR)	2011 (in K EUR)
Sales Revenue	19	18,393	24,899
Production Costs		-7,626	-10,883
Gross profit		**10,767**	**14,016**
Other Operating Income	20	26	67
Selling Costs	21	-4,113	-4,565
Administrative Costs	22	-3,534	-3,302
Research and Development Costs	23	-3,859	-3,971
Other Operating Costs	24	-50	-130
		-11,530	**-11,900**
Operating profit (EBIT)		**-763**	**2,116**
Interest Income	25	30	73
Interest Expenses	26	-136	-181
		-106	**-108**
Earnings before Taxes (EBT)		**-870**	**2,007**
Income Taxes	27	-2,088	5
Consolidated profit / loss for period		**-2,957**	**2,012**
of which attributable to shareholders of the parent company		-2,957	2,012
of which attributable to non-controlling interests		-0.1	0.1
Earnings per Share (undiluted) in EUR		-0.44	0.30
Earnings per Share (diluted) in EUR		-0.44	0.30
Consolidated profit / loss for period		**-2,957**	**2,012**
Other result			
Currency conversion ("net of tax")		1	58
Overall consolidated result		**-2,956**	**2,069**
of which attributable to shareholders of the parent company		-2,956	2,069
of which attributable to non-controlling interests		-0.1	0.1

(The attached notes are an integral part of the Consolidated Financial Statements)

Statement of changes in equity

	Shareholders' equity attributable to the owner of the parent company						
	Subscribed capital (in K EUR)	Own Shares (in K EUR)	Reserves from currency conversions (in K EUR)	Other consolidated reserves (in K EUR)	Total (in K EUR)	Non-controlling Interests (in K EUR)	Total consolidated shareholders' equity (in K EUR)
	Note 8	Note 9					
As at 31st December 2010	**6,883**	**-603**	**-632**	**10,473**	**16,121**	**47**	**16,168**
Currency conversion	0	0	58	0	58	0	58
Consolid. profit / loss for period	0	0	0	2,012	2,012	0	2,012
Overall consolidated result for the period	**0**	**0**	**58**	**2,012**	**2,069**	**0**	**2,070**
Dividends 2010	0	0	0	-994	-994	0	-994
Own Shares	0	-312	0	0	-312	0	-312
As at 31st December 2011	**6,883**	**-915**	**-575**	**11,491**	**16,883**	**47**	**16,931**
Currency conversion	0	0	1	0	1	0	1
Consolid. profit / loss for period	0	0	0	-2,957	-2,957	0	-2,957
Overall consolidated result for the period	**0**	**0**	**1**	**-2,957**	**-2,956**	**0**	**-2,956**
Dividends 2011	0	0	0	-1,032	-1,032	0	-1,032
Own Shares	0	915	0	0	915	0	915
Income Sale of Own Shares	0	0	0	642	642	0	642
As at 30th September 2012	**6,883**	**0**	**-573**	**8,143**	**14,454**	**47**	**14,501**

Statement of financial position (balance sheet)

Assets	Explanatory notes	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Long-term assets			
Intangible assets	1	5,242	5,325
Fixed assets	2		
Property and buildings		3,834	1,733
Other facilities and company equipment		646	607
Deferred taxes	3	2,320	4,360
		12,043	**12,026**
Short-term assets			
Cash and cash equivalents	4	3,932	6,299
Trade liabilities	5	6,276	6,356
Other receivables	6	498	631
Inventories	7	339	431
		11,046	**13,718**
		23,089	**25,744**

Shareholders' equity and debts	Explanatory notes	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Shareholders' equity			
Subscribed capital	8	6,883	6,883
Own Shares	9	0	-915
Reserves	10	7,570	10,916
Capital and reserves attributable to the shareholders of the parent company		**14,453**	**16,883**
Shareholders' equity attributable to non-controlling interests		47	47
		14,500	**16,931**
Long-term Liabilities			
Pension reserves	11	601	569
Other liabilities	12	39	53
Liabilities to banks	13	1,816	1,884
		2,457	**2,506**
Short-term Liabilities			
Liabilities from trade payables	14	976	1,490
Other liabilities	15	2,972	2,450
Liabilities to banks	16	237	330
Tax liabilities	17	112	152
Provisions	18	1,836	1,885
		6,132	**6,306**
		23,089	**25,744**

Statement of cash flow

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Cash flow from operating activities:		
Consolidated profit / loss for period	-2,957	2,012
Adjustment for transition of profit/loss for the period to cash flow from operating activities:		
Depreciation	957	904
Profit/loss from sale/disposal of capital goods	1	5
Deferred taxes	2,040	-227
Pension reserves	32	29
Changes in assets and liabilities		
Trade liabilities	80	-768
Inventories	92	54
Prepaid expenses and other assets	133	-69
Liabilities from trade payables	-514	429
Advanced Payments Received	-615	98
Provisions	-48	-246
Tax liabilities	-40	56
Other liabilities	1,029	136
Inflow of funds from operating activities	**189**	**2,413**

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Cash flow from investment activities:		
Payments for investments in intangible assets and fixed assets	-2,500	-601
Payments for investments in capitalised software developments	-511	-1,144
Proceeds from sale of fixed assets	2	7
Outflow of funds from investment activities	**-3,010**	**-1,738**
Cash flow from financing activities:		
Payments due to the repayment of (financing) loans	-204	-224
Receipts due to the raising of credit (financing) loans	150	0
Repayments of liabilities from finance leases	-18	-43
Proceeds from the sale of Own Shares	1,558	0
Payments due to purchase of Own Shares	0	-312
Dividend payout	-1,032	-994
Inflow / outflow of funds from financing activities	**455**	**-1,573**
Changes in cash and cash equivalents	-2,367	-898
Cash and cash equivalents at the start of the financial year	6,299	7,190
Effects of exchange rate on cash and cash equivalents	0	7
Cash and cash equivalents at the end of the financial year	**3,932**	**6,299**
Additional information:		
Payments made during the financial year for		
Income and income taxes	43	178
Income from interest	30	73
Payments due to interest	-136	-181

Development of Intangible Assets and Fixed Assets

2012	Procurement and production costs					
	01.01.2012 (in K EUR)	Additions (in K EUR)	Items dis-posed of (in K EUR)	Entry adjust-ments (in K EUR)	Currency conversion (in K EUR)	30.09.2012 (in K EUR)
Intangible assets						
Company goodwill	5,997	0	0	0	0	5,997
Software, licences and other intangible assets	1,403	115	-6	0	0	1,512
Self-created software	6,740	511	0	0	1	7,252
	14,140	**626**	**-6**	**0**	**1**	**14,761**
Fixed assets						
Property and buildings	2,335	2,162	0	0	0	4,497
Other facilities and company equipment	2,017	224	-21	0	1	2,221
	4,352	**2,386**	**-21**	**0**	**1**	**6,718**
	18,492	**3,012**	**-27**	**0**	**2**	**21,479**

2011	Procurement and production costs					
	01.01.2011 (in K EUR)	Additions (in K EUR)	Items dis-posed of (in K EUR)	Entry adjust-ments (in K EUR)	Currency conversion (in K EUR)	31.12.2011 (in K EUR)
Intangible assets						
Company goodwill	5,997	0	0	0	0	5,997
Software, licences and other intangible assets	1,192	198	0	0	13	1,403
Self-created software	5,546	1,144	0	0	50	6,740
	12,735	**1,342**	**0**	**0**	**63**	**14,140**
Fixed assets						
Property and buildings	2,328	7	0	0	0	2,335
Other facilities and company equipment	1,634	396	-22	0	9	2,017
	3,962	**403**	**-22**	**0**	**9**	**4,352**
	16,697	**1,745**	**-22**	**0**	**72**	**18,492**

Write-offs / depreciation					Residual book value	
01.01.2012 (in K EUR)	Additions (in K EUR)	Items dis-posed of (in K EUR)	Currency conversion (in K EUR)	30.09.2012 (in K EUR)	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
5,591	0	0	0	5,591	406	406
1,174	91	-6	0	1,259	253	229
2,050	619	0	1	2,670	4,583	4,690
8,815	**710**	**-6**	**1**	**9,520**	**5,242**	**5,325**
601	61	0	0	662	3,834	1,734
1,410	184	-20	0	1,574	647	607
2,011	**245**	**-20**	**0**	**2,236**	**4,481**	**2,341**
10,826	**955**	**-26**	**1**	**11,756**	**9,723**	**7,666**

Write-offs / depreciation					Residual book value	
01.01.2011 (in K EUR)	Additions (in K EUR)	Items dis-posed of (in K EUR)	Currency conversion (in K EUR)	31.12.2011 (in K EUR)	31.12.2011 (in K EUR)	31.12.2010 (in K EUR)
5,591	0	0	0	5,591	406	406
1,072	90	0	12	1,174	229	120
1,471	541	0	38	2,050	4,690	4,075
8,134	**631**	**0**	**50**	**8,815**	**5,325**	**4,601**
545	56	0	0	601	1,734	1,783
1,167	237	-2	8	1,410	607	467
1,712	**293**	**-2**	**8**	**2,011**	**2,341**	**2,250**
9,846	**924**	**-2**	**58**	**10,826**	**7,666**	**6,851**

NOTES TO THE CON-SOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements as at 30th September 2012

The Company

IBS Aktiengesellschaft excellence, collaboration, manufacturing, Rathausstrasse 56, 56203 Hoehr-Grenzhausen, (hereinafter referred to as “IBS AG“ or “the Company“) is a company registered in Germany, under the commercial register no. 6069. in the commercial register held at the Montabaur district court, and has its registered office in Hoehr-Grenzhausen. The Company is listed in the Prime Standard of the German Stock Exchange in Frankfurt/Main (ISIN DE0006228406).

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.

The parent company of IBS AG is Munich-based Siemens Industry Automation Holding AG. The ultimate parent company of IBS AG is Siemens Aktiengesellschaft, with registered offices in Berlin and Munich.

These Consolidated Financial Statements for the short financial year ending on 30th September 2012 are to be approved and released for announcement by the Supervisory Board on 19th December 2012.

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 in accordance with § 315a of the German Commercial Code (HGB) and in accordance with the International Financial Reporting Standards (IFRS) applicable as at the balance sheet closing date and as applicable within the European Union. Furthermore, in addition to disclosure requirements in accordance with IFRS, all information and explanations applicable under § 315a section 1 of the German Commercial Code, which are additionally required under German Commercial Law where Consolidated Financial Statements are prepared, are also disclosed.

Following the resolution of the Annual General Meeting of 28th June 2012, IBS AG has changed the end of its financial year from 31st December to 30th September. These Consolidated Financial Statements comprise the period from 1st January 2012 to 30 September 2012. Due to the nine-month short financial year, these Consolidated Financial Statements can only be compared with those of the previous year, which comprises the 12-month period from 1st January 2011 to 31st December 2011, to a limited extent.

The Consolidated Financial Statements have been compiled on the basis of the lower of cost market and historical purchase costs principles. 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 Statement of Recognised Income and Expenditure and the Consolidated Balance Sheet have been compiled in accordance with the IAS 1 account classification rules with the Consolidated Statement of Recognised Income and Expenditure prepared according to the cost-of-sales method. The Consolidated Financial Statements are presented in euro (EUR), since that is the currency underlying most of the Group's transactions.

The information is mainly shown in thousands of euros (K EUR), rounded. As a result, rounding differences of +-1 may occur in tabular representations.

New and Amended Standards and Interpretations

The disclosure, appropriation and valuation methods applied correspond to the methods applied during the previous year, with exception of the following new and amended standards and interpretations, which were applied from 1st January 2012:

Compared to the Consolidated Financial Statements as at 31st December 2011 the following standards and interpretations have been changed or become subject to mandatory first-time application following their adoption under EU law and passing of the effective date:

IFRS 7 – Financial instruments: Disclosures: Transfer of Financial Assets

These relate to disclosure requirements in connection with transfers of financial assets. This now means that extensive disclosures have to be made on rights and obligations that may be retained or assumed in a transaction, even in the case of full derecognition of the financial asset. This amendment is designed to increase the transparency of disclosures on transfers of assets and improve the understanding of the related risks to the Company's financial position, especially for those relating to the sale of assets. Application of the amendment is mandatory for financial years beginning on or after 1st July 2011, although the amendment may be applied earlier. Application of the amendment has little effect on the Consolidated Financial Statements of the Company.

The following standards published by the IASB are not yet mandatory or and have not yet been adopted by the EU as European law and not yet been applied by IBS.

IAS 12 - Deferred Tax: Recovery of Underlying Assets

Under IAS 12 "Income Taxes", the measurement of deferred taxes depends on whether the carrying amount of an asset is recovered through use or sale. In some cases it can be difficult and subjective to assess whether recovery will be through use or sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing the presumption that recovery of the carrying amount will, normally, be through sale. As a result of the amendment, SIC 21 Income Taxes Recovery of Revalued Non-depreciable Assets would no longer apply to investment properties carried at fair value. The SIC 12 guidelines have been integrated in IAS 12. The change should be applied for the first time to financial years beginning on or after 1st January 2011, although it has not yet been adopted by the EU. No changes to the Consolidated Financial Statements of IBS AG are expected to result from first-time application of this requirement.

Amendment to IFRS1 - First-time Adoption of IFRS: Severe Hyperinflation and Elimination of Fixed Transition Dates for First-time Adopters

This amendment contains two amendments to IFRS 1 "First-time Adoption of IFRS". The first amendment replaces references to a fixed date of "1 January 2004" with "the date of transition to IFASs", thus eliminating the need for companies adopting IFASs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFASs after a period when the entity was unable to comply with IFASs because its functional currency was subject to severe hyperinflation.

The change should be applied for the first time to financial years beginning on or after 1st July 2011, although it has not yet been adopted by the EU. No changes to the Consolidated Financial Statements of the IBS Group result from the first-time application of this requirement.

IAS 1 - Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendments demand that other income items are divided into amounts that can then be recycled in the consolidated income statement, and those that cannot. The amendments do not state which other income items should be posted.
The change should be applied for the first time to financial years beginning on or after 1st July 2011, although it has not yet been adopted by the EU. The Company is currently assessing the impact of the amended IAS 1 on the Consolidated Financial Statements.

Amendment to IAS19 - Employee Benefits

The amendments eliminate the corridor method and require recognition of actuarial profits and losses in other income. In addition, expected income from plan assets and the interest expense on pension obligations will be replaced with a single net interest component in the amended IAS 19. Past service cost must in future be recognized fully in the period af the related plan amendment. The amendments also change the requirements for termination benefits and include enhanced presentation and disclosure requirements.

The change should be applied to financial years beginning on or after 1st January 2013, although it may be applied earlier. The change has already been adopted by the EU. Early application has not been adopted by IBS and would have led to an increase in pension reserves to the sum of approximately 300K EUR in the Consolidated Balance Sheet for the short financial year 2012.

Amendments to IAS32 and IFRS 7 - Offsetting Financial Assets and Financial Usabilities

The revision of the reserves regarding the offsetting of financial assets and financial liabilities resulted in corresponding amendments to IAS 32 "Financial Instruments: Presentation", as well as to IFRS 7 "Financial Instruments: Disclosures".

The offsetting requirements formulated in IAS 32 have been maintained in principle and have only been finalised by additional application guidance. This guidance explicitly emphasises on the one hand that an absolute, legally enforceable claim for compensation is required, even if one of the parties becomes insolvent. On the other hand, criteria are cited under which a gross settlement of financial assets and financial liabilities could still result in offsetting. The amended guidelines should be applied retrospectively to financial years beginning on or after 1st January 2014. The change has not yet been adopted by the EU. The Company is currently assessing the impact of the amended IAS 32 on the Consolidated Financial Statements.

The disclosure requirements relating to certain offsetting agreements introduced in IFRS 7 are, however, new. The obligation for disclosures must be applied, regardless of whether the offsetting arrangements result in any actual offsetting of the respective financial assets and financial liabilities. The amendment provides for a series of individual items, in addition to a qualitative description of the offsetting claims.

The amendments to IFRS 7 should be applied retrospectively to financial years beginning on or after 1st January 2013. The change has not yet been adopted by the EU. The Company is currently assess the impact of the amended IFRS 7 on the Consolidated Financial Statements.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine (October 2010)

The interpretation deals with stripping costs in the production phase of a surface mine. The change should be applied for the first time to financial years beginning on or after 1st January 2013, although it has not yet been adopted by the EU. Based upon current assessments, no changes to these Consolidated Financial Statements of the IBS Group result from the first-time application of this requirement.

IFRS 9 - Financial Instruments

The IASB published IFRS9 - "Financial instruments" on 12th November 2009. The new standard fundamentally changes the previous regulations on the categorization and valuation of financial instruments, whereby IFRS9 is limited solely to financial assets at the present time.

IFRS 9 prescribes only two categories in which financial assets can be assigned when they are recognised for the first time: fair value or amortised cost. Measurement at amortized costs thereby requires scheduled holding of the financial asset until the contractual payment flows are collected and that the contractual reserves of the financial asset lead to payment flows at specified dates which solely represent redemption and interest payments on the outstanding repayment sums. Financial instruments which do not fulfill these two conditions should be stated at fair value. The categorization made upon initial recognition cannot be revised in later periods, unless the business model under which the asset is held has changed.

With regard to embedded derivatives, the standard contains the alleviation that a separation is no longer required for financial basis contracts within the scope of the new standards, and thus the contract is measured as a whole. The same applies to a subsequent assessment at amortized costs. The previous regulations of IAS 39 should continue to be applied in cases in which the basis contract is beyond the scope of the standard.

There is a non-alterable choice of posting changes to fair value, including disposal results, in other comprehensive income upon initial recognition of equity instruments which are not held for trading purposes. These changes to fair value are then no longer recycled via profit or loss in the subsequent periods, but rather remain in other comprehensive income. The regulations on value reductions were also reversed accordingly for these financial instruments.

The standard foresees retrospective application for all existing financial assets, whereby the circumstances on the date of first-time application of the standard are relevant for categorization under the new regulations. Additional alleviations have been created by various transitional reserves.

The IASB added requirements on the accounting of financial liabilities and requirements for de-recognition of financial assets and liabilities to IFRS 9 "Financial Instruments" in October 2010. The rules as set out in IAS 39 remain unchanged and were adopted in IFRS 9, with the exception of the rules for financial liabilities measured at fair value an a voluntary basis (fair value option). If the fair value option is exercised, the new reserves of IFRS 9 result in a change in the reporting of fair value changes resulting from the measurement of financial liabilities in total comprehensive income. Any change in fair value resulting from a change in an entity's own credit risk must be recognized as other comprehensive income directly in equity and not in the income statement as had previously been the case. This does not apply if the presentation would lead to an accounting mismatch in the income statement. Accounting mismatches are to be estimated on the initial recognition of financial liabilities. This cannot be reassessed at a later date. An accounting mismatch would arise if the credit risk resulting from liability fluctuations were offset by changes to the fair value of the asset on account of the economic link between a financial liability and a financial asset. IFRS9 does not allow any transfer of amounts from other comprehensive income to the income statement, although it permits reclassification within equity. The portion of fair value changes not attributable to the entity's own credit risk is still recognized in the income statement.

The IASB announced changes to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" on 16th December 2011, with the title "Mandatory Effective Date and Transition Disclosures". The mandatory application of IFRS 9 has thus been postponed to periods starting on or after 1st January 2015. IFRS 9 (revised 2011) also formulates exceptions under which a company can make additional disclosures in the notes when transitioning to IFRS 9 in place of adjustments to previous year's figures. When the EU will endorse these is unknown at present.

IFRS10 - Consolidated Financial Statements

In May, the IASB published its improvements to consolidation, off-balance sheet transactions and joint arrangements financial reporting and disclosure standards with IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", subsequent amendments to IAS 27 "Separate Financial Statements (amended 2011)", as well as IAS 28 "Investments in Associates and Joint Ventures (amended 2011)".

IFRS 10 focuses on the introduction of a single consolidation model of all companies based on the concept of control of subsidiaries by the parent company. The control concept is to be applied to both parent-subsidiary relations based on voting rights, as well as to parent-subsidiary relations based on other contractual agreements. The control principle is defined and determined as the basis for consolidation. This definition is supported by comprehensive application guidance that indicates the different ways in which a reporting entity (investor) can control another company (associated company). The accounting requirements are presented. IFRS 10 replaces the reserves regarding Consolidated Financial Statements in IAS 27 "Consolidated and Separate Financial Statements (amended 2008)", as well as as SIC 12 "Consolidation - Special Purpose Entities".

IFRS 10 enters into force for financial years beginning on or after 1st January 2013. The standard has not yet been adopted into European law by the EU. The Company is currently assessing the effects on the Consolidated Financial Statements.

IFAS11 - Joint Arrangements

IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The amended definitions now result in two different "types" of joint arrangements: joint operations and joint ventures. A joint arrangement is defined as a contractual arrangement over which two or more parties have joint control. Joint control exists only when decisions concerning the relevant activities that have a significant impact on agreement returns require the unanimous consent of the parties sharing control. In accordance to IFRS 11, parties that have joint control of the arrangement have rights to the assets (and revenues), and obligations for the liabilities (and costs), relating to the arrangement. Parties that have joint control must account for their investment using the equity method. IFRS 11 replaces IAS31 "interests in Joint Ventures (amended 2008)" and SIC13 "Jointly Controlled Entities - Non-monetary Contributions by Venturers".

IFRS 11 enters into force for financial years beginning on or after 1st January 2013. The standard has not yet been adopted into European law by the EU. Based upon current assessments, no changes to these Consolidated Financial Statements of the IBS Group result from the first-time application of this requirement.

IFRS12 - Disclosure of Interests in Other Entities

IFRS 12 combines the amended disclosure requirements of IAS 27 and IFRS10, IAS31 and IFRS 11, as well as IAS28. 1FRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and off balance sheet vehicles. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
IFRS 12 enters into force for financial years beginning on or after 1st January 2013. The standard has not yet been adopted into European law by the EU. The Company is currently assessing the effects on the Consolidated Financial Statements.

IAS 27 (amended 2011) now only contains requirements relating to separate financial statements as a result of the issuance of the new standard IFRS 10. IFRS 10 enters into force for financial years beginning on or after 1st January 2013. The amended standard has not yet been adopted into European law by the EU. The Company is currently assessing the effects on the Consolidated Financial Statements.

IAS 28 (revised2011) - Investments in Associates and Joint Ventures

IAS 28 (amended 2011) contains reserves on jointly controlled entities and associates measured at equity following the publication of IFRS11. IFRS 28 (amended 2011) enters into force for financial years beginning on or after 1st January 2013. The amended standard has not yet been adopted into European law by the EU. Based upon current assessments, no changes to these Consolidated Financial Statements of the IBS Group result from the first-time application of this requirement.

IFRS13 - Fair Value Measurement

IFRS 13 aims to improve measurement continuity and reduce complexity. It describes how fair value is to be defined, how it is measured and what disclosures need to be made. The reserves, which align IFRS and US GAAP, do not expand the scope of fair value measurement but explain how fair value is to be applied in cases already required or permitted by standards.

The new standard enters into force for financial years beginning on or after 1st January 2013. Early application is permitted. IFRS 13 has not yet been adopted into European law by the EU. The Company is currently assessing the impact of the IFRS 13 on the Consolidated Financial Statements.

The IASB announced changes to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" on 16th December 2011, with the title "Mandatory Effective Date and Transition Disclosures". The mandatory application of IFRS 9 has been postponed to periods starting on or after 1st January 2015.

The first-time mandatory adoption of new IAS/IFRS may result in fundamental changes to the accounting and valuation methods applied at IBS AG. IBS AG is currently analysing the effects of the new standards on the presentation of its assets, financial position, earnings and cash flow.

The new or revised IFRS standards that were not subject to mandatory application as at 30th September 2012 were not adopted early by IBS AG during the financial year.

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 affect 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 reserves, 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 Assets

Deferred tax assets 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 assets 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. The underlying planning figures contain significant estimating leeway in terms of the effects of the synergies with the Siemens Group and the associated costs.

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.

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.
Furthermore, the economic lifetime, on the basis of which the depreciation is calculated, is based on estimations of the corporate management.

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.

Finance leases, which basically transfer all the opportunities and risks incidental to ownership to the Group, lead to capitalisation of the leasing object at the start of the leasing term. The leasing object is applied at its designated fair value or at the cash value of minimum lease payments, insofar as this value is lower. Leasing payments split into financing costs and the principal repaid of the residual debt in such a way that a constant rate of interest is applied to the residual leasing liability for the term of the lease. Financing costs are shown as income on the balance sheet.

Leasing objects are depreciated over the useful lifetime of the object. If the transfer of ownership to the Group is insufficiently certain at the end of the leasing term, the leasing object is fully depreciated over the useful lifetime of the object or the term of the lease - which ever is the shorter of the two periods.

Consolidation Principles

Consolidated Balance Sheet Date

The Group balance sheet closing date of the 30th September is aligned with that of the parent company.

Scope of Consolidation

The Consolidated Financial Statements cover the financial statements of the Company and its controlled entities (subsidiaries) up to 30th September of each year. Control exists if a company has decision-making power over another company, is subject to the variable refluxes of the other company or has claims to such refluxes and has the ability to apply this decision-making power to influence the reflux volume.
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 (in per cent)	Amount of share capital (in EUR)
1.	IBS Aktiengesellschaft excellence, collaboration, manufacturing, Hoehr-Grenzhausen, Germany (parent company)		
2.	IBS Business Consulting GmbH, Hoehr-Grenzhausen, Germany (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.	IBS Industrial Business Software (Shanghai), Ltd. Shanghai, China (subsidiary)	100.00	104,443.26
7.	UAB IBS Baltic GmbH, Kaunas, Lithuania (subsidiary)	81.41	109,185.46

The balance sheet closing date is 30th September 2012.

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.

Non-controlling shareholdings form the share of the operating result and net assets not ascribable to the Group. Non-controlling shareholdings are listed separately in the Consolidated Statement of Recognised Income and Expenditure and 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 non-controlling shareholdings are carried at the percentage of the recognised assets and liabilities corresponding to the minority.

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 Expenditure and Income

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

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

Tax deferments from chronologically divergent values between the Annual Financial Statements 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 Consolidated Statement of Recognised Income and Expenditure.

Euro (EUR) Conversion Principles

	September 2012	December 2011
EUR to USD		
Rate of exchange on balance sheet closing date	1.29300	1.29390
Average rate of exchange	1.28168	1.39171
EUR to LTL		
Rate of exchange on balance sheet closing date	3.45280	3.45280
Average rate of exchange	3.45280	3.45280
EUR to CNY		
Rate of exchange on balance sheet closing date	8.12610	8.15880
Average rate of exchange	8.11037	8.94195

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 12 months or the normal "operating 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 completion can be technically realised to such an extent that the asset can be used or sold.
- 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. An average service life of 7 years is anticipated for standard modules developed using SOA. A service life of 10 years is assumed for the necessary developing platform for the realisation of the individual modules with the new architecture.

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 next 5 financial years. A specific increase in turnover and costs is assumed for the financial years 2013 to 2017. Growth rates after this time are generally assumed at 1.0 per cent (previous year 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 2012	Assumption 2011
WACC (before taxes)	7.6 %	8.2 %
Beta factor	1.00	1.16
Long-term growth rate	1.0 %	1.0 %
Risk-free rate of interest	2.25 %	2.75 %
Market risk premium	5.5 %	5.0 %

The Impairment Test carried out in 2012 (balance sheet closing date: 30th September 2012) 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 write-offs are carried out so that the costs or carrying amount of assets, with the exception of property or assets under construction are distributed over the foreseeable useful life on a straight-line basis as follows: Buildings (33 to 50 years cent) and other assets and company equipment (3 to 13 years), 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 costs 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 Economics and Technology for the RAN (RFID-based Automotive Network) project to the sum of 58K EUR (previous year: 398K 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 expenses and, if applicable, the individual production costs and general production costs. 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 liabilities and other receivables do not carry any interest and are valued at the time of entry (category: loans and receivables). All Trade liabilities and other receivables are short-term. 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 and shown in different accounts on the balance sheet. 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.

Own Shares

If the Group procures Own Shares, this is included as acquisition costs on the balance sheet and deducted from shareholders' equity. The purchase, sale, issue and redemption of Own Shares is included in the balance sheet without profit and loss effect. Any discrepancies between the book value and return are included in the balance sheet as share premiums in case of re-issue. The Group is not permitted to exercise associated voting rights for Own Shares. Furthermore, the Group is not allocated dividends. During the reporting period any exercised share options are processed as Own Shares.

Reserves

Reserves 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 to 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 reserves 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 or 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.

Reserves for warranty liabilities are recorded after 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 valuated 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 and Financial Liabilities

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. Initially recognised financial assets are valuated as additional costs at the attributable fair value - with the exception of derivates and instruments, which are included as income in the balance sheet at the attributable 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 valuated 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.
As at the balance sheet closing date no derivates, securities or financial instruments were held that are to be held until final maturity.

Financial liabilities in the sense of IAS 39 are classified as financial liabilities valuated 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 valuated at fair value and in the case of loans, plus any additional direct transaction costs. The valuation of other liabilities is carried out under consideration of the effective interest method for the acquisition costs carried forward.
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 were made during the financial year.

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.
As asset is deducted if the right to the payment flow has expired or for which no further payments can be anticipated. Financial debts are written off if the liability has been paid off or permanently expired or if permanently waived by the creditor.

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.

Turnover from the sale of software is realised at the time of transfer of disposal authority to the customer.

Deferred revenue for turnover from advance payments made but not shown on the balance sheet until the following financial year is 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 respective year. Taxable income differs from Group profit for the period on the Consolidated Statement of Recognised Income and Expenditure 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.

Deferred tax assets and liabilities are recognised for taxable temporary differences between IFRS and tax accounting. This mainly refers to the capitalisation of development costs, the assessment of pension commitments and the accounting of receivables in accordance with the PoC method.
The taxes carried forward include deferred tax asset claims.

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.

Finance leases, which basically transfer all the opportunities and risks incidental to ownership to the Group, lead to capitalisation of the leasing object at the start of the leasing term. The leasing object is applied at its designated fair value or at the cash value of minimum lease payments, insofar as this value is lower. Leasing payments split into financing costs and the principal repaid of the residual debt in such a way that a constant rate of interest is applied to the residual leasing liability for the term of the lease. Financing costs are shown as financing income on the balance sheet.
Leasing objects are depreciated over the useful lifetime of the object. If the transfer of ownership to the Group is insufficiently certain at the end of the leasing term, the leasing object is fully depreciated over the useful lifetime of the object or the term of the lease - which ever is the shorter of the two periods.

Leasing payments for operating leasing relationships are shown as operating leasing expenditure in the Consolidated Statement of Recognised Income and Expenditure on a straight-line basis over the term of the leasing relationship.

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.

Notes on the Balance Sheet and Consolidated Statement of Recognised Income and Expenditure Items

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 mainly investing in the 2 development projects SOA and RAN.

SOAs (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 SOA project is aimed at the optimally-modified customer solution that can be individually and flexibly compiled using the IBS software components. The SOA project is being developed in stages. The necessary developing platform for the realisation of the individual modules with the new architecture was completed during the 2011 financial year. The platform will assist in the successive port of software modules from all functional areas to the SOA-conformant architecture.
The SOA-based Actions Portal and APQP APS modules reached market maturity during the 2012 financial year.

By the end of the year, a total of 2,621K EUR (previous year: 2,766K EUR) had been capitalised for the overall SOA project (net book value).
The modules now being marketed and the finished platform were depreciated during the financial year at a value of 233K EUR. The residual depreciation period will end between 2017 and 2021.

RFID-based Automotive Network (RAN)

RAN is a follow-up project from LAENDmarKS and is being funded by the German Federal Ministry of Economics and Technology (BMWi), within the scope of the technology project "Autonomik". RAN enables a standardised networking of the complete supply chain beyond corporate boundaries.

An increase in the range of variants and the concentration of the individual companies on their key competences, results in added value being split between an increasing number of different companies. The companies then need to organise themselves into logistics chains and networks. Use of RFID technology unleashes new potentials for the control and management of production-logistic processes. RAN will therefore be scrutinising and looking to minimise different types of wastage, such as excess stocks, price stock clearances, long lead times and production losses.

RAN was subsidised to the sum of 58K EUR during the financial year under review and, after deduction of the grants, a total of 819K EUR had been capitalised for the project by the end of the year (previous year: 589K EUR).
As at the balance sheet closing date receivables from the project sponsor to the sum of 73K EUR remained open.
The capitalisation of self-created software is based on the relevant documentation (evidence of hours worked) and project definitions (documentation requirement). During the 2012 financial year a total of 11,288 (previous year: 23,099) working hours were documented by the Company's employees up to (and including) the end of September. The hourly rate ranged from approximately 34 EUR per hour to approximately 68 EUR per hour, depending on the country in question and the qualification of the personnel deployed. The valuation is carried out with the traceable production costs. External labour costs to the sum of 13K EUR (previous year: 78K EUR) were capitalised for the creation of own software.

In addition to the current development projects SOA and RAN, the balance sheet item still includes the net book value of the completed development projects LifeCycleQM und LAENDmarKS. These were included on the balance sheet as at 30th September 2012 with net book values of 289K EUR (previous year: 385K EUR) and 303K EUR (previous year: 404K EUR) respectively. The residual depreciation period will end in 2015.

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

2 Fixed Assets

Finance Leases

The book value of the technical and office equipment held within the scope of finance leasing agreements amounted to 56K EUR as at 30th September 2012 (previous year: 69K EUR). The assets held as leasing objects serve as securities against the respective finance lease liabilities.

On 7th February 2012, IBS AG signed a contract securing the acquisition of the previously rented business premises in Hoehr-Grenzhausen at the purchase price of 2,035K EUR, plus incidental acquisition costs.

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

3 Deferred Tax Assets / Liabilities

The deferred tax assets and losses for the balance sheet items as at 30th September 2012 are shown below:

	Deferred Tax Assets		Deferred Tax Losses	
	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Intangible assets	0	0	1,170	1,193
Fixed assets	25	24	100	0
Current assets	0	0	16	17
Reserves	95	65	0	6
Tax loss carried forward	3,486	5,487	0	0
Set off against deferred tax losses	-1,285	-1,216	-1,285	-1,216
	2,320	**4,360**	**0**	**0**

The changes in deferred taxes from the previous year have been recognised in profit or loss.
The deferred tax assets carried forward from the previous year mainly concern 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 9,900K EUR (previous year: 15,714K EUR). IBS AG's tax loss carried forward as at 30th September 2012 amounted to 21,298K EUR (previous year: 20,465K EUR). The adjustment of the earnings expectations contained in the 5-year plan compared to those of the previous year was primarily the result of scheduled pre-operating costs that arose in connection with the future collaboration with the Siemens Group and that should result in a clear increase in earnings in the mid-term. During the current financial year the deferred tax assets which arose were carried forward with an adjustment of 1,673K EUR.
The applicable rate of tax is 28.78 per cent for taxable domestic income. The volume of unused tax losses carried forward amounted to 11,389K EUR (previous year: 4,751K EUR). The unused tax losses carried forward may be carried forward indefinitely.

IBS America, Inc.'s losses carried forward were valued at 637K EUR (previous year: 965K EUR). The Company has valued this deferred tax claim on the basis of a utilisable loss carried forward of 1,827K EUR (previous year: 2,312K EUR). The applicable rate of tax is 40 per cent. The volume of unused tax losses carried forward amounted to 409K EUR (previous year: 0K EUR). The unused tax losses carried forward may be carried forward indefinitely.

As IBS Shanghai is still in the development phase, no deferred tax assets have been formed for accumulated tax losses carried forward to date. The volume of unused tax losses carried forward amounted to 358K EUR as at the balance sheet closing date (previous year: 187K EUR). The ability to carry forward tax losses is limited to five years.

SHORT-TERM ASSETS

The Group's financial assets primarily comprise bank balances, cash holdings, trade liabilities 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 liabilities. The amounts recorded in the balance sheet are stated without value adjustments for foreseeable non-collectable 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 30th September 2012 the Group had an undrawn borrowing limit to the sum of 4,275K EUR (previous year: 4,197K EUR), for which all redemption conditions had already been fulfilled.

5 Trade Liabilities

Value adjustments were carried out to a sufficient degree.

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

Age structure of receivables, value adjustment overview

	01.01.2012 (in K EUR)	Access (in K EUR)	Use (in K EUR)	30.09.2012 (in K EUR)
Due period structure				
Receivables due:				
< 3 months	4,994			4,710
4-6 months	414			664
7-12 months	555			512
> 12 months	554			493
	6,517			**6,379**
Value adjustments	-161	-29	74	-116
Receivables PoC	0			13
	6,356			**6,276**
Regions				
Receivables inland	3,859			4,492
Receivables foreign	2,658			1,900
Value adjustments	-161	-29	74	-161
	6,356			**6,276**

Age structure of receivables, value adjustment overview - previous year

	01.01.2011 (in K EUR)	Access (in K EUR)	Use (in K EUR)	31.12.2011 (in K EUR)
Due period structure				
Receivables due:				
< 3 months	4,100			4,994
4-6 months	407			414
7-12 months	463			555
> 12 months	500			554
	5,470			**6,517**
Value adjustments	-139	-77	55	-161
Receivables PoC	219			0
	5,550			**6,356**
Regions				
Receivables inland	4,526			3,859
Receivables foreign	1,163			2,658
Value adjustments	-139	-77	55	-161
	5,550			**6,356**

Receivables from the Percentage-of-Completion Method

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

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

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Turnover PoC	13	0
Accumulated costs of PoC orders	6	0
Loss/profit PoC	6	0
Part payment	0	0
Receivables PoC	13	0

At the end of the financial year, a production order existed for an order for which processing began during the 2012 financial year.

6 Other Receivables

The other receivables are broken down as follows:

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Advance payments and loans to the Board	0	219
of Management	63	25
Tax claims	307	226
Advance payments	17	17
Security deposits and disbursements	111	144
Others	**498**	**631**

7 Inventories

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Work in process	339	431
	339	**431**

Depreciation of inventory assets to the sum of 49K EUR (previous year: 0 K EUR) was carried out during the financial year.

Shareholders' equity

8 Subscribed Capital

	Quantity	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
As at 1st January Ordinary shares	6,883,065	6,883	6,883
As at 30th September	**6,883,065**	**6,883**	**6,883**

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

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

Due to the purchase/sale of Own Shares, the number of Shares in circulation developed as follows:

1st January 2009	**6,847,835**
Change	-75,161
31st December 2009	**6,772,674**
Change	-76,515
31st December 2010	**6,696,159**
Change	-68,450
31st December 2011	**6,627,709**
Change	255,356
30th September 2012	**6,883,065**

9 Own Shares

	Costs		Proportion of nominal capital	
	(in K EUR)	(in Shares)	(in K EUR)	(in per cent)
As at 1st January 2012	915	255,356	255	3.710%
Disposals 2011	-915	-255,356	-255	-3.710%
As at 30th September 2012	**0**	**0**	**0**	**0.000%**

During the previous year, the Own Shares was shown equal to the nominal value, openly deducted directly from the subscribed capital. This item is not shown on the balance sheet due to the complete sale during the 2012 financial year. The stock, with a nominal value of 255K EUR, was sold at a value of 6.10 EUR per Share. The amount arising from the sale of Own Shares and exceeding (642K EUR) the nominal value of the Own Shares to the sum of 915K EUR was not recognised in profit or loss in the reserves ("Other Group reserves").

10 Reserves

The reserves comprise currency conversion reserves and other reserves. The other reserves largely contain capital reserves and retained earnings.

For the development of reserves, please refer to the Development of Group Shareholders' Equity.
A dividend of 0.15 EUR per Share was paid out to the shareholders during the short financial year 2012.

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 program is fundamentally limited until 31st March 2015.

The option rights have a term of up to 8 years from the time of granting. Please refer to the explanations on the contingent capital.

The following table shows the number of outstanding options as at 30th September 2012:

	30.09.2012 No. of options	31.12.2011 No. of options	Total number of options
In circulation as at 1st January	**8,250**	**11,500**	
Granted	0	0	182,100
Exercised	0	0	95,850
Expired	8,250	3,250	86,250
In circul. as at balance sheet closing date	**0**	**8,250**	**0**
Exercisable at end of year	0	0	

Authorised Capital

By decision of the Shareholders' Annual General Meeting of 25th June 2010, the Board of Management is authorised to increase the nominal capital by up to 3,441,532 EUR in one or multiple issues of new shares against contributions in cash and kind, up to 30th July 2015.

The Annual General Meeting held on 25.06.2010 once again granted the Company the power to acquire Own Shares of up to 10 per cent of the Company's nominal capital.

The empowerment shall remain valid until 30th July 2015 and may be applied in whole or in part and as a single or multiple transactions, up to a total limit of 10 per cent..

The entire volume of Own Shares was sold during the reporting year. We refer to the explanations on the Own Shares.

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 30th September 2012, a total of 86,250 stock options corresponding to a total par value of 86,250 EUR expired within the scope of Stock Option Plan III. Please refer to the explanations on the Employee Benefit Program.

Earnings per Share

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

Earnings per Share	Group profit	
	30.09.2012	31.12.2011
Consolid. profit / loss by non-controlling shareholdings in K EUR (numerator)	-2,957	2,012
Lowest common denominator per share (undiluted)	6,798	6,629
Earnings per Share undiluted in EUR	-0.44	0.30
Effect of diluted elements (stock options)	0	8
Lowest common denominator per Share diluted	6,798	6,637
Earnings per Share diluted in EUR	-0.44	0.30

Long-term Liabilities

11 Pension Reserves

The pension commitments involve a fixed performance-related commitment to the favour of the former Chief Executive Officer, Dr. Schroeder. The life insurances pledged to the beneficiary have been deducted from the obligation as Plan Asset (IAS 19, 116). The obligation has developed as follows:

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
As at 1st January	**1,134**	**1,153**
Interest Expenses	45	55
Service costs	30	41
Actuarial profits/losses	-15	-115
At at balance sheet closing date	**1,195**	**1,134**

As is common in Germany, two life insurance policies were used to reinsure the pension obligations. The asset value of the reinsurance policies changed as follows during the reporting year:

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
As at 1st January	**565**	**520**
Expected return	18	22
Employer's contribution	26	41
Actuarial profits/losses	-15	-18
At at balance sheet closing date	**593**	**565**

The current period and past period amounts are as follows.

	30th September 2012 (in K EUR)	31st December 2011 (in K EUR)	31st December 2010 (in K EUR)	31st December 2009 (in K EUR)
Cash value of max. defined benefit obligation	1,495	1,153	1,153	920
Plan assets	-594	-565	-520	-508
Short cover / surplus cover	**901**	**588**	**633**	**412**
Actuarial profits/losses not included in the income statement	-300	-19	-93	102
Debt arising from the performance-related obligation	601	569	540	514
Empirical adjustment	**-67**	**-13**	**-14**	**-15**

The Group anticipates performance-related pension plan contributions to the sum of 302K EUR for the 2013 financial year (previous year: 77K EUR).

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

Basis for actuarial calculation at the start of the year	30th September 2012	31st December 2011
Interest rate used to valuate pension obligation	3.50%	5.25%
Expected returns on external plan assets	4.20%	4.20%
Wage increases	n.n.	n.n.
Increase in annuities	2.00%	2.00%
Actuarial tables of Prof. Dr. Klaus Heubeck	RT 2005 G	RT 2005 G

The rate of interest used to valuate the pension obligation is based on the rate of interest of a 10-year federal bond.
The expected return on plan assets matches the current assessment of the insurance company.

Expenditure to the sum of 662K EUR was shown on the balance sheet for defined pension contributions (including employer contributions to statutory pension insurance) during the the short financial year 2012 (previous year: 804K EUR).

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

12 Other Liabilities

The item other liabilities contains long-term liabilities from finance leases to the sum of 39K EUR (previous year: 53K EUR), which are to be paid off between 2013 and 2015.

13 Liabilities to banks

The entry refers to the share of liabilities with a residual term of over one year.
The item liabilities towards credit institutions primarily 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 loans were granted in relation to the SOA project.
The liabilities towards credit institutes also include loan liabilities of IBS America, Inc., which are paid in 12 equal quarterly annuities until 2013. Interest is applied at a rate of 3.65 per cent until the end of the term.

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

Short-term Liabilities

14 Trade Liabilities

The entry to the sum of 976K EUR (previous year: 1,490K EUR) applies exclusively to liabilities with a residual term of less than one year.

15 Other Liabilities

The other short-term liabilities are broken down as follows:

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Pre-paid income	2,281	1,024
Advanced payments received	31	646
Income and turnover tax	525	599
Finance leases	31	35
Social insurance contributions	33	29
Others	71	117
	2,972	**2,450**

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

16 Liabilities to Credit Institutions

The entry relates to the principal repaid of loans, which is due within one year.
We refer to the liabilities overview with regard to the provision of securities.

17 Tax Liabilities

Tax liabilities for the individual companies are shown in the following table:

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
IBS AG excellence, collaboration, manufacturing, Hoehr-Grenzhausen,	109	147
Germany	0	0
UAB IBS Baltic GmbH, Kaunas, Lithuania	0	0
IBS Business Consulting GmbH	3	5
IBS Industrial Business Software (Shanghai), Ltd.	**112**	**152**

The tax liabilities are to be fulfilled within one year. The values shown relate to taxes for the 2012 financial year.

Liabilities Overview

	Residual term of up to one year (in K EUR)	Residual term between one and five years (in K EUR)	Residual term of over five years (in K EUR)	Total (in K EUR)	of which secured by liens or similar Rights (in K EUR)
1. Liabilities to credit institutions	237	1,816	0	2,053	2,053
2. Trade liabilities	976	0	0	976	0
3. Liabilities from finance leases	31	39	0	70	0
4. Tax liabilities	112	0	0	112	0
5. Other liabilities of which: - from taxes: T€ 525 - within the scope of social security: T€ 33	2,940	0	0	2,940	0
	4,296	**1,855**	**0**	**6,151**	**2,053**

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

Liabilities Overview for Previous Year

	Residual term of up to one year (in K EUR)	Residual term between one and five years (in K EUR)	Residual term of over five years (in K EUR)	Total (in K EUR)	of which secured by liens or similar Rights (in K EUR)
1. Liabilities to credit institutions	330	1,884	0	2,215	2,215
2. Trade liabilities	1,490	0	0	1,490	0
3. Liabilities from finance leases	35	53	0	88	0
4. Tax liabilities	152	0	0	152	0
5. Other liabilities of which: - from taxes: T€ 599 - within the scope of social security: T€ 29	2,413	0	0	2,413	0
	4,420	**1,937**	**0**	**6,358**	**2,215**

18 Provisions

	As at 1st January 2012 (in K EUR)	Amount drawn upon (in K EUR)	Cancel-lation (in K EUR)	Addi-tions (in K EUR)	As at 30th September 2012 (in K EUR)
Profit-sharing	967	963	0	314	318
Personnel liabilities	585	542	4	705	744
Rework and guarantees	45	0	0	7	52
Annual audit costs	120	112	7	192	193
Outstanding invoices	87	70	0	421	438
Others	81	62	0	72	91
	1,885	**1,749**	**11**	**1,711**	**1,836**

The writing back of personnel reserves leads to a 4K EUR reduction in personnel costs (previous year: 6K EUR).

The reserves for profit-sharing include profit-share bonuses, employee bonuses and the remaining reserves for the variable payment of members of the Supervisory Board to the sum of 4K EUR from the previous year. All reserves are to be effected short-term, within a period of less than one year.

The reserves for outstanding invoices mainly include reserves for goods and services already provided and for consulting services.

As of the 2011 financial year, in addition to reimbursement of expenses and the income tax payable on the remuneration and expenses for the last financial year in each case, members of the Supervisory Board also receive:

- fixed annual remuneration set at 30,000 EUR for the Chairman of the Supervisory Board and 20,000 EUR for all other Supervisory Board members;
- profit-based annual remuneration to the sum of 0.5 per cent of the Group's EBIT generated in the last financial year for each member of the Supervisory Board.

19 Sales Revenue

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Licence revenue	3,478	4,205
Services revenue	7,338	9,814
Software maintenance/support/hotline revenue	7,130	8,362
Trade revenue	447	2,518
	18,393	**24,899**

20 Other Operating Income

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Income from release of reserves	11	62
Earnings from exchange rate fluctuations	2	1
Others	13	4
	26	**67**

21 Selling Costs

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

22 Administrative Costs

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

23 Research and Development Costs

Research and development costs to the sum of 3,859K EUR (previous year: 3,971K 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 511K EUR (previous year: 1,144K EUR) was carried out during the year under review (previous year: 1,144K EUR), which had a cost-reducing effect on the Consolidated Statement of Recognised Income and Expenditure.

24 Other Operating Costs

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Value-adjustment of receivables	10	99
Losses from foreign currency transactions	31	0
Others	40	30
	81	**129**

25 Interest Income

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Bank interest	30	61
Other interest	0	12
	30	**73**

26 Interest Expenses

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Bank interest	77	107
Other interest	59	74
	136	**181**

27 Income Taxes

Income Taxes are grouped according to their origin, as follows:

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Current tax expenditure	43	183
Deferred tax expenditure / income	2,045	-187
	2,088	**-5**

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 370 per cent and solidarity contributions of 5.5 per cent, the income tax rate for domestic companies equated to 28.78 per cent (previous year: 28.78 per cent). The foreign tax rates ranged from 25 per cent to 40 per cent.

The deferred tax expenditure comprises 1,872K EUR (previous year: 325K EUR) from losses carried forward and 173K EUR (previous year: -138K EUR) from balance sheet differences The tax expenditure relating to losses carried forward was the result of the depreciation of the thus far recognised deferred tax assets relating to losses carried forward.

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

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Anticipated tax expenditure	-250	578
Effect of losses carried forward	2,251	-645
Foreign taxes and other foreign tax rates	88	64
Others	-1	-1
Income tax exp. / (income) shown on income statement	**2,088**	**-5**

The anticipated tax expenditure was determined on the basis of the income tax rate for domestic companies of 28.78 per cent (previous year: 28.78 per cent); this corresponds to the tax rate of the parent company.

Personnel Costs

The personnel costs for the 2011 and 2012 financial years are as follows:

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Wages and salaries	10,563	11,915
Social security contributions	1,572	1,793
	12,135	**13,707**

Material expenses

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Goods	675	2,465
Costs for services rendered	1,304	1,820
	1,979	**4,285**

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. An average useful lifetime of 7 years is assumed for the standard modules created within the scope of the SOA project. The amortisation of software and licences is shown in the Consolidated Statement of Recognised Income and Expenditure under the item "Production costs" at 288K EUR (previous year: 459K EUR), under the item "Selling costs" at 87K EUR (previous year: 23K EUR), under the item "Administrative costs" at 33K EUR (previous year: 18K EUR) and under the item "Research and development costs" at 304K EUR (previous year: 114K EUR).
The amortisation of buildings and intangible assets is shown in the Consolidated Statement of Recognised Income and Expenditure under the item "Production costs" at 86K EUR (previous year: 98K EUR), under the item "Selling costs" at 44K EUR (previous year: 54K EUR), under the item "Administrative costs" at 41K EUR (previous year: 55K EUR) and under the item "Research and development costs" at 74K EUR (previous year: 83K EUR).
Differences with the values shown in the Liabilities Overview are due to the effects of currency conversion.

Other Notes

Segment Reporting

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

The primary activities are as follows:

IBS AG/IBS Baltic/IBS Consulting/IBS Shanghai:

Software for the management of company-critical business processes for large customers and consulting activities.

IBS America, Inc.:

Software for compliance and quality management solutions for the American market.

IBS SINIC GmbH:

Software for quality management, gage management, project management and concern and complaint management in small and mid-market companies.

In the segment assets, Goodwill to the sum of 406K EUR is the main contributor to the reconciliation column. The segment debts include subsidised loans to the sum of 1,798K EUR in the reconciliation column.

Product families as of September 2012	"IBS AG / IBS Baltic / IBS Business Consulting / IBS Shanghai" (in K EUR)	IBS America, Inc. (in K EUR)	Sinic GmbH (in K EUR)	Reconciliation (in K EUR)	Entire Group (in K EUR)
Segment income in relation to third parties	13,480	4,130	783	0	18,393
Inter segment income	59	208	8	-275	0
Segment income	13,540	4,338	791	-275	18,393
Operating Profit (EBIT)	-1,234	413	58	0	-763
Segment assets	17,558	2,652	719	-160	20,769
Segment liabilities	4,858	1,824	666	1,288	8,636
Segment investments	2,781	227	6	0	3,013
Segment write-offs	674	270	11	0	954

The segment information has been compiled using the same accounting and valuation methods applied for the Consolidated Annual Accounts.

Product families as of December 2011	"IBS AG / IBS Baltic / IBS Business Consulting / IBS Shanghai" (in K EUR)	IBS America, Inc. (in K EUR)	Sinic GmbH (in K EUR)	Reconciliation (in K EUR)	Entire Group (in K EUR)
Segment income in relation to third parties	19,647	4,047	1,205	0	24,899
Inter segment income	63	148	6	-216	0
Segment income	19,710	4,194	1,211	-216	24,899
Operating Profit (EBIT)	1,873	67	175	0	2,116
Segment assets	18,780	1,896	1,018	-311	21,384
Segment liabilities	5,162	1,471	286	1,922	8,841
Segment investments	1,039	683	23	0	1,745
Segment write-offs	633	278	13	0	924

Sales revenue with external customers to the sum of 10,665K EUR (previous year: 8,889K EUR) was generated in Germany, according to the registered office of the customers.
In the rest of Europe - excluding Germany - the Group generated turnover to the sum of 1,209K EUR (previous year: 2,081K EUR) Turnover generated with non-European countries amounted to 6,518K EUR (previous year: 7,335K EUR).

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.

IBS AG purchased a vehicle during the short financial year. This investment is included in the flow of capital account, in the cash flow from investment activities section. The loan secured for the purchase is shown in the cash flow from financing activities section.

Cash and Cash Equivalents

The cash and cash equivalents shown in the flow of capital account (cash and cash equivalents as at the balance sheet date) comprise cash and cash equivalents to the sum of 3,932K EUR (previous year: 6,299K EUR).

Fair Value of Financial Instruments

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

	Valuation category	Carrying amount as at 30.09.2012 (in K EUR)	Fair value as at 30.09.2012 (in K EUR)
Trade liabilities	LaR	6,276	6,276
Other receivables	LaR	498	498
Cash and cash equivalents	LaR	3,932	3,932
Debts from trade liabilities	FLAC	976	976
Loans and others financial debts	FLAC	2,053	1,932

	Valuation category	Carrying amount as at 31.12.2011 (in K EUR)	Fair value as at 31.12.2011 (in K EUR)
Trade liabilities	LaR	6,356	6,356
Other receivables	LaR	631	631
Cash and cash equivalents	LaR	6,299	6,299
Debts from trade liabilities	FLAC	1,490	1,490
Loans and others financial debts	FLAC	2,215	2,037

LaR (Loans and Receivables)
FLAC (Financial Liabilities Measured at Amortised Cost)

Trade liabilities, other receivables and tax receivables have been valuated 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 valuated 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. This primarily involves 2 loans with a term until 2016 and with rates of interest of 5.05 per cent and 4.6 per cent.

Short-term Liabilities

Trade liabilities, reserves and other liabilities are principally valuated 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 valuated 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 are subject to 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 (in K EUR)	Residual term between one and five years (in K EUR)	Residual term of over five years (in K EUR)	Total (in K EUR)	of which secured by liens or similar Rights (in K EUR)
Liabilities to banks	237	1,816	0	2,053	2,053
Applicable interest	90	126	0	216	

Depreciation of Financial Assets

With regard to the trade liabilities, we refer to the Value-adjustment Overview.

No depreciations were valuated 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.

Credit Risks

The Group's financial assets primarily comprise bank balances, cash holdings, trade liabilities 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 liabilities. 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 liabilities).

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 2012 approximately 14 per cent (previous year: 21 per cent) of the turnover was generated in foreign currency from the perspective of each of the respective companies. No measures were taken to safeguard against potential risks from foreign currency exchange relations.

Interest Risks

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

Capital Management

The primary objectives of the IBS AG financial management are the safeguard of liquidity and a sustainable increase in Company value. Optimisation of the capital structure and effective risk management are designed to help achieve these objectives and reduce the costs of financing.

Other Financial Liabilities/Contingent Liabilities

Finance Lease Agreements

The finance lease agreements primarily concern the lease of a video conferencing system. The net book value of the video conferencing system equated to 56K EUR as at the end of the reporting period (previous year: 69K EUR).

The minimum lease obligations for the system can be reconciled with the present value as follows:

30th September 2012	Minimum lease payments (in K EUR)	Cash value of minimum lease payments (in K EUR)
Due within one year	34	31
Due in between two and five years	42	39
Due after five years	0	0
Total of minimum lease payments	**76**	**70**
Less interest component	-6	0
Cash value of minimum lease payments	**70**	**70**

31st December 2011	Minimum lease payments (in K EUR)	Cash value of minimum lease payments (in K EUR)
Due within one year	38	35
Due in between two and five years	57	53
Due after five years	0	0
Total of minimum lease payments	**95**	**88**
Less interest component	-7	0
Cash value of minimum lease payments	**88**	**88**

Operating Lease Agreements

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

	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Due within one year	640	869
Due in between two and five years	649	958
Due after five years	0	0
	1,289	**1,827**

Payments arising from operating leases concerned lease payments for office equipment for the Group, and, in particular, rental buildings and car leasing. The average term of the leases signed was three years. During the short financial year 2012 a total of 631K EUR was recorded as expenditure as minimum lease payments (previous year: 892K EUR).

Average number of employees

	2012	2011
Employees	225	203

Financial Obligations to Purchase Assets

At the end of the short financial year there were no obligations to purchase capital investments or intangible assets beyond those of the normal conduct of business.

Events After the Balance Sheet Date

Following the balance sheet reporting date, the IBS Board of Management and the Corporate Management of Munich-based Siemens Beteiligungen Inland GmbH (a wholly-owned subsidiary of Siemens AG) signed the announced control agreement between Siemens Beteiligungen Inland GmbH (as controlling company) and IBS AG (as a controlled company) on 11th October 2012 and 10th October 2012 respectively. The General Assembly of Siemens Beteiligungen Inland GmbH gave its approval of the control agreement on 10th October 2012.

The object of the control agreement is, inter alia, a cash settlement in accordance with § 305 of the German Stock Corporation Act (AktG) to the sum of 6.90 EUR per IBS AG Share and an adjustment payment in accordance with § 304 of the German Stock Corporation Act (AktG) to the gross sum of 0.26 EUR (net value after corporate tax and solidarity contribution: 0.23 EUR) for each full financial year per IBS AG Share. Siemens Beteiligungen Inland GmbH is also obligated to compensate any losses incurred by IBS AG in accordance with the reserves of § 302 of the German Stock Corporation Act (AktG) in the applicable version. The obligation to compensate losses initially applies to the entire financial year in which the control agreement becomes effective. In its auditing report, the court-appointed contract auditor, Warth + Klein Grant Thornton AG Wirtschaftspruefungsgesellschaft, Dusseldorf, considers the cash settlement in accordance with § 305 of the German Stock Corporation Act (AktG) and the adjustment payment in accordance with § 304 of the German Stock Corporation Act (AktG) to be adequate.

The IBS AG Annual General Meeting gave the necessary approval within the scope of an extraordinary general meeting held on 29th November 2012. The control agreement became effective upon entry in the commercial register on 17th December 2012.

Furthermore, no transactions or events of major significance occurred or had any significant effect on the business development of the IBS Group following the close of the financial year.

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 and advance payments were granted to Dr. Schroeder:

	30.09.2012 (in K EUR)
As at 1st January 2012	**219**
Additions	13
Items disposed of	232
As at 30th June/30th September 2012	**0**

Interest was applied to the loans and advanced payments at a rate of 4 per cent p.a. during the financial year.

2. In February 2012, the Company's business premises in Rathausstrasse 56 in Hoehr-Grenzhausen were sold to IBS AG by Ingret Schroeder & Heike Schroeder GbR, Hoehr-Grenzhausen, whose partners are the wife and daughter of the former Chief Executive Officer (retired on 30th June 2012). The arm's-length sales price is shown in a certified valuation appraisal.

Disclosures on the purchase of Own Shares, made in accordance with § 160 Section 1, No. 2 of the German Stock Corporation Act (AktG)
Please refer to the Notes in 9.

Disclosures on the Total Payments made to Key Management Positions
We refer to the disclosures on the total payments made to the Board of Management and Supervisory Board.

Transactions with Related Individuals
The parent company of IBS AG is Munich-based Siemens Industry Automation Holding AG. The ultimate parent company of is Berlin and Munich-based Siemens Aktiengesellschaft, which prepares its Consolidated Financial Statements for the smallest and largest parts of the company, and in which IBS AG and its subsidiaries are included. The Consolidated Financial Statements are published on the Siemens homepage (www.siemens.de).

Related companies constitute all affiliated and associated companies of the Siemens Group that are not included in the Consolidated Financial Statements of IBS AG. As a result of the majority takeover by Siemens with effect from 20th April 2012, these companies do not constitute related companies until this date.

The following business relations took place with related companies during the period under review.

	Siemens AG (in K EUR)	SIAH AG (in K EUR)	SBI GmbH (in K EUR)	other Siemens subsidiaries (in K EUR)
Services rendered* to Siemens	461	0	0	9
Services rendered by Siemens	0	0	0	0
Receivables from Siemens as at 30.09.2012	190	0	0	0
Liabilities to Siemens as at 30th September 2012	0	0	0	0

*Software and services

The services rendered to Siemens are invoiced in accordance with framework agreements, which were last modified on 1st October 2009.

Existence of a Participation in Accordance with § 160 Section. 1 no. 8 of the German Stock Corporation Act (AktG) and Directors' Dealings

1st June 2007

Siemens Aktiengesellschaft announced that it has exceeded the threshold value of 5 per cent of the voting rights and is entitled to 6.75 per cent of the voting rights (equivalent 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 is entitled to 2.77 per cent of the voting rights (equivalent 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 is entitled to 5.1402 per cent of the voting rights (equivalent 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 is entitled to 4.23 per cent of the voting rights (equivalent 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 8.72 per cent of the voting rights (corresponding to 600,400 voting rights).

10th December 2007

Ms. Nina Schroeder announced that she has exceeded the threshold value of 3 per cent and 5 per cent of the voting rights and now holds an 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 and 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).

17th February 2012

Berlin and Munich-based Siemens Aktiengesellschaft announced that it exceeded the threshold value of 10 per cent of the voting rights on 16th February 2012 and is entitled to 10.04 per cent of the voting rights (equivalent to 690,833 voting rights).

26th March 2012

Cologne-based Scherzer & Co. announced that it exceeded the threshold value of 3 per cent of the voting rights on 26th March 2012 and is entitled to 3.57 per cent of the voting rights (equivalent to 245,461 voting rights).

28th March 2012

Munich-based Siemens Industry Automation AG announced that it exceeded the threshold values of 3 per cent, 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent of the voting rights on 22nd March 2012 and is entitled to 51.37 per cent of the voting rights (equivalent to 3,535,732 voting rights).
51.37% of the voting rights (equivalent to 3,535,732 voting rights) are to be assigned to the company in accordance with § 22 (1), S. 1, No. 5 of the German Securities Trading Act (WpHG) in conjunction with sentence 2 of the German Securities Trading Act (WpHG).
Names of the shareholders to which 3 per cent or more of the Shares are to be assigned: Dr. Klaus-Juergen Schroeder and Alpha First GmbH.

28th March 2012

Munich-based Siemens Beteiligungen Inland GmbH announced that it exceeded the threshold values of 3 per cent, 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent of the voting rights on 22nd March 2012 and is entitled to 51.37 per cent of the voting rights (equivalent to 3,535,732 voting rights).
51.37% of the voting rights (equivalent to 3,535,732 voting rights) are to be assigned to the company in accordance with § 22 (1), S. 1, No. 5 of the German Securities Trading Act (WpHG) in conjunction with sentence 2 of the German Securities Trading Act (WpHG).
Names of the shareholders to which 3 per cent or more of the Shares are to be assigned: Dr. Klaus-Juergen Schroeder and Alpha First GmbH.

28th March 2012

Berlin and Munich-based Siemens Aktiengesellschaft announced that it exceeded the threshold values of 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent of the voting rights on 22nd March 2012 and is entitled to 63.47 per cent of the voting rights (equivalent to 4,368,872 voting rights).
51.37% of the voting rights (equivalent to 3,535,732 voting rights) are to be assigned to the company in accordance with § 22 (1), S. 1, No. 5 of the German Securities Trading Act (WpHG) in conjunction with sentence 2 of the German Securities Trading Act (WpHG).
Names of the shareholders to which 3 per cent or more of the Shares are to be assigned: Dr. Klaus-Juergen Schroeder and Alpha First GmbH.

4th April 2012

Berlin and Munich-based Siemens Aktiengesellschaft announced that it exceeded the threshold value of 75 per cent of the voting rights on 4th April 2012 and is entitled to 80.69 per cent of the voting rights (equivalent to 5,553,816 voting rights).
13.51% of the voting rights (equivalent to 929,588 voting rights) are to be assigned to the company in accordance with § 22 (1), S. 1, No. 1 of the German Securities Trading Act (WpHG) via Siemens Industry Automation Holding AG and Siemens Beteiligungen Inland GmbH.
55.08% of the voting rights (equivalent to 3,791,088 voting rights) are to be assigned to the company in accordance with § 22 (1), S. 1, No. 5 of the German Securities Trading Act (WpHG) in conjunction with sentence 2 of the German Securities Trading Act (WpHG).
Names of the shareholders to which 3 per cent or more of the Shares are to be assigned: Dr. Klaus-Juergen Schroeder, Alpha First GmbH, IBS Aktiengesellschaft excellence, collaboration, manufacturing.

19th April 2012

Cologne-based Scherzer & Co. announced that it exceeded the threshold value of 5 per cent of the voting rights on 19th April 2012 and is entitled to 5.02 per cent of the voting rights (equivalent to 345,583 voting rights).

18th June 2012

Dr. Klaus Juergen Schroeder announced that
his shareholdings fell below the thresholds of 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent, 5 per cent and 3 per cent on 20th April 2012, and that he is entitled to 0.00 per cent of the voting rights.

18th June 2012

Alpha First GmbH, Frankfurt am Main, announced that its shareholdings fell below the thresholds of 5 per cent and 3 per cent on 20th April 2012, and that it is entitled to 0.00 per cent of the voting rights.

19th June 2012

IBS AG excellence, collaboration, manufacturing, Hoehr-Grenzhausen, announced that its shareholdings fell below the threshold of 3 per cent on 20th April 2012, and that it is entitled to 0.00 per cent of the voting rights.

1st August 2012

Nina Slegers, nee Schroeder, announced that her shareholdings fell below the thresholds of 5 per cent and 3 per cent on 20th April 2012, and that she is entitled to 0.00 per cent of the voting rights.

1st August 2012

Heike Schroeder, announced that her shareholdings fell below the thresholds of 5 per cent and 3 per cent on 20th April 2012, and that she is entitled to 0.00 per cent of the voting rights.

Furthermore, the following disclosures were made in accordance with § 25 section 1 and § 25a, section 1 of the German Securities Trading Act (WpHG) during the short financial year 2012:

10th February 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Beteiligungen Inland GmbH on 16th February 2012. Threshold exceeded (relevant reporting thresholds: 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent) on 7th February 2012. The share of voting rights requiring disclosure was 56.33 per cent.

10th February 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Industry Automation Holding AG on 16th February 2012. Threshold exceeded (relevant reporting thresholds: 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent) on 7th February 2012. The share of voting rights requiring disclosure was 56.33 per cent.

13th February 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens AG on 15th February 2012. Threshold exceeded (relevant reporting thresholds: 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent) on 7th February 2012. The share of voting rights requiring disclosure was 64.20 per cent.

14th March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens AG on 20th March 2012. Threshold exceeded (relevant reporting threshold: 75 per cent) on 12th March 2012. The share of voting rights requiring disclosure was 75.12 per cent.

21st March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens AG on 22nd March 2012. Threshold fallen below (relevant reporting threshold: 75 per cent) on 16th March 2012. The share of voting rights requiring disclosure was 69.60 per cent.

28th March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens AG on 29th March 2012. Threshold exceeded (relevant reporting thresholds: 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent) on 22nd March 2012. The share of voting rights requiring disclosure was 67.18 per cent.

28th March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Beteiligungen Inland GmbH on 29th March 2012. Threshold exceeded (relevant reporting thresholds: 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent) on 22nd March 2012. The share of voting rights requiring disclosure was 55.08 per cent.

28th March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Industry Automation Holding AG on 29th March 2012. Threshold exceeded (relevant reporting thresholds: 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent and 50 per cent) on 22nd March 2012. The share of voting rights requiring disclosure was 55.08 per cent.

28th March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens AG on 29nd March 2012. Threshold fallen below (relevant reporting thresholds: 50 per cent, 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent and 5 per cent) on 22nd March 2012. The share of voting rights requiring disclosure was 0 per cent.

28th March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Beteiligungen Inland GmbH on 16th February 2012. Threshold fallen below (relevant reporting thresholds: 50 per cent, 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent and 5 per cent) on 22nd March 2012. The share of voting rights requiring disclosure was 0 per cent.

28th March 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Industry Automation Holding AG on 16th February 2012. Threshold fallen below (relevant reporting thresholds: 50 per cent, 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent and 5 per cent) on 22nd March 2012. The share of voting rights requiring disclosure was 0 per cent.

4th April 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens AG on 5th April 2012. Threshold exceeded (relevant reporting threshold: 75 per cent) on 2nd April 2012. The share of voting rights requiring disclosure was 80.69 per cent.

23rd April 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Industry Automation Holding AG on 29th March 2012. Threshold fallen below (relevant reporting thresholds: 50 per cent, 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent and 5 per cent) on 20th April 2012. The share of voting rights requiring disclosure was 0 per cent.

23rd April 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens Beteiligungen Inland GmbH on 29th March 2012. Threshold fallen below (relevant reporting thresholds: 50 per cent, 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent and 5 per cent) on 20th April 2012. The share of voting rights requiring disclosure was 0 per cent.

23rd April 2012

Voting rights notification in accordance with § 25a, section 1 of the German Securities Trading Act (WpHG), announced by Siemens AG on 24th April 2012. Threshold fallen below (relevant reporting thresholds: 50 per cent, 30 per cent, 25 per cent, 20 per cent, 15 per cent, 10 per cent and 5 per cent) on 20th April 2012. The share of voting rights requiring disclosure was 0 per cent.

Directors' Dealings:

Date	Name	Transaction	Quantity Item	Share price EUR
30th March 2012	Dr. Klaus-Juergen Schroeder (CEO)*	Sale	2,705,630	5.60
30th March 2012	Volker Schwickert (Board of Management)	Sale	39,600	6.10

* resigned on 30th June 2012

No further announcements in accordance with the German Securities Trading Act (WpHG) were made during the 2012 financial year:

Declaration in Accordance with the Corporate Governance Code

The IBS AG Board of Management and Supervisory Board last (during the course of the year) submitted their Declaration of Compliance on 9th May 2012 in accordance with § 161 of the German Stock Corporation Act (AktG) and granted its shareholders constant access to its homepage (www.ibs-ag.de/unternehmen/investor-relations). The Declaration of Compliance is published in the 2012 Annual Report.

Disclosures in Accordance with § 264 Section 3, No. 4a of the German Commercial Code (HGB)

The companies IBS SINIC GmbH and IBS Business Consulting GmbH have been included in the Consolidated Financial Statements and exempt from drawing up, auditing and publishing obligations in accordance with § 264 section 3 of the German Commercial Code (HGB).

Auditor’s Fees, in Accordance with § 314 No. 9 of the German Commercial Code (HGB)

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

	(in K EUR)
a) auditing fees	159
b) other consulting fees	0
c) tax consulting fees	0
d) fees for other services	0
	159

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

Name	First name	Current occupation
Board of Management		
Schroeder	Dr. Klaus-Juergen	Chief Executive Officer (CEO) until 30th June 2012, retired from Board of Management as at 30th June 2012
Schwickert	Volker	Chief Executive Officer (CEO) from 1st July 2012
Bertram	André	Chief Financial Officer (CFO), appointed on 1st July 2012
Supervisory Board		
Koechling	Christoph	(Chairman until 28th June 2012, thereafter retired from the Supervisory Board) Managing Partner of KM Results GmbH & Co. KG
Aurenz	Prof. Dr. Heiko	(Chairman from 28th June 2012) 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 Vermögensverwaltung GmbH
Muenster	Andreas	Client Executive IBM Deutschland GmbH, resigned on 28th June 2012
Seltmann	Wolfgang	From 28th June 2012 Administration of corporate shareholdings at Siemens AG Mr. Seltmann has further mandates in the domestic and foreign controlling bodies of commercial enterprises: • Member of the Shareholder Representatives Group of Mechanik Center Erlangen GmbH • Member of the Shareholder Representatives Group of Sykatec Systeme, Komponenten, Anwendungstechnoloigie GmbH • Member of the Shareholder Representatives Group of Weiss Spindeltechnologie GmbH • Member of the Advisory Council of Atecs Mannesmann Unterstützungskasse GmbH • Member of the Advisory Council of evosoft GmbH • Member of the Advisory Council of Siemens Industry Software GmbH & Co. KG • Member of the Supervisory Board of evosoft Hungary Kft, Budapest, Hungary.
Melzer	Roland	From 28th June 2012 Head of the business segment Industrial Automation Systems Software at Siemens AG and CEO of Siemens Industry Automation Holding AG

Total Remuneration of the Board of Management and Supervisory Board

Board of Management salaries	30.09.2012 (in K EUR)	31.12.2011 (in K EUR)
Volker Schwickert		
Fixed salary	117	144
Non-cash benefit use of car	10	17
Variable salary	50	83
of which payable immediately	50	50
of which virtual shares	0	33
Others	2	0
Total	**180**	**244**
André Bertram (Member of Board of Management since 1st July 2012)		
Fixed salary	26	0
Non-cash benefit use of car	3	0
Variable salary	12	0
of which payable immediately	12	0
of which virtual shares	0	0
Other	8	0
Total	**48**	**0**
Dr. Klaus-Juergen Schroeder (Member of Board of Management up to (incl.) 30th June 2012)		
Fixed salary	90	180
Compensatory equalisation payment	543	0
Non-cash benefit use of car	7	15
Variable salary	0	104
of which payable immediately	0	63
of which virtual shares	0	41
Other	1	0
Total	**641**	**299**
Board of Management salaries total	**869**	**543**
Supervisory Board salaries	**53**	**99**
of which virtual shares	0	12

Dr. Schroeder resigned from the IBS AG Board of Management with effect from 30th June 2012.
Dr. Schroeder was paid an compensatory equalisation payment in the course of termination of his employment. He will continue to use his current company car until 31st December 2013. The Company will bear the costs associated with the use of the company car.
Dr. Schroeder is still 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.

Volker Schwickert has an unforfeitable defined contribution assurance to the company pension scheme with a monthly payment of 3,500 EUR, with a maximal payment term until 1st September 2026. The Company's monthly payment obligation shall cease in the event and at the time that Mr. Schwickert leaves the IBS AG of his own accord.

As of 1st July 2012 IBS AG approved André Bertram a defined contribution assurance to the company pension scheme with a monthly contribution sum of 1,500 EUR. The contributions to the company pension scheme were declared immediately unforfeitable.

Hoehr-Grenzhausen, 18th December 2012

IBS Aktiengesellschaft excellence, collaboration, manufacturing

Volker Schwickert

André Bertram

Assurance of the Legal Representatives in Accordance with § 297, Section 2, Sentence 4 of the German Commercial Code (HGB) and § 315, Section 1, Sentence 6 of the German Commercial Code (HGB)

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, 18th December 2012

IBS Aktiengesellschaft excellence, collaboration, manufacturing

Volker Schwickert

André Bertram

Auditors' Report

We have issued the following opinion on the Consolidated Financial Statements and the group management report:

"We have audited the Consolidated Financial Statements prepared by IBS Aktiengesellschaft excellence, collaboration, manufacturing, Höhr-Grenzhausen, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the Consolidated Financial Statements, together with the group management report for the short fiscal year from January 1, 2012 to September 30, 2012. The preparation of the Consolidated Financial Statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, December 18, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Sgd. Schlüter	Sgd. Weiß
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public 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 gage 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 applications, 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.

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.

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 (www.eito.com) provides the latest data on the global IT, telecommunications and consumer electronics markets. EITO is a project operated by BITKOM Research GmbH. EITO collaborates with the market research institutes PAC, IDATE, IDC and GfK. It studies software companies with a turnover of at least 250,000 EUR.

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

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

FED Conference
A conference organised by the German Electronics Design Association

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

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

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.

Information Technology (IT)
All software applications and hardware systems enabling the electronic acquisition, documentation, storage, planning and management of business processes.

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.

IMF
International Monetary Fund.

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 monitorng processes of goods manufacturing.

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.

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 Expo

A leading quality trade fair in the USA.

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.

Software as a Service:

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

SAP Connector / Netweaver Certified Integration

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

Sarbanes-Oxley Act SOX

Sarbanes-Oxley Act of 2002 (SOX) is a US law for the improvement of business reporting in consequence of the financial statements scandals of companies such as Enron or Worldcom. It is named after its drawers, the senator Paul S. Sarbanes and the congressman Michael Oxley. The objective of this law is to restore the trust of investors in the correctness of published financial data of companies. The law applies to domestic and foreign companies that are listed on the US stock exchange, as well as for foreign subsidiaries of American enterprises.

Supply Chain Management (SCM)
Supply Chain Management (SCM) is aimed at a long-term (strategic), mid-term (tactical) and short-term (operative) improvement of effectiveness and efficiency of industrial 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.

Service-oriented Architecture 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 has recognised 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.

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.

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.

NOTES

FINANCIAL CALENDAR 2013

JANUARY	/
FEBRUARY	Preliminary Figures Q1 2012/13 Week 8, 2013 *** Quarterly Report Q1 2012/13 28th February 2013
MARCH	Annual General Meeting 2013 15th March 2013
APRIL	/
MAY	Preliminary Figures Q2 2012/13 Week 20, 2013 *** Q2 Report/Semi-annual Report 2012/13 23rd May 2013
JUNE	/
JULY	/
AUGUST	Preliminary Figures Q3 2012/13 Week 34, 2013 *** Quarterly Report Q3 2012/13 29th August 2013
SEPTEMBER	/
OCTOBER	/
NOVEMBER	/
DECEMBER	Preliminary Figures 2012/13 Week 50, 2013 *** Annual Report 2012/13 & Balance Sheet Press Conference 19th December 2013

THE IBS SHARE

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Ticker Symbol:
IBB
WKN:
622840
ISIN:
DE0006228406

We would be pleased to add you to our mailing list for further shareholder information and would be happy to send you our Shareholder's Bulletin on request.

You can subscribe to our mailing list at the following address:
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 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 shall apply.

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