Annual Report 2007 / 2008

Security • Innovation • Design

primion Technology AG
Steinbeisstrasse 2-5
72510 Stetten a. k. M.
Germany
Phone +49 75 73 / 9 52-0
Fax: +49 75 73 / 9 20 34
info@primion.de
www.primion.eu

Integrated Security Technology
primion®

List of Group participations

primion Technology AG
Stetten am kalten Markt
Germany

100%
General Engineering & Technology N.V.
Malle
Belgium

100%
GET Nederland B.V.
Amsterdam
Netherlands

100%
Dataget SAS
Tourcoing Cedex
France

100%
Jans Sicherheitssysteme GmbH
Ludwigsburg
Germany

100%
primion GmbH
Stetten am kalten Markt
Germany

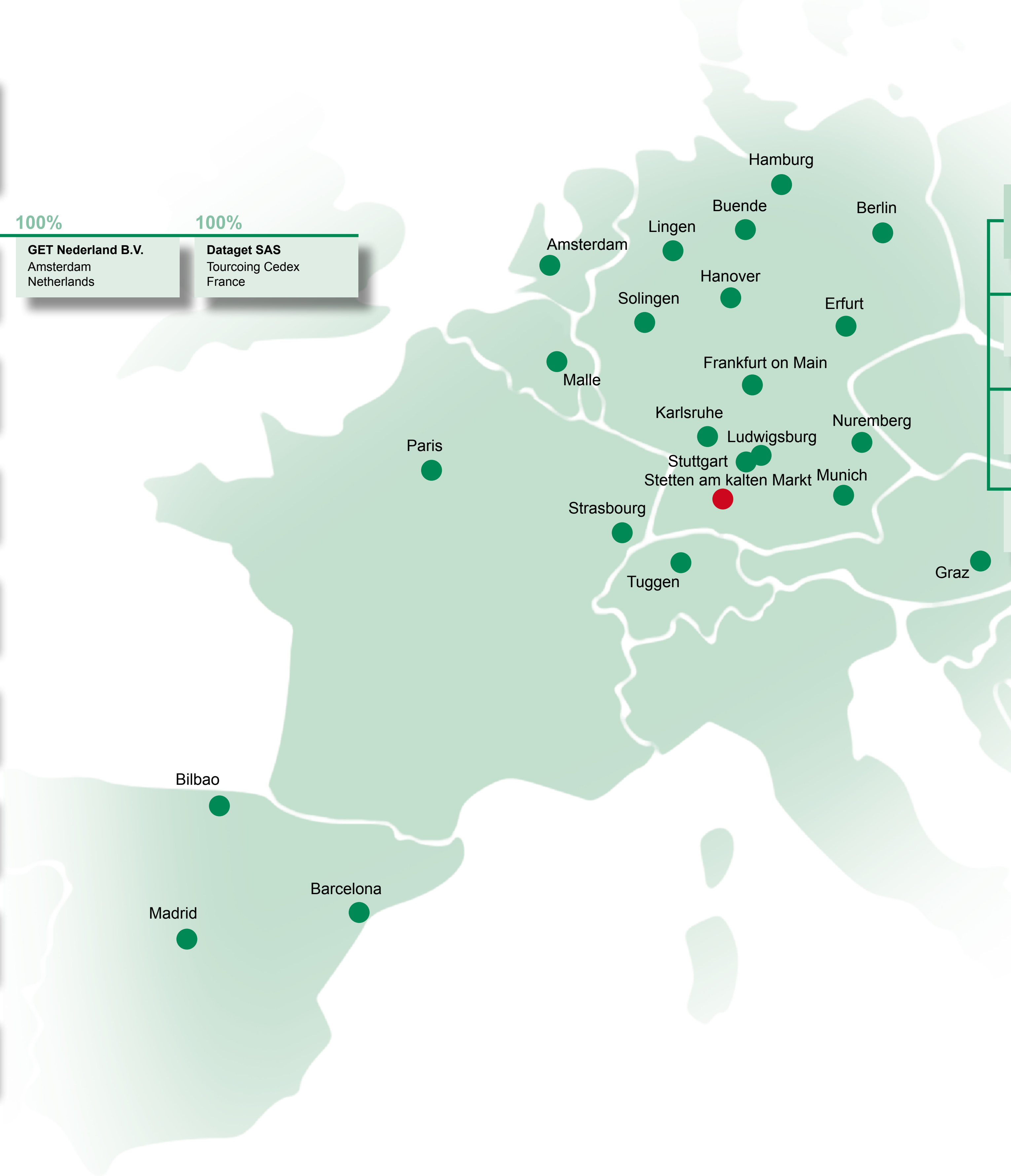
100%
primion Digitek S.L.U.
Barcelona
Spain

100%
primion SAS
Boulogne-Billancourt
France

51%
primion Technology GmbH
Graz
Austria

26%
primion AG
Tuggen
Switzerland

15%
SFK Networkservice GmbH
Roemhild
Germany



Areas of business and Products

Integrated Security Technology	Access Control	Time Recording
Hazard detection	Prime-Key-Technology	Worktime Management
Offline solutions	Wireless locking systems	Workforce Planning
Video	Biometrics	Data Terminals

Security • Innovation • Design

As a supplier of individual, customized solutions, primion fulfills all the pre-requirements for the creation of tailored and affordable solutions, both for networked access control systems as well as branch networks and offline applications. We develop state-of-the-art biometric systems of the future, based on years of successful international experience in the area of integrated security technology.

Biometric recognition refers to determining a person's identity (identification) and confirming or confuting the asserted identity (verification). Implementing biometric systems within primion's proven Visual WebAccess access control system combines security with convenience and acceptance.

Exact registration or enrolment processes are an indispensable pre-requirement for biometric applications to ensure that user expectations are met in terms of security levels, access and exit processes and system administration. In high-security areas especially, the risk of unauthorized entry must be eliminated by separating authorized and non-authorized persons reliably and effectively. It would be counterproductive if an authorized person were to introduce several non-authorized persons into the biometrically protected area. In addition to confidentiality, integrity and availability, one of the primary security objectives for primion Technology AG on the IT side is authentication and thereby checking that an asserted identity matches the actual identity.

Identifying persons automatically on the basis of biometric features can be used in addition to or to replace conventional methods. Unlike credentials or PIN codes, physical characteristics are directly linked to the individual and as such increase security significantly, as: Security cannot allow any compromises.

Contents

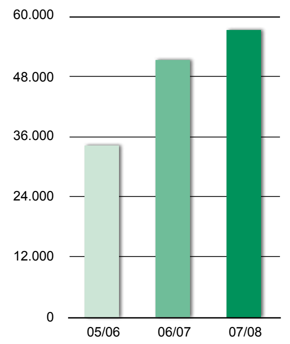
Corporate bodies

Executive Committee

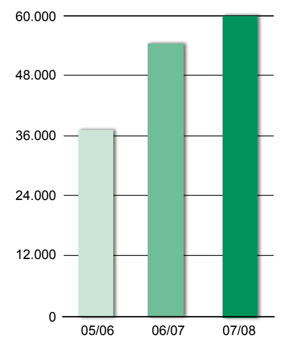
- Heinz Roth, engineer (University of Applied Sciences), Bodman-Ludwigshafen (Chairman & CEO)
- Thomas Bredehorn, Timmendorfer Strand (CSO)
- Thomas Becker, Dipl.-Kfm. (MBA), Calw (since 15th April 2008) (CFO)
- Roland Schmider, engineer, Albstadt-Ebingen (until 30th April 2008)

Supervisory Board

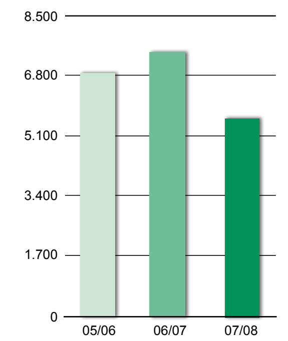
- Prof. Dr. Dr. h.c. mult. Johann Loehn, physicist, Waldkirch-Suggental (Chairman)
- Leo Benz, engineer, Munich (Deputy Chairman)
- Rolf Beck, lawyer, Tuebingen
- Dr. Willi Merkel, lawyer, Albstadt-Ebingen
- Dr. Franz Wilhelm Hopp, Dipl.Kfm (MBA), Duesseldorf
- Dr. Ulf Leichtle, doctor, Tuebingen (since 4 April 2008)
- Konrad Haussmann, retired bank director, Tuttlingen (until 30th April 2008)



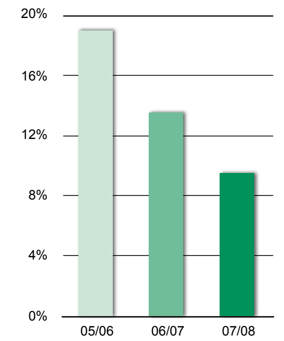
Sales Revenues*



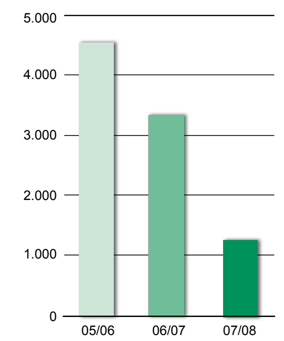
Total revenues*



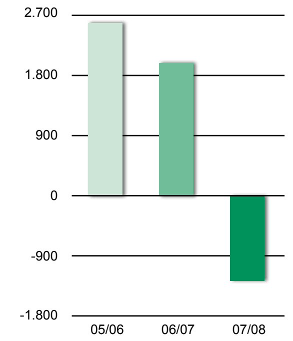
EBITDA*



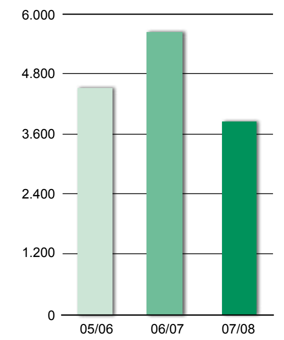
EBITDA as % of total revenues



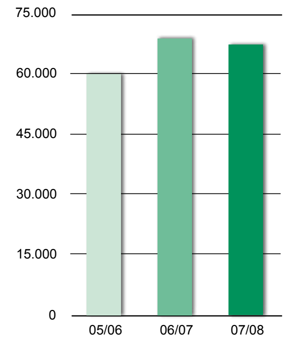
EBIT*



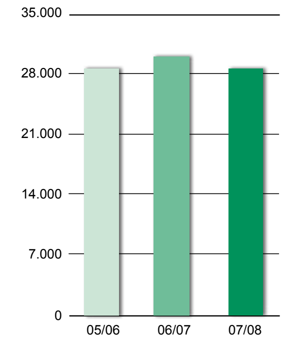
Consolidated net income*



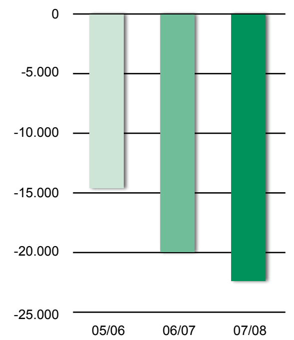
Gross cash flow*



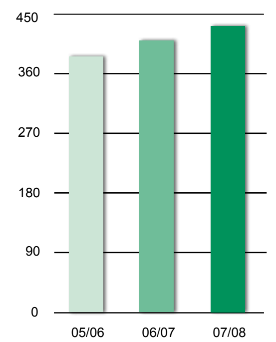
Total assets*



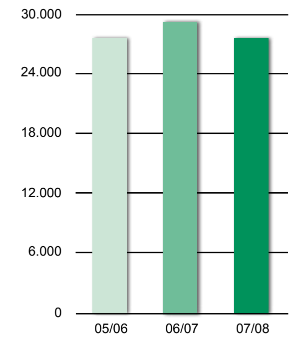
Order book*



Net borrowing*



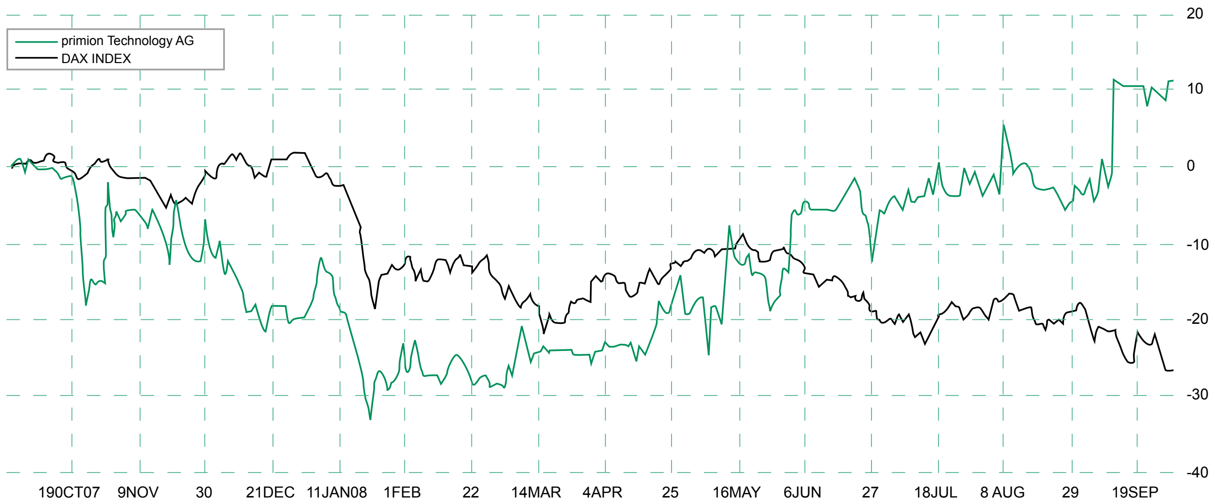
Employees



Shareholders' equity*

* in €k

The Shares



Source: Bloomberg

This overview shows the development of the share price of the primion share compared to the DAX index from 1 October 2007 to 30 September 2008.

2008 will certainly go down in history as the worst ever for the international capital markets. Not since the world economic crisis of the 1930s has a crisis spread globally at such a speed and with such intensity. Well-known banks and insurance companies faced ruin in 2008. Some went into bankruptcy and others could only be saved through state intervention. The German DAX Share index had to withstand a loss of 40%. In January, it stood at 8,067 points and by the end of 2008, it was down to 4,810 points. Only in 2002 had there been a greater percentage loss at 44%.

primion Technology AG's shares could not escape the downward trend at the start of 2008 and on 22 January they reached a historic low of 3.50 €. After this they moved in parallel to the market and then from the end of April, with the exception of some rate adjustments, climbed steadily. With the announcement of the voluntary public takeover offer by Azkoyen S.A. from Navarra, Spain, on 11 September 2008, the price rose to around 6.00€. The primion share price remained more or less at this level until the end of the period of acceptance of the takeover offer on 11 December 2008. At the end of the fiscal year 2007/2008 on 30 September 2008, the share price was at 5.84€.

During the fiscal year 2007/2008, the number of primion Technology AG shares remained unchanged at 5,550,000.

Shareholder structure

The shareholder structure changed significantly during fiscal year 2007/2008 (1 October 2007 to 30 September 2008), caused by the intervention of the Spanish company Azkoyen S.A. With effect from 11 September 2008, Heinz Roth, CEO and previous main shareholder, sold 11% of the primion interest to Azkoyen S.A. and currently still holds 9% of the primion shares. As at 30 September 2008, Azkoyen S.A had a total of 21.27% of the primion shares in its possession. As a result, 69.73% of the shares in primion Technology AG were in free float, including the 20.36% interest held by Bluehill ID as at 8 October 2008. The shareholder structure changed further after the end of the reporting period through the takeover offer made by Azkoyen S.A. By the end of the period of acceptance on 11 December, Azkoyen S.A. directly owned 77.17% of the shares. Furthermore, there was an agreement in place between Azkoyen S.A. and Heinz Roth to act-in-concert in respect of their joint shareholdings. As a result, after the end of the second acceptance period, Azkoyen S.A and Heinz Roth jointly had 86.17% of the voting rights.

Investor Relations

The information policy of primion Technology AG during fiscal year 2007/2008 was very much one of an open dialogue. All important events and developments in the company were made public as quickly as possible through Ad Hoc announcements and/or Press releases. This ensured that extensive information was made available to investors. This commitment to transparency was also shown in the quarterly and half-year reports.

The open and active finance communication was also shown through two analyst conferences as well as through many personal individual meetings about current corporate subjects with analysts, journalists and investors. Additionally, many questions from private investors were answered, according to the principle of "fair disclosure".

On 30 September 2008, the Executive Committee and the Supervisory Board of primion Technology AG issued their Declaration of conformity to the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). Both the Executive Committee and the Supervisory Board of the company concur with the recommendations to a large extent. In accordance with regulations the complete declaration of conformity is available on the Internet under www.primion.de.

Access Control-System

Strategically located at the junction of the Boulevard du Jardin Botanique und the Rue Royale, the Finance Tower is an impressive Brussels landmark. With a height of 145 meters and 34 floors, it is the second highest building in the Belgian capital. Thanks to its elegant combination of glass, steel and concrete, the building very quickly became known as “The Lady” to Brussels residents and was one of the city’s icons during the 1970s. In 2001, the Belgian government bought the Tower from the property development company Breevast and embarked on a programme of complete renovation.

Complex and powerful security concept for the Finance Tower

Extensive building security during renovation work

During the first critical phase of the renovation work, asbestos had to be removed completely from the building, whereby particular importance was placed on safeguarding the health of the workforce. GET was responsible for ensuring the security of the building during the building work, in compliance with the regulations. Access to the dangerous areas, for example, was only possible at specific times. Persons who had access to these areas had first to undergo corresponding checks and identify themselves. The same identity card was also used to manage working times.

Complete renovation and modernisation

The building renovation proceeded rapidly. The Finance Tower was stripped back to the concrete, in order to allow it be reequipped and reconstituted. A completely new centre for finance and business was created along the Rue Royale. Large windows mirror the sky, giving the building an elegant and majestic appearance. The security concept was tailored so that it complied with the very latest demands of access management. The project was drawn up and implemented in close cooperation with the future users of the system, the Belgian Public Federal Finance department (SPF Finances) and the Belgian Public Federal Social Security department (SPF Sécurité Sociale). The Belgian Food Agency is located in the 10-storey building next door.

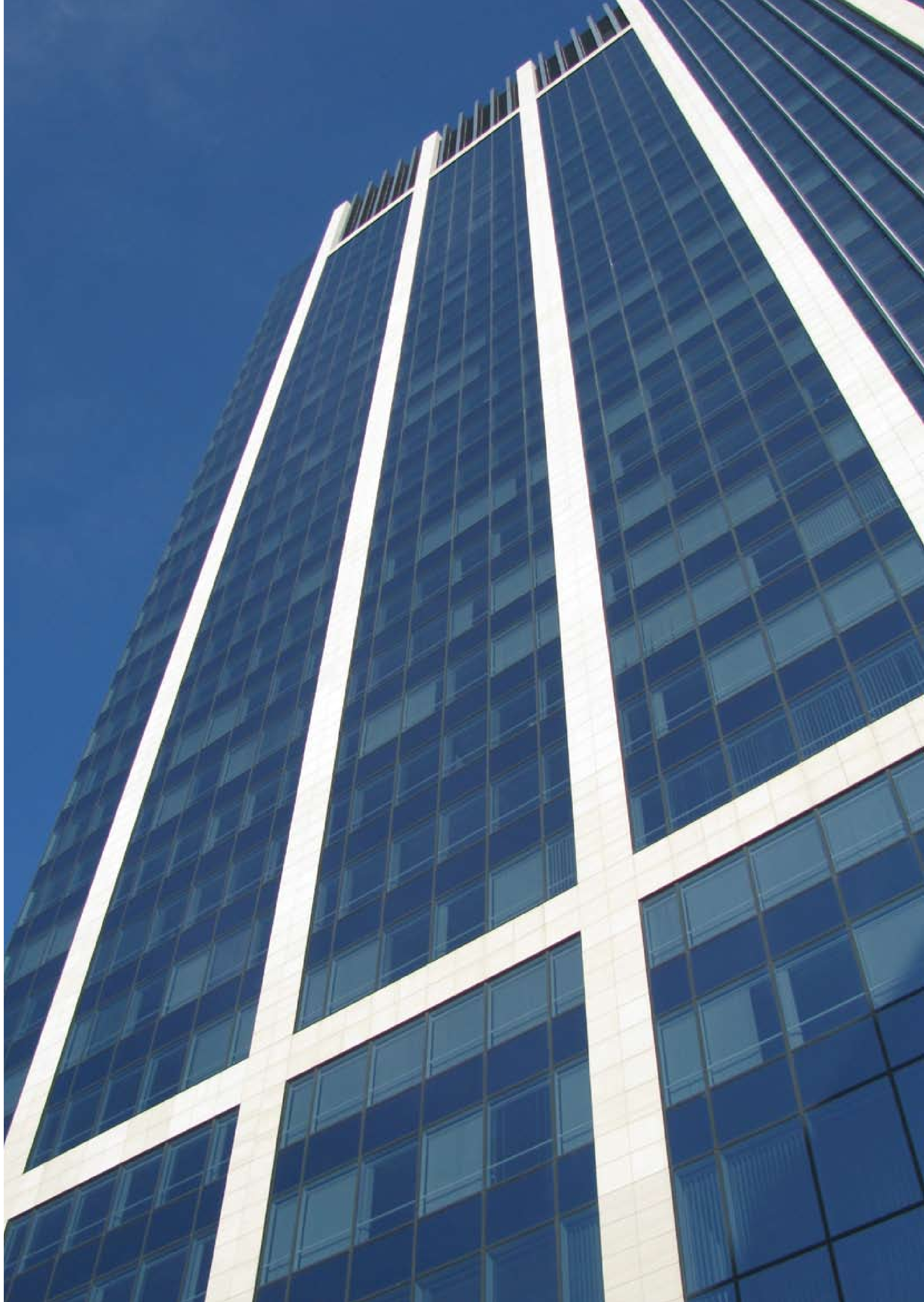
Access through wireless card readers

200,000 m^2 of office space, 700 parking bays and more than 50 entrance and exit points as well as a connection to the Metro, call for a complex and powerful security concept.

GET developed a professional solution for these comprehensive security requirements:

- Access control software for 6,500 persons, including alarm and visitor management, report generator and card printing function
- More than 900 access readers, of which over 700 are offline devices
- 8,000 pre-printed badges for visitors and guests
- Intelligent elevator control with an interface to the building management system
- 14 Speed Gates to separate off the interior area of the building
- Entrances with video and voice equipment
- Software module and barriers for determining free parking spaces

The offline readers are integrated in the door frames. An authorized access booking releases the door. The wireless solution avoids the need for cabling at the doors and saves time and installation effort. The identity card is used as the transport medium for access rights that are defined and distributed through a powerful management software. Through this complex, large-scale project, the primion subsidiary and Belgian market leader GET, has successfully established a system that offers maximum security.



Time Recording System

Wilkinson Sword has always been an innovative company. Since its establishment in the 18th century, the company has always had a good nose for new, and seminal technologies. The company is very happy with its choice of a user-friendly and modern system to provide time recording and security for its premises.

Smooth time recording and access control

The history of the Wilkinson Sword company goes back to the 18th century. The company owes its rapid advancement to far-seeing company policies and innovative technology, right from the start. New modern time recording and security for its premises had the highest priority.

With Visual WebTime, Wilkinson chose a user-friendly and modern solution with an interface to SAP. Access to the plant for employees and contractors, entry and exit rules for suppliers' vehicles as well as protection of the production machines are all controlled by Visual WebAccess. One of the pre-requirements was the introduction of a badge for time recording and access control and for use as a visible plant ID card, which conformed to Corporate Design definitions.

No interruption to the production processes was to be caused by the change to the new time recording devices and it should not cause any additional work through manual time inputs. Installation was carried out smoothly and the interface to SAP/HR was set up such that employee data records are loaded daily and the bookings at the DT 800 are also transferred once a day.

The Wilkinson Sword plant is embedded within the expanded structure of the town of Solingen. As a result there were often traffic jams in the past caused by trucks that could not drive directly into the company's plant. For this reason, the trucks belonging to companies that work on a permanent basis with Wilkinson were equipped with active transponders, which are read by long range readers ten meters before the vehicles reach the entrance, allowing the barriers to be opened in a timely fashion.

Because of the large amount of positive feedback from the staff in combination with a system that provides both a longterm and an economical solution, the decision has now been made to install primion access control on all important doors, in order to safeguard the company's know-how.

Security System

primion Technology came across a very interesting challenge with Toll Collect GmbH, the company that has taken over all the organisation of toll recording and toll payments on behalf of the Federal Government. As part of an integrated total solution, various and extensive security measures had to be guaranteed at each location.

Integration of security technology and time recording, with connection to SAP

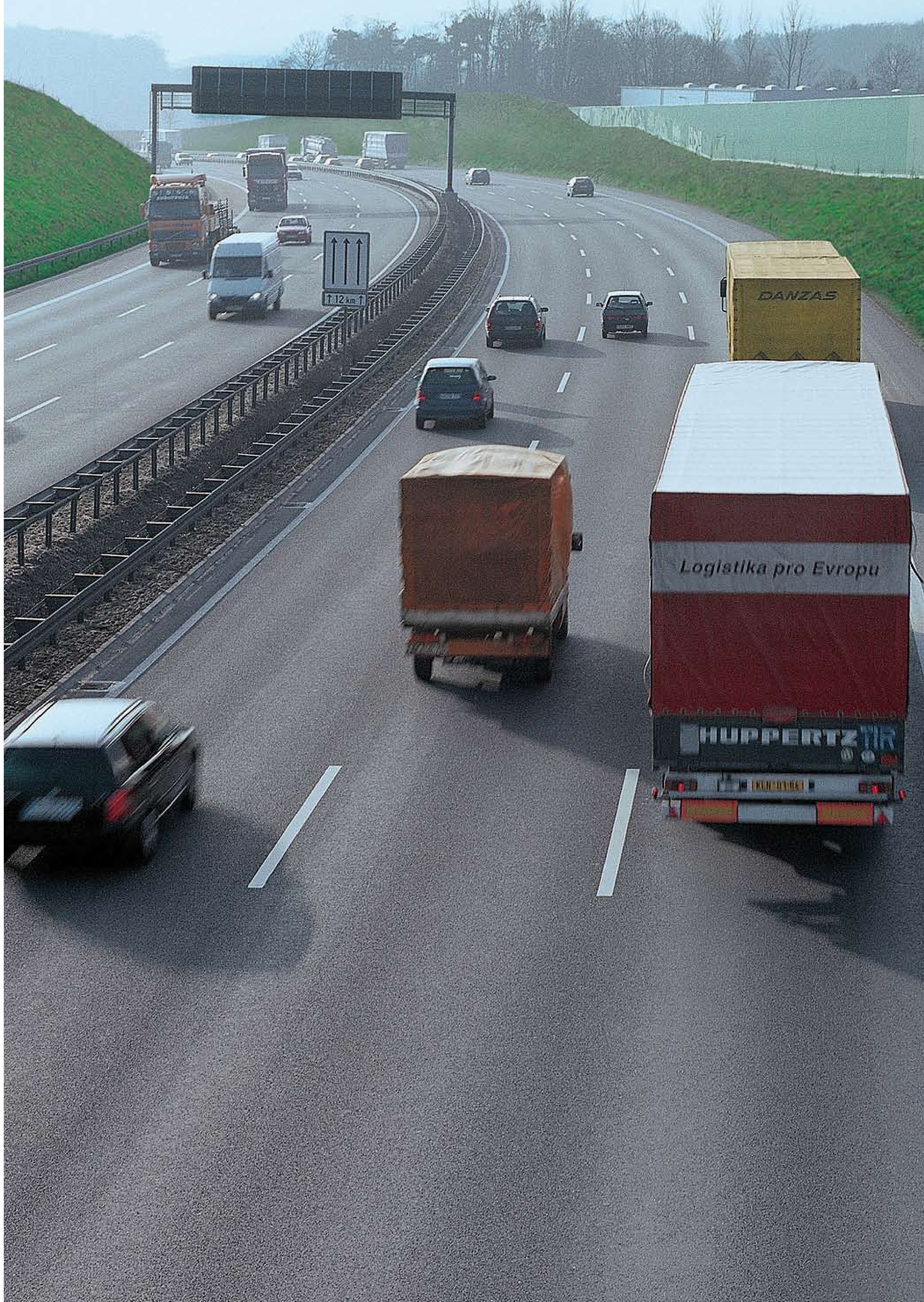
primion has established customized concepts for video surveillance, intrusion detection and fire detection for the toll system equipment installed by Toll Collect GmbH. Within the scope of a Public Private Partnership model, Toll Collect took over all the organization of toll recording and toll payments on behalf of the Federal Government and, as the operating company, is responsible for the construction and operation of the toll collection system.

As part of the establishment of an integrated total solution, the challenging task was to guarantee the areas of time management, access control and escape route control as well as the creation of personalized employee cards, the integration of existing SAP data and controlling access to personal time data from each location.

The flexible working times could be recorded very simply using Visual WebTime. The employee information system allows booking corrections to be made and gives an overview of time records and booking events. Alternatively, the employees can record times and view their time account at the corresponding DT 800 terminal.

The employees can be managed centrally through the deployment of an Oracle database. Employee cards are personalized and created using a Toll Collect layout. The quick availability of information and the resulting significant reduction in time effort allows current requirements to be implemented flexibly and at short notice.

Access to the many different areas, some of which are sensitive and therefore alarm-monitored, is only possible on a controlled basis through the use of Visual WebAccess. As well as the different floors and building access points, access to IT and server rooms was especially secured. The intrusion detector systems can be armed or disarmed through the input of a PIN code at the readers, which are installed at the rooms that are to be monitored.



Report of the Executive Board

Dear Shareholders,
Dear Sir / Madam,

In the fiscal year 2007/2008 (1 October 2007 to 30 September 2008), primion Technology AG's total revenues exceeded 60 million euros for the first time, which represents a growth of some 10%, significantly more than that exhibited by the rest of the market. This is an important milestone in the 14 year history of the company. During this time, primion Technology AG has advanced from being a newcomer in the market for time recording, access control and integrated security technology to become the market leader in Germany. This is stated in a market study from Mario Fischer, which places primion Technology AG ahead of the competition with 14.4% market share.

Significant changes in the shareholder structure
There have also been significant changes in the shareholder structure. A Swiss investment company used primion Technology AG's low share price of 3.50 € in January 2008 to buy into the company and acquired larger packets of shares from various shareholders. In September 2008, Heinz Roth, founder and CEO of the company who at that time was the largest single shareholder, sold 20.11% of the primion shares to the Spanish corporation Azkoyen S.A. Azkoyen then made a voluntary, public takeover offer to all shareholders. On the last day of the acceptance period for the takeover offer, the Swiss investment company also announced its intention to sell its packet of 23.3% to Azkoyen. Since the expiry of the extension of the acceptance period on 11 December 2008, the Azkoyen Group directly owns 77.17% of the primion shares and, as a result of the agreement to act-in-concert in respect of voting rights, has access to a further 9% of the voting rights through the shares still held by Heinz Roth. As a result, Azkoyen holds 86.17% of the voting rights in primion Technology AG.

The entrance of the Azkoyen Group has further stabilized primion Technology AG's shareholder structure. This has provided the basis for the company to develop for the future in an energetic and sustainable way, under the management of the current Executive Committee. With the Azkoyen Group as a new and powerful shareholder, primion Technology AG intends to intensively develop new markets in Southern Europe, UK and Eastern Europe as well as in the Middle East, Asia and the USA and to cooperate in the area of RFID technology.

Market leader in Germany
Fourteen years after its establishment, primion Technology AG has developed to become market leader in Germany in the area of time recording, access control and integrated security technology and has a market share of 14.4%. In this respect, the growing demand for both integrated and security technology and the mechatronic components of our Prime-Key-Technology are playing an increasing role.
With these new solution competencies, primion has been able to capture additional customer groups and market potential. As a result, we were able to win three of the most significant projects that were awarded during the past fiscal year, namely the RTL complex in Cologne, the FU Berlin and FRAPORT AG. Thus, primion Technology AG was able to demonstrate that we can successfully manage large and complex projects, covering the whole range of activities from development, manufacturing, installation and commissioning and including longterm support.

primion Technology AG has now become one of the leading players on the European stage and wants to further develop its position through the strategic partnership with the Azkoyen Group.

Growth significantly above market rates
In the last fiscal year, primion technology AG grew its total revenues by some 10% to 60 million euros, compared to 55 million euros in the preceding year. This was significantly above the 6% growth achieved by the market for security technology and time recording and corresponds largely to the forecast made by the Executive Committee.

In the past, security technology companies achieved disproportionately high growth rates in periods of economic recession, as there is an increase in the awareness and sensitivity for security in times of perceived uncertainty. So far no effects of the current financial and economic crisis have been felt at primion Technology AG. It remains to be seen however, whether and to what extent the most recent developments will affect our organic growth strategies of 8% per annum over the next five years.

Earnings targets not achieved

In spite of the growth of some 10% in total revenues to the forecasted 60 million euros, the EBIT at 1.1 million euros (previous year 3.4 million euros) was significantly below the expectations and forecasts of the Executive Committee. This resulted to a large extent from earnings of approximately 1.1 million euros from turnover that can only be achieved in the new fiscal year as well as from increased material costs of some 1.4 million euros both within primion Technology AG and Jans Sicherheitssysteme GmbH, which came onto the books at the end of the fiscal year. Based on these findings, there were additional demands on the project calculation and control systems. This calls for corresponding IT support from a new ERP system,whose implementation is being completed. These tasks have to be put in place with the highest priority, in order to increase the transparency of projects and results going forward.

With an eye to the uncertainties in the economic developments to be expected in 2009, we shall identify and implement further potential savings in the area of material costs through the effects of product harmonization within the group, through process improvements and by reviewing as many cost positions as possible, in order to reinforce earning power and to be able to react flexibly to market changes. This will be accompanied by organizational adjustments and structural changes.

Strategic perspective

As a result of the integration into the Azkoyen Group, a number of changes due to approval is to be presented to the Shareholder's Meeting. This includes a reduction of the Supervisory Board to three members and the adaptation of the fiscal year to the calendar year. In line with the agreement with the Azkoyen Group primion Technology AG will continue to be listed on the German stock exchange. There are no plans for either a squeeze out or a profit transfer agreement. Operational responsibility for primion Technology AG remains with the Executive Committee. Of course, there will be regular strategic consultations with the Azkoyen Group.

As well as those in the area of RFID technology, synergies have also been identified with the Azkoyen Group in handling the markets in Southern and Eastern Europe, the UK, the Middle East, Asia and the USA. We shall work together with the new major shareholder to develop these markets.

As mentioned previously, the Executive Committee of primion Technology AG expects an average organic growth rate of 8% p.a. over the next five years, which will result in a turnover of approximately 90 million euros in 2013 and an EBIT of some 10%. This does not include additional potential from currently identified synergies with the Azkoyen Group and possible acquisitions that can be tackled together with the new major shareholder.

Development in the current fiscal year is currently of course subject to the uncertainties resulting from the financial crisis and its effects on the real economy, particularly in the area of security technology. No effects have been identified until now but this may well change if our customers should also decide to change their investment behaviour patterns in the area of security technology. We are keeping a very close eye on developments, in order to be able to react accordingly.

As you can see, ladies and gentlemen, the fiscal year 2007/2008 has again brought a whole range of decisive and forward-looking changes for primion Technology AG. Not all goals were achieved, in particular those in relation to the results. We have moved into the new fiscal year together with a strategic and committed major shareholder who has longterm interests in the positive development of primion Technology AG and forward into a new phase of the company's development as a a member of the Azkoyen Group.

We would be happy to know that you will continue to be at our side and we thank you for the trust you have shown in us this far.

Heinz Roth, CEO

Thomas Becker, CFO

Thomas Bredehorn, CSO

Report of the Supervisory Board

for the fiscal year from
1. October 2007 to 30th September 2008

primion Technology AG can look back on an eventful twelve months during the fiscal year 2007/2008. Significant changes in the shareholder structure, brought about particularly by the sale of a large parcel of shares by the principal shareholder Heinz Roth as well as the announcement of an official takeover bid made by the Spanish company Azkoyen S.A. to primion's shareholders, have been decisive for setting the future direction of the company.

During the year under review, the Supervisory Board dealt exhaustively with the economic situation as well as the operational and strategic development of primion technology AG.

The Supervisory Board provided advice and support to primion's Executive Committee during this crucial phase, supervising management in accordance with statutory requirements and the provisions of the articles of association.

Six meetings of the Supervisory Board took place during the year under review. All members of the Supervisory Board participated in more than half of the Supervisory Board meetings. Supervisory Board decisions were made in meetings, as well as via written circulation. Due to the size of the company, the Supervisory Board continued with its policy of not forming any committees. The Executive committee also kept the Chairman of the Supervisory Board informed about important developments and upcoming decisions through personal individual meetings. This was particularly the case in respect of the discussions that the Executive committee held with Mountain Super Angel AG, Bluehill ID AG and Azkoyen S.A. in advance of the participation of the respective companies in primion Technology AG.

The Chairman of the Supervisory Board was informed about the intention of Azkoyen S.A. to propose a public offer to the shareholders of primion Technology AG.

The Chairman of the Supervisory Board was also informed about the demands made by Bluehill ID AG on 25 September 2008 and 10 November 2008 for primion Technology AG to call an Extraordinary Shareholders' Meeting. The refusals of these demands and in particular the reasons for the refusals were agreed with the Chairman of the Supervisory Board.

Konrad Hausmann resigned from his position on the Supervisory Board with effect from 30 April 2008. From this time, the Supervisory Board consisted temporarily of just five members. Dr. Ulf Leichtle was appointed as a member of the Supervisory Board by a ruling made in the County Court in Ulm on 4 August 2008, to replace Mr Hausmann, pursuant to §104, Section 2 of the German Stock Corporation Act (AktG).

The Supervisory Board extended the contract of CEO Mr Heinz Roth for a further five years (1 October 2008 to 30 September 2013). With effect from 15 April 2008, Mr Thomas Becker assumed the position of CFO, where his particular mandate is to handle Investor Relations and to strengthen the company's relationship to the equity market, both within Germany and internationally.

Effective from 30 April 2008, Mr. Roland Schmider resigned from his position on the Executive committee of primion Technology AG. His mandate was taken over by Executive Committee members Thomas Bredehorn (CSO) and Thomas Becker (CFO).

During the year under review, the Executive Committee kept the Supervisory Board informed, by means of detailed written and verbal reports, of the company's current situation and of any business procedures of importance. In particular, the Executive Committee kept the Supervisory Board abreast of any fundamental issues concerning company policy and strategy, the business and financial situations, financial and investment planning, business development, risk management and the human resources situation. The Supervisory Board dealt with the reports of the Executive Committee at its meetings and held consultations with the Executive Committee on the strategic development of the company. All measures that required the approval of the Supervisory Board were thoroughly debated before being submitted for resolution.

At the forefront of Supervisory Board discussions in the year under review were, above all, the strategic plans being made by the Executive Committee and their implementation plus measures aimed at reducing costs and improving efficiency as well as significant personnel-related decisions. During the past fiscal year, the Supervisory Board's work was also focussed on the expansion of the primion Group and the subsequent opening up of new markets as a result of acquiring Ludwigsburg-based Jans Sicherheitssysteme GmbH, coupled with restructuring at the former primion Städtler division and the GET Group.

In accordance with Section 3.10 of the German Corporate Governance Code, the Executive Committee reports on corporate governance in a separate section of the annual report on behalf of the Supervisory Board. On 30 September 2008, the Executive Committee and the Supervisory Board issued a declaration of conformity in accordance with §161 of the German Stock Corporation Act (AktG) and made this permanently available to interested parties and shareholders via the company website at www.primion.de. In accordance with regulations, deviations from the Corporate Governance Code were disclosed and explained.

The Annual Financial Statement in accordance with HGB (German Commercial Code) and the Consolidated Financial Statement in accordance with IFRS as well as the Management Report and the Consolidated Management Report for primion Technology AG for the fiscal year that finished on 30 September 2008, were audited at the request of the Supervisory Board by RWT HORWATH GMBH Auditors, Albstadt, and given an unqualified audit certificate.

The auditors' report on the Annual Financial Statement, the Consolidated Financial Statement and the Management Report and the Consolidated Management Report for the primion Group as at 30 September 2008 was submitted to all members of the Supervisory Board. It was thoroughly examined and discussed at the Supervisory Board meeting of 28 January 2009 in the presence of the auditor, who reported on the result of his audit. The Supervisory Board was satisfied that the report complied with statutory requirements. At the meeting, the auditor also reported in detail on the extent, emphases and costs of the audit. The Supervisory Board approved the result of the audit, and following its own examination, raised no objections. Furthermore during its meeting on 28 January 2009, the Supervisory Board examined the Annual Financial Statement, the Consolidated Financial Statement and the Management Report and the Consolidated Management Report for the primion Group for the fiscal year that ended on 30 September 2008. Statements made in the Management Report and the Consolidated Management Report concurred with the evaluations of the Supervisory Board. Following the examinations carried out by the Supervisory Board, they raised no objections to the Annual Financial Statement, the Consolidated Financial Statement and the Management Report and the Consolidated Management Report. The Supervisory Board approved the Annual Financial Statement prepared by the Executive Committee. The Annual Financial Statement was thereby adopted. The Supervisory Board also approved the Consolidated Financial Report.

Additionally, the Supervisory Board examined the report from the Executive Committee, prepared in accordance with $312 of the German Stock Corporation Act (AktG), about relationships to associated companies for the past fiscal year, the "Dependency Report". The Executive Committee made the following closing statement in its report:

"Based on the circumstances that were known to us at the time that legal transactions were entered into with the associated companies, the company received a reasonable consideration in the case of each legal transaction."

The Supervisory Board asked the Executive Committee to elaborate on the advantages and possible risks of the legal transactions contained in the Dependency Report and weighed them up in the balance. Also the Executive Committee asked for an explanation of the basis on which the services supplied by primion Technology AG and the consideration received for them was defined.

In conclusion, RWT HORWATH GMBH Auditors, Albstadt, examined the Dependency Report and reported as follows on 19 January 2009:

"Based on the examination and evaluation that we were required to carry out, we confirm that:

1. The facts as stated in the report are correct
2. The level of service provided by the company in connection with the legal transactions detailed in the report was not unreasonably high."

Both the Dependency Report from the Executive Committee and the Auditors' Report were made available to the Supervisory Board. The Supervisory Board also discussed the Auditors' Report with the auditor. As a result, the Supervisory Board was satisfied that, in particular, all legal transactions and measures were reported in full. There were no concerns in respect of the Auditors' Report. Given the above, the Executive Committee concurred with the findings of the Auditors' Report. Based on its own examination, the Supervisory Board raised no objections to the closing statement made by the Executive Committee about the relationships to the associated companies.

We thank all employees and the Executive Committee for their great personal commitment and the high level of performance they have demonstrated over the past fiscal year. Our thanks too, to all our shareholders, customers and business partners for their trust in us.

Stetten am kalten Markt, January 2009

On behalf of the Supervisory Board

Prof. Dr. Dr. h.c. mult. Johann Loehn
Chairman of the Supervisory Board

Corporate Governance Report

for fiscal year 2007/2008

In accordance with Section 3.10 of the German Corporate Governance Code, the Executive Committee and Supervisory Board make the following report on corporate governance at primion Technology AG:

The Executive Committee and Supervisory Board of primion Technology AG support the principles of good, responsible corporate governance as set out in the German Corporate Governance Code (hereinafter also referred to as the “Code” or “GCGC”) with the amendment of 6 June 2008 and welcome the intention of the Government Commission on German Corporate Governance to provide transparent guidelines on proper corporate governance.

The Code recommends that the Executive Committee and Supervisory Board provide information on the Company’s corporate governance each year in a corporate governance report. This includes the explanation of any deviations from the Code (Section 3.10 GCGC). Furthermore, this report should provide information about the remuneration of members of the Supervisory Board and Executive Committee (Sections 4.2.5 and 5.4.6 GCGC), the purchase and sale of shares by members of corporate bodies or management (Section 6.6 GCGC) and about share option programmes or similar incentive systems (Section 7.1.3 GCGC).

In the period under review, the Executive Committee and Supervisory Board addressed in detail issues of compliance with the Code, comparing it with the Company’s own standards and determining points of deviation from the recommendations of the Government Commission on German Corporate Governance.

The nature of the Code is such that its recommendations are not generally binding so as to exclude deviations or prohibit the Company from deviating from the recommendations due to specific requirements. In the light of this, the Executive Committee and Supervisory Board determined that the recommendations of the Government Commission on German Corporate Governance are fulfilled in all but a few respects.

Declaration of conformity

A declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) was jointly adopted and signed by the Supervisory Board and the Executive Committee and was placed on the Company’s website on 30 September 2008. All members of both corporate bodies declare therein that the recommendations of the commission on corporate management and monitoring appointed by the German federal government are currently being fulfilled, and will be fulfilled in future, with the exception of the items indicated in the declaration of conformity. The declaration of conformity is worded as follows:

“The Executive Committee and Supervisory Board of primion Technology AG welcome the intention of the Government Commission on German Corporate Governance to provide transparent guidelines on proper corporate governance. The German Corporate Governance Code (hereinafter referred to as the “Code”) contains recommendations from which companies may deviate. However, companies are then obliged to publish these deviations on an annual basis. The Executive Committee and Supervisory Board of primion Technology AG issued the last declaration of conformity on 30 September 2007 in accordance with Section 161 of the German Stock Corporation Act (AktG). The following declaration refers to the period from 1 October 2007 to 7 August 2008 and the recommendations of the Code in the version dated 14 June 2007, which was published in the electronic Bundesanzeiger (Federal Gazette) on 20 July 2007 (“2007 version”). For the period from 8 August 2008, the following declaration refers to the recommendations of the Code in the version dated 6 June 2008, which was published in the electronic Bundesanzeiger (Federal Gazette) on 8 August 2008 (“2008 version”).

Given the above, the Executive Committee and Supervisory Board of primion Technology AG declare that the recommendations of the German Corporate Governance Code are being complied with and have been complied with historically. The Executive Committee and Supervisory Board of primion Technology AG also intend to observe these recommendations in future. The following recommendations and proposals of the German Corporate Governance Code only were not, and will not be, implemented:

1. Deductible for directors and officers’ liability insurance

In Section 3.8 on liability insurance, the Code recommends that companies stipulate a deductible for members of the Executive Committee and Supervisory Board (known as directors and officers’ liability insurance policies). primion Technology AG is not of the opinion that the commitment and responsibility with which the members of the Executive Committee and Supervisory Board perform their duties can be improved by agreeing a deductible. D&O insurance policies for members of the Executive Committee and Supervisory Board of primion Technology AG do not therefore include a deductible.

2. Specifying the allocation of duties among members of the Executive Committee in by-laws

In Section 4.2.1 Sentence 2, the Code recommends that by-laws govern the work of the management board, in particular the allocation of duties among individual board members, matters reserved for the management board as a whole and the required majority for management board resolutions (unanimity or resolution by majority vote). primion Technology AG deviates from this recommendation to the extent that the by-laws for the Executive Committee do not explicitly govern the areas for which individual members of the Executive Committee are responsible. Duties are included in an organizational chart, which is referred to in the by-laws.

3. Remuneration of members of the Executive Committee

The remuneration of the Executive Committee of primion Technology AG is given as a total amount, subdivided into fixed and variable components. According to Section 4.2.5 of the Code, remuneration should be disclosed in a compensation report which, as part of the Corporate Governance Report, describes the compensation system for management board members in a generally understandable way. primion Technology AG is of the opinion that reporting the remuneration of Executive Committee members in the consolidated financial statements subdivided according to fixed and variable components suffices. primion Technology AG does not deem separate reporting of the compensation structure necessary.

4. Formation of Supervisory Board committees
According to Section 5.3.1 of the Code, the Supervisory Board should form committees with sufficient expertise depending on the specifics of the enterprise and the number of its members. This should include an audit committee as detailed in Section 5.3.2 of the Code and a nomination committee for proposing suitable candidates to the Shareholders' Meeting in accordance with Section 5.3.3. primion Technology AG refrains from forming Supervisory Board committees due to the size of the Company. primion Technology AG is also of the opinion that forming committees would not boost the efficiency of a Supervisory Board comprising six members.

5. Age limit for members of the Executive Committee
According to Section 5.1.2 of the Code, an age limit should be specified for members of the Executive Committee. Such an age limit is not stipulated because primion Technology AG is of the opinion that the performance of Executive Committee members does not depend on an inflexible age limit.

6. Age limit for Supervisory Board members
According to Section 5.4.1 of the Code, a defined age limit should be taken into consideration when selecting Supervisory Board members. Such an age limit is not stipulated because primion Technology AG is of the opinion that the performance of Supervisory Board members does not depend on an inflexible age limit. The Company shall therefore continue to benefit from the expertise of experienced Supervisory Board members.

7. Remuneration of members of the Supervisory Board
According to Section 5.4.7 of the Code in the 2007 version and Section 5.4.6 in the 2008 version, members of the Supervisory Board should receive performance-related compensation in addition to a fixed element. The remuneration of members of the Supervisory Board should be disclosed individually in the Corporate Governance Report, subdivided by components. Remuneration amounts paid to the members of the Supervisory Board by the Company or advantages extended for services provided individually, in particular advisory or agency services, should also be disclosed individually and separately in the Corporate Governance Report.

The articles of association of primion Technology AG – the latest version of which is published on the Company's website – only stipulate fixed remuneration. The individualized remuneration of the members of the Supervisory Board can be derived from the articles of association, allowing an individualized presentation to be omitted from the notes to the consolidated financial statements. primion Technology AG is of the view that all members of the Supervisory Board perform their functions with a high level of commitment and motivation and with the Company's long-term success in mind. We do not, therefore, regard additional performance-related remuneration as necessary to ensure the Supervisory Board performs its functions responsibly. In accordance with legal regulations, the Company shall present the remuneration of all Supervisory Board members as a single total in the notes to the consolidated financial statements.

8. Publication of the consolidated financial statements and interim reports
According to Section 7.1.2 of the Code, the consolidated financial statements should be publicly accessible within 90 days of the end of the fiscal year; interim reports shall be publicly accessible within 45 days of the end of the reporting period. At primion Technology AG, reporting follows the financial reporting obligations of Deutsche Boerse AG for the Prime Standard. As a result, primion Technology AG publishes its consolidated financial statements within four months and quarterly reports within two months of the end of the reporting period.

9. Discussion of half-year and quarterly financial reports with the Supervisory Board
With regard to its third quarterly report in fiscal 2007/2008, primion Technology AG deviated from the recommendation in Section 7.1.2 Sentence 2 of the GCGC (2008 version), which came into effect on 8 August 2008, whereby half-year and quarterly financial reports should be discussed with the management board by the Supervisory Board or audit committee prior to publication. primion Technology AG shall not adhere to this recommendation in future either. Instead, primion Technology AG will adhere to the proven principle of only discussing financial reports during the fiscal year with the Supervisory Board if the content gives reasonable cause to do so, particularly if a financial report does not deviate substantially from previous financial reports or expectations in an unforeseeable way."

Transparency for our shareholders
Information about significant dates is provided in a timely manner to shareholders and interested parties in our financial calendar, which is published in the quarterly financial reports as well as on our website. The Investor Relations section of our website provides all available up-to-date information including key figures, disclosures, actions subject to reporting and corporate governance. Comprehensive transparency includes ongoing control of whether significant transactions were concluded between a firm within the primion Group and a member of the Executive Committee or Supervisory Board or a related party. This is reported on in the notes to the consolidated financial statements.

Shareholders and the Annual Shareholders' Meeting
At the Annual Shareholders' Meeting, shareholders have the opportunity to exercise their voting rights in person or by use of a proxy or an appointed representative of the Company. In addition, the invitation to the Annual Shareholders' Meeting and the requisite reports and documents for passing resolutions are published in accordance with legal requirements and made available to shareholders and interested parties on the website of primion Technology AG.

Cooperation between the Executive Committee and Supervisory Board; management and supervisory structure

The Executive Committee informs the Supervisory Board regularly, extensively and in a timely manner concerning all developments and events that are of significance to the business development and situation of the primion Group. The Supervisory Board acts as a supervisory body. Key Executive Committee decisions therefore require the approval of the Supervisory Board. During the reporting period, the Executive Committee and Supervisory Board worked closely together in a relationship based on trust. Further details concerning cooperation between the Executive Committee and Supervisory Board can be found in the report of the Supervisory Board.

Risk management

A responsible approach to operational risk is one of the standards of good corporate governance. The Executive Committee of primion Technology AG and management within the primion Group therefore have access to intra-group risk management tools, which enable appropriate risk management and control within the Company. Current corporate risks are reported on in the management report.

Shareholdings of members of the Executive Committee and Supervisory Board

According to Section 6.6 of the GCGC, the shareholdings or related financial instruments held by members of the Executive Committee and Supervisory Board shall be reported if these directly or indirectly exceed 1% of the shares issued by the Company. If the entire holdings of all members of the Executive Committee and Supervisory Board exceed 1% of the shares issued by the Company, these shall be reported separately according to Executive Committee and Supervisory Board.

As at 30 September 2008, the members of the Executive Committee and Supervisory Board directly or indirectly held 569,993 shares in primion Technology AG, representing 10.27% of total shares issued by the Company. The corresponding shareholdings of the members of the Executive Committee and Supervisory Board are listed below:

Member of the Executive Committee	Number of shares held
• Heinz Roth	499,750
• Thomas Bredehorn	53,243
• Roland Schmider (to 30 April 2008)	15,000
Total	**567,993**

Member of the Supervisory Board	Number of shares held
• Dr. Willi Merkel	2,000

Announcements on directors' dealings

Pursuant to Section 15a of the German Securities Trading Act (WpHG), all members of the Executive Committee and Supervisory Board of primion Technology AG, as well as certain employees with management responsibilities and related parties thereof, must report the purchase and sale of primion shares and related financial instruments. During the past year, primion Technology AG has published several announcements relating to directors' dealings. This information can be found on the Company's website atwww.primion.de/archiv-directors-dealings.921.0.html.

Share option programmes and similar securities-based incentive systems

There are no share option programmes or similar securities-based incentive systems within the Company.

Financial statements auditing

No relationships exist between the auditor, its executive bodies and head auditors on the one hand, and the Company and the members of its executive bodies on the other hand, that could call the auditor's independence into question. In accordance with Section 7.2.3 of the Code, it was arranged for the auditor to report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit.

The Executive Committee of primion Technology AG
The Supervisory Board of primion Technology AG

Group Management Report 2007/2008

1. Business and framework

The primion Group is an internationally operating supplier of innovative software and hardware-based systems for access control, time recording and integrated security technology. Access control systems are at the heart of the primion Group's operating activities. Other products and services in the time management and integrated security technology divisions supplement this core competence.

1.1. Corporate changes

During the past fiscal year 2007/2008, Nisus N.V. in Herentals/Belgium was merged with its parent company General Engineering & Technology N.V., Malle/Belgium. Apart from this, there were no changes in the corporate structure of the primion Group.

At year-end, the primion Group was therefore structured as follows:

	Shareholding as at		
Company and headquarters	**30.09.2008**		**30.09.2007**
Direct participations:			
primion SAS Boulogne-Billancourt, France	100.00%		100.00%
primion Technology GmbH, Graz, Austria	51.00%		51.00%
primion GmbH, Stetten am kalten Markt, Germany	100.00%		100.00%
primion Digitek S.L.U., Barcelona, Spain	100.00%		100.00%
General Engineering & Technology N.V., Malle, Belgium	100.00%		100.00%
Jans Sicherheitssysteme GmbH, Ludwigsburg, Germany	100.00%		100.00%
primion AG, Tuggen, Switzerland	26.00%	*2	26.00%
SFK Networkservice GmbH, Roemhild, Germany	15.00%	*3	15.00%
Indirect participations:			
Nisus N.V., Herentals, Belgium	0.00%	*4	100.00%
GET Nederland B.V., Waardenburg, Netherlands	100.00%	*1	100.00%
Dataget SAS, Tourcoing Cedex, France	100.00%	*1	100.00%

* 1 Wholly-owned subsidiary of General Engineering & Technology N.V., Belgium
* 2 At-equity
* 3 At-cost
* 4 Merged with the parent company General Engineering & Technology N.V., Belgium

After the balance sheet date, but before these financial statements were approved, the closure of additional facilities at primion Technology GmbH in Graz/Austria was agreed and initiated. The resulting impact on the consolidated financial statements is judged to be immaterial.

Also following the balance sheet date but before these financial statements were approved, it was agreed to form NODENS s. r. o. in Prague. primion Technology AG has a 51% holding in this company.

As a result of acquiring 20.11% of the shares in primion Technology AG on 11 September 2008, Azkoyen S.A., Peralta (Navarre), Spain, became a related party in the sense of IAS 24. On this day, Azkoyen S.A. issued a statement regarding a takeover bid in accordance with the requirements of the German Securities Acquisition and Takeover Act (WpÜG). Heinz Roth of Ludwigshafen/Germany, who according to Section 2 [5] of the WpÜG is a party acting jointly with Azkoyen, still holds 499,750 shares and voting rights in primion Technology AG. This corresponds to a share of 9.00% of the capital stock and voting rights in primion Technology AG. Heinz Roth's voting rights are assigned to Azkoyen S.A. in accordance with Section 30 [2] of the WpÜG. On 20 October 2008, Azkoyen S.A. issued an official voluntary takeover bid in accordance with WpÜG regulations to all shareholders of primion Technology AG for €6.00 per share, which was valid until 21 November 2008. In addition, Azkoyen S.A. arranged a further term for acceptance from 28 November 2008 to 11 December 2008. At the end of the first period on 21 November 2008, Azkoyen held 74.02% of the shares and, including Heinz Roth's voting rights, 83.03% of the voting rights in primion Technology AG. From this date at the latest, Azkoyen was regarded as the controlling enterprise in the sense of IAS 27. At the end of the second term on 11 December 2008, Azkoyen held 77.17% of the shares and, including Heinz Roth's voting rights, 86.17% of the voting rights in primion Technology AG.

1.2. Parent company and Group structure

Alongside its operational distribution and installation activity, primion Technology AG performs development, production and holding functions for the Group as a whole.

Sales and installation are primarily end customer-focused and are made through 13 branch offices in Germany, as well as ten further locations associated with Group and affiliated companies in Switzerland, Austria, France, Spain, Belgium and the Netherlands, plus approx. 30 additional distribution partners in Germany and abroad. The primion Group's "one-stop shop" business model covers the entire value chain from development and production through project planning to installation and integration, as well as complementary services (e.g. consultancy, training, customer support and system maintenance).

Deploying primion technology enables customers to boost their security standards and increase efficiency in HR allocation and facility management. It is possible to combine specific modules to meet customer requirements, integrate existing IT systems via standardized interfaces and integrate system components globally.

Thanks to its high level of innovative strength and expert implementation of customer-focused products, system solutions and services, the primion Group is one of the leading innovators and technology providers in the European markets for access control, time recording and integrated security technology.

Customers in Germany are served by the responsible branch office, while elsewhere the relevant subsidiary or affiliated company acts as the contact for planning and implementing customer projects. In countries where we do not have a presence, partners perform these tasks.

Most of the primion hardware installed in customer projects is produced at the parent company's headquarters in Stetten am kalten Markt/Germany.

In total the primion Group employs 420 people as at 30 September 2008 (30 September 2007: 402). The rise can mainly be attributed to strengthening the areas of sales and technical services at primion Technology AG and Jans Sicherheitssysteme GmbH, which was countered by reducing the number of development staff at the GET Group.

As at 30 September 2008 and 30 September 2007 respectively, the headcount at the Group's various companies and areas of operation is broken down as follows:

	30 September 2008		30 September 2007	
Company	**absolute**	**relative**	**absolute**	**relative**
primion Technology AG	226	53.8%	218	54.2%
GET Group	112	26.7%	111	27.6%
primion Digitek, Spain	35	8.3%	32	8.0%
Jans Sicherheitssysteme GmbH, Ludwigsburg/Germany	30	7.2%	24	6.0%
primion SAS, France	14	3.3%	14	3.5%
primion Technology GmbH, Austria	3	0.7%	3	0.7%
Total	**420**	**100.0%**	**402**	**100.0%**

	30 September 2008		30 September 2007	
Area of operation	**absolute**	**relative**	**absolute**	**relative**
Sales and technical services	264	62.9%	233	58.0%
Production	32	7.6%	31	7.7%
R&D	59	14.0%	71	17.7%
Administration	65	15.5%	67	16.6%
Total	**420**	**100.0%**	**402**	**100.0%**

1.3. Management of the primion Group

The Executive Committee of primion Technology AG formulates corporate strategy for the whole Group and also works with the managing directors of subsidiaries or divisional managers at primion Technology AG on key issues that correspond with member responsibilities in terms of remit and location.

Within research and development, Group-wide projects are managed centrally at the parent company in Stetten am kalten Markt. Country-specific developments are implemented at the relevant subsidiaries.

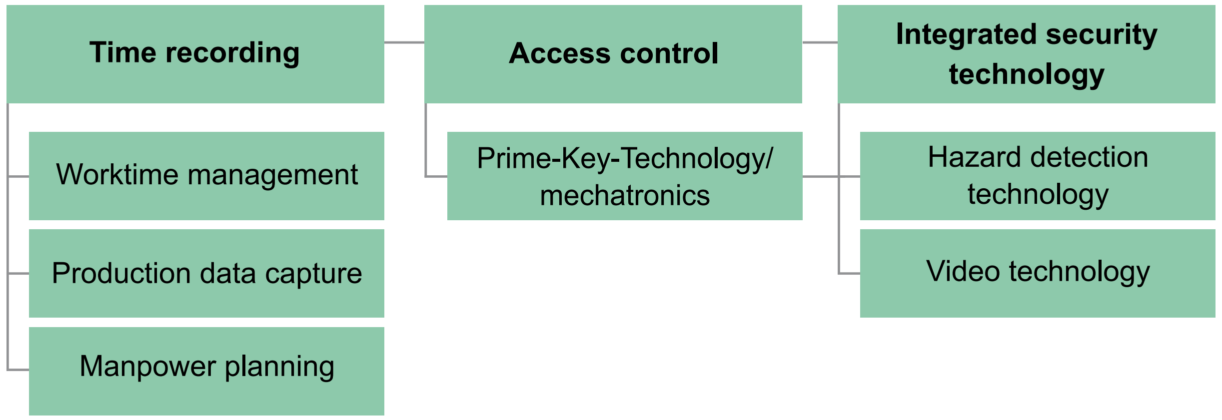
In terms of holding functions, the parent company provides Group-wide standards and guidelines in the area of finances, accounting and controlling in particular.

The primion Group uses standardized reporting that includes conventional financial information (such as the monthly income statement and quarterly balance sheet), information from the sales division (e.g. order levels and analyses of orders received), as well as what is known as a management discussion and analysis (MD&A). In addition to financial information, on a monthly basis the MD&A updates the Executive Committee of primion Technology AG on other key figures such as core current customer projects, market trends and competitor performance, ongoing R&D projects, cost cutting projects, changes in personnel and legal aspects.
This monthly information is used to manage the primion Group and to monitor the target figures agreed during the annual budget process. Particular attention is paid to the key performance indicators total revenues, earnings before tax (EBT), earnings before interest and taxes (EBIT), as well as earnings before interest, taxes, depreciation and amortization (EBITDA). These indicators are one of the elements used to determine performance-related pay for members of the Executive Committee of primion Technology AG, divisional heads at primion Technology AG and the managing directors of subsidiaries.

1.4. Products and markets

The primion Group provides innovative software and hardware-based systems for access control, time recording and integrated security technology, as well as complementary services. System solutions for recording time include modules for worktime management, manpower planning and production data capture, while modules for integrated security technology feature hazard detection and video technology. Prime key technology and mechatronic system components augment access control and integrated security technology. The target group for primion's products and services consists of companies of all industries and sizes.

The following chart shows primion's system solutions and the integrated modules:



The products comprise hardware, software, security technology/mechatronics (Prime-Key-Technology) and other components. Services are divided into professional services (planning and project planning, training, implementation and integration, plus customer support) and system maintenance. primion offers integrated system solutions featuring a modular structure. Certain components that primion does not manufacture itself, such as locks, identifiers (e.g. ID cards and key fobs), PCs and cameras, are obtained from third-party providers.

Systems for access control
Electronic access control systems are now an integral part of building security concepts. They fulfil a range of organizational and technical tasks and link up with other elements of facility management. As a result, technology systems play an important role in safeguarding the confidentiality, integrity and availability of assets, information and services. Key features include:

- Timed/spatial allocation of access rights for predefined persons
- Quick and flexible changes to rights
- Reliable exclusion of unauthorized persons
- Reporting on attempts to tamper with the system and with areas monitored by access control systems
- Documenting all events relevant to the system
- Option of integrating additional applications

Access control systems range from a simple locking system to a complex solution for high-security areas. Modern access control centres manage and monitor turnstiles, gates and airlocks, as well as doors. The range of applications is varied. For example, an access control centre can perform elevator control tasks. When a card reader is installed inside the elevator, the control unit can determine who is allowed to travel to which level.

The primion access control system is used to manage control units (access control units) with adjustable parameters via web-based host software. It is possible to connect up to 32 readers depending on requirements. Site specifics and customer requirements (e.g. the number of entrances/exits and authorized persons together with the necessary system redundancies) determine the number of access control units required. There is virtually no technical limit on the total number that can be deployed within a system solution. A reader captures the identifying features and converts them into electrical signals that can be read by the access control unit. Identifiers are defined in conjunction with the customer and vary from straightforward number systems (number combinations) through RFID technologies (smart cards) to personal biometric identifiers (e.g. fingerprint and iris). Software matches the identifiers to the corresponding persons and their individual access rights, which are stored in a database. Individual rights can be blocked, deactivated and modified instantly on demand.

Systems for time recording
Electronic time management systems facilitate the recording and monitoring of persons present or absent and evaluate the corresponding times (attendance, absences and additional time) in preparation for payroll accounting. There are also planning functions such as shift, HR allocation and vacation planning. Stored data also forms the basis of HR statistics and information. In production areas, it is therefore possible to calculate order and process-related times. To capture arrival/departure times, the same identifiers are utilized as in access control systems. Entries can be made via special time recording terminals featuring a display and keyboard, via workstation PCs or by telephone.

Worktime management systems handle an increasing number of complex, varied worktime models (e.g. flexitime, shifts, annual working hours and time worked in a lifetime). In addition, the systems need to be able to map changes for individual employees between these models and allow the worktimes recorded to be evaluated. Furthermore, companies are finding it increasingly important to monitor HR costs and assign them to individual cost centres in a timely manner. The focus here is on allocating recorded worktimes to various scales, including calculating hours that attract additional payment such as overtime and working at nights, weekends and on public holidays.

The production data capture module provides information about which employee was working on which order at what time and which activities were performed. Data is captured by special time recording terminals featuring a display and keyboard or barcode scanners and subsequently used to log employee performance and calculate actual order costs.

Integrated security technology

Integrated security technology includes providing hazard detection (fire, burglary and technical alarm) and video technology modules. These additional modules can be integrated into the primion access control system, making it possible to connect webcams, smoke, water and motion sensors, and glass break sensors to an access control unit. This system captures, records and reports relevant events and provides corresponding analyses.

New Prime-Key-Technology products from the mechatronics division supplement primion solutions in access control and integrated security technology. The technology is based on RFID-based rewriteable smart cards which receive current rights data via special card readers connected to the host software by the access control unit. In this way, elements of rights data are stored on the smart card. Special access control units access the data stored on the smart card directly, meaning that no connection to the host software is required. This allows smaller access control units to be built for integration together with a reader into mechatronic products like cylinders and door fittings. Small, powerful batteries provide power, thereby eliminating the need for cables. Prime-Key-Technology turns previously passively deployed card readers into an active system that can read as well as write.

1.5. The economy as a whole and industry

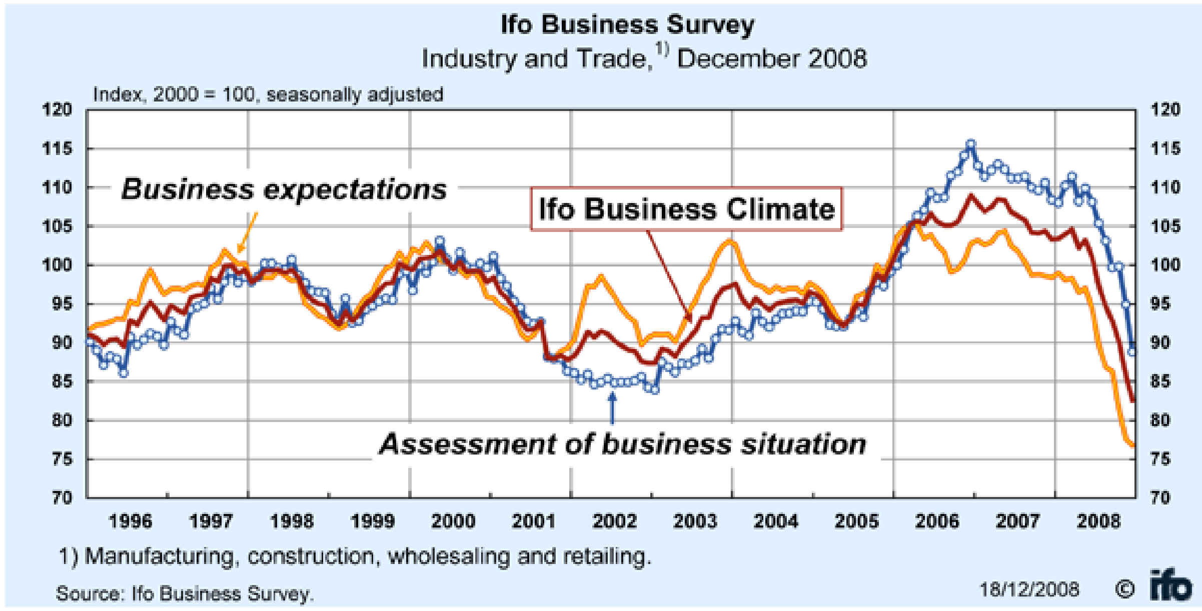
The primion Group's operating activities are also shaped by the general economic situation in western Europe because this can have a significant impact on business activity in the industry (access control, time recording and integrated security technology) in key markets and therefore on business development.

In the 2007/2008 fiscal year, the economy in Germany and Europe slowed significantly compared to the prior year. According to data from Eurostat, the Statistical Office of the European Communities, real gross domestic product (GDP) in the 15 countries within the eurozone still grew by 2.1% in Q4 2007 compared to the prior year but fell by 0.7% in Q3 2008 compared to the same period last year. The economic performance of the 15 eurozone countries shrank by a total of 0.2% in Q3 2008. GDP within the eurozone had already fallen by 0.2% in Q2 2008. If the economy contracts in two successive quarters, experts talk about a "technical recession". In Germany, the eurozone's biggest economy, growth declined by 0.5% in Q3 2008 following a contraction of 0.4% in Q2 and therefore more sharply than in the eurozone on average. In our key markets outside Germany, the situation in the third quarter of 2008 is as follows: the Benelux countries and France are still recording a low rate of growth, while GDP in Spain has likewise contracted in the meantime by 0.2%. Our assessment of Germany's economic development is currently rather cautious. The Ifo Business Climate Index for trade and industry in Germany fell significantly in December 2008, continuing its decline of more than a year. The dominant feature in December 2008 is a worsening of the business situation for firms. Survey participants remain sceptical about the outlook for the next six months. The Business Climate Index was at a similarly low level during the second oil crisis in late 1982. The downturn affected manufacturers of export goods and capital equipment especially.

Ifo Business Climate Germany (Index, 2000 = 100, seasonally adjusted)

	12/07	01/08	02/08	03/08	04/08	05/08	06/08	07/08	08/08	09/08	10/08	11/08	12/08
Climate	103.3	103.4	104.0	104.6	102.2	103.2	101.0	97.3	94.7	92.8	90.1	85.8	82.6
Situation	108.4	108.0	110.2	111.4	108.2	109.9	108.1	105.4	103.1	99.7	99.8	94.9	88.8
Expectations	98.4	99.0	98.1	98.3	96.5	97.0	94.4	89.7	86.9	86.3	81.4	77.6	76.8

Source: Ifo Business Survey



These general economic trends are not currently reflected in activity within our industry. During previous times of crisis, demand for security technology tended to rise because people become more conscious of security issues in times of crisis.

The market for access control and time recording systems

Germany
The most significant market for the primion Group remains the market for access control and time recording systems in Germany.

In 2007, sales in Germany by all providers of access control and time management systems amounted to approx. 549 million euros compared to 511 million euros in 2006. This volume includes exports of 84 million euros in 2007 and 74 million euros in 2006 respectively (source: study into "Access control and time management. Germany and Europe 2007/2008", Mario Fischer Unternehmensberatung (management consultancy), p. 62 et seq.). At approx. 6.4%, the domestic growth rate in 2007 was significantly below average growth rates in preceding years. During the period from 1997 to 2007, the access control and time recording market in Germany grew from 212 million euros to 549 million euros, with an average annual growth rate in excess of 10% (source: study into "Access control and time management. Germany and Europe 2007/2008", Mario Fischer Unternehmensberatung, p. 63). At 13.5%, growth in exports in 2007 roughly corresponded to long-term average growth rates in previous years.

In our estimation, this growth rate was influenced by two factors: the comparatively low starting point in 1997, plus the special effects of the year 2000 transition. According to the Mario Fischer study "Access control and time management. Germany and Europe 2007/2008", the market grew by an average of 5.9% p.a. from 2002 to 2007.

The study also forecasts that the market for access control and time management systems in Germany will grow by an average of approx. 7.6% p.a. in the period from 2007 to 2012 to a total of 670 million euros. Equipment (plant, systems and components) is set to grow by an average of 7.7% p.a. from 262 million euros in 2007 to 380 million euros in 2012, while the associated services and other services (including installation, maintenance, after-sales service, project planning and consultation) look to grow by an average of 7.4% p.a. from 203 million euros in 2007 to 290 million euros in 2012 (source: study on "Access control and time management. Germany and Europe 2007/2008", Mario Fischer Unternehmensberatung, p. 85 et seq.).

Europe
According to Mario Fischer, the total market for defined access control systems in Europe represents a sales volume of approx. 2.9 billion euros (source: study on "Access control and time management. Germany and Europe 2007/2008", Mario Fischer Unternehmensberatung, p. 224 et seq.). For countries where the primion Group is represented, this breaks down as 540 million euros in France, 240 million in Spain, 220 million in the Benelux countries, 140 million in Switzerland and 135 million in Austria.

Trends
According to the Mario Fischer study, market drivers include advances in system digitization, improved data transfer and the increasing functional convergence of previously isolated systems (e.g. CCTV with individual reporting and access control systems). So-called stand-alone solutions are becoming less significant and are merging with innovative new security systems in control centre technology, IT and facility management systems. Networked access control and time management systems, including over long distances, will generate additional demand. "Access control over IP" technology will take on greater importance in the process.

Smart card technology allows a variety of applications to be bundled on a central data storage medium, as well as facilitating handling and extending the functionality of access control and time recording systems in conjunction with RFID technology. In the light of this, the Company expects more and more existing systems to be replaced by versions that deploy these new technologies.

In the Company's opinion, a further important market driver is the general security risk associated with the ongoing threat of terror attacks and crime. In future, the public sector in particular, as well as sections of public transport (e.g. airports and sea ports), is expected to invest more in security technology due to corresponding security guidelines and regulations.

The Company also believes that the shift from mechanical to electromechanical applications is set to continue and that the enhanced need for video technology increases the demand for combined software and hardware system solutions for access control. This trend is also evident in the current large-scale contract from the Free University of Berlin.

1.6. Competition and market position

The market relevant to the primion Group is characterized by a low concentration of participants. Besides a few large providers, there are a number of smaller companies that distinguish themselves by their regional focus or by specializing in certain fields of application and technologies. The market is currently undergoing a phase of crowding out and consolidation. We expect this trend to continue in future.

According to the Mario Fischer study, the domestic market in 2007 featured three leading providers, of which the primion Group was one (see the study on "Access control and time management. Germany and Europe 2007/2008", Mario Fischer Unternehmensberatung, p. 120 et seq. for information on this and aspects mentioned below).

The study indicates that the primion Group has been able to expand its share of the domestic market continually over the past few years. With a market share of 14.4%, the Group is the top German provider in the sector for access control and time management solutions. Accordingly, primion has been able to overtake the existing market leader in 2007. The following reasons are given for primion's continuous ascent to become the leading German provider: the Company has systematically extended its market position by way of acquisitions that took place between 2005 and 2007, has entered into targeted partnerships and has longstanding relationships with major customers like Deutsche Telekom.

The primion Group is also very well positioned outside Germany. The GET Group is the market leader in Belgium, a position illustrated by a contract from the City of Antwerp in March 2008, which will run for several years and has a total volume of 2.5 million euros. Some 8,000 employees working in Antwerp's municipal buildings will receive a Mifare ID card which stores all the information needed by readers for access control and worktime recording. In Spain, the primion Group is already very well positioned and operating successfully thanks to Digitek. We expect our position in the Spanish market to be augmented further by the involvement of Azkoyen S.A. of Spain as the majority shareholder in primion Technology AG, as well as to enter the Italian market for the first time. Market share in France currently remains immaterial. Nevertheless some important reference projects were won here.

We have described the anticipated/forecast impacts of Azkoyen S.A. gaining the majority of voting rights in primion Technology AG on the competitive and market positions in section 7 "Outlook and prospects".

1.7. Expanding the product portfolio

By acquiring Jans Sicherheitssysteme GmbH in May 2007, the primion Group has further expanded its market position in the field of integrated security technology. As a result, the primion Group has become Germany's leading systems provider for complex security solutions. In addition to enhancing solution competence and broadening our customer base, we see a medium-term opportunity here to boost profitability in hardware production as well as distribution. Within the industry, Jans Sicherheitssysteme GmbH is a recognized specialist in integrated solutions for security technology.

Please refer to section 7 "Outlook and prospects" for information on the anticipated/forecast impacts on the product portfolio of Azkoyen S.A. gaining the majority of voting rights in primion Technology AG.

1.8. Assessment of business development

The primion Group's business did not develop as anticipated. Overall, planned sales and earnings targets were not attained. The result of operations was negatively impacted to a considerable extent by several extraordinary and one-off transactions. The market position could be consolidated in core areas of the business. In our opinion, the following events significantly shaped development of the business:

- There was a shortfall of 1.4 million euros in meeting the target for total revenues. This can be attributed almost exclusively to the fourth quarter of fiscal year 2007/2008. A key factor here was projects that did not run favourably which made it necessary to adjust project costings for contracts, some of which were major orders. These adjustments led to lower than expected consolidated net income as a result of lower percentages of completion pursuant to IAS 11 and thus lower revenues. One particular indicator of this trend is the cost of materials ratio which was 4.0% higher than planned due to the increased use of external services.

- The higher cost of materials ratio can also be attributed to the fact that during the past fiscal year projects increasingly involved mechatronic products (prime key technology, PKT) where margins are lower. Behind this reduced margin, the output quantities for this new product development remain reasonable.

- Payments totalling 0.5 million euros were made or deferred in the fiscal year due to the premature end of member of the Executive Committee Roland Schmider's employment.

- There was a total shortfall of 4.1 million euros in meeting the EBIT target. The shortfall in meeting the EBIT target can be broken down as follows:

  - 2.5 million euros at primion Technology AG
  - 0.2 million euros at Jans Sicherheitssysteme GmbH
  - 0.7 million euros at the GET Group, Benelux
  - 0.4 million euros at primion Digitek S.L.U., Spain
  - 0.3 million euros at primion S.A.S., France

- Furthermore, despite slightly negative earnings before tax (EBT), a tax expense of 1.2 million euros was declared. 1.0 million euros here results from fully restating deferred taxes recognized in the prior year at primion Technology AG as described in section 4.1.5., as a result of the majority takeover of shares by Azkoyen S.A. of Spain.

2. R&D report

Developing both existing and new system solutions for hardware and software is a major competitive factor for the primion Group.

The development department is divided into hardware and software, with these areas then subdivided into product support, current customer requirements and strategic product development.

No basic research is conducted as the primion Group deploys mainstream technologies and integrates them into market- and customer-oriented systems.

Development projects are handled by specially put together teams which may encompass multiple locations where required. Depending on the task, a team will comprise one or more hardware and/or software developers, mechanics design engineers and production specialists. Incorporating all the necessary elements lays the foundation for smooth, fast series production.

New developments are appearing in mechatronics, biometrics (e.g. fingerprint and iris scans) and video technology (e.g. CCTV).

59 people work in development across the Group at the balance sheet date of 30 September 2008 (prior year: 71). Of these, 42 employees are based in Germany (prior year: 40), 3 in Austria (prior year: 3), 8 in Belgium (prior year: 22) and 6 in Spain (prior year: 6).

As at 30 September 2008, development costs to the amount of €5,026k were capitalized (30 September 2007: €4,932k). Of this, a total of €1,201k relates to acquisitions in fiscal year 2005/2006 (GET Group €629k and primion Staedtler GmbH €572k), which was subject to amortization at €210k as at 30 September 2008. Amortization in the period from 1 October 2007 to 30 September 2008 amounted to €1,718k (prior year: €775k). Research and development expenditure which was directly recognized under expenses amounted to €2,217k during the period (prior year: €2,099k).

Hardware integration has been completed in Belgium for time recording terminals and is scheduled to be completed for access control hardware in March 2009. Furthermore, as part of a major project the primion and Staedtler software product lines are being merged. The GET development department is developing time recording software for international use under the project name “Phoenix”. This new software technology platform is based on the web-based software from primion Technology AG. Courtesy of this concept, the primion Group is able to offer its customers smooth migration to the next generation of software. By implementing “Phoenix”, all development activities will be amalgamated, thereby aiming to achieve synergies in development throughout the Group. Development resources freed up by this process will be invested in other primion product innovations and shall help the primion Group to significantly extend its technology edge.

3. Additional disclosures in accordance with Section 315 of the German Commercial Code (HGB)

Relating to Section 315 [2] 4 HGB

The compensation structure for members of the Executive Committee is discussed, regularly monitored and approved by the Supervisory Board. It comprises a fixed, non-performance-related element and a variable, performance-related component. The performance-related component is based on consolidated net income in accordance with IFRS before income tax and profit sharing. As a benefit, members of the Executive Committee are provided with a company car, including for private use. In addition, the Company has taken out accident insurance and direct insurance policies (in Germany these are life insurance policies with pension entitlements) for the benefit of Heinz Roth and Thomas Bredehorn and their heirs. Other benefits in the event of termination of service as an Executive Committee member have not been agreed. There are no share option programmes.

The members of the Supervisory Board of primion Technology AG receive fixed, basic remuneration only. Other remuneration has not been agreed.

Relating to Section 315 [4] 1 HGB

The share capital of primion Technology AG amounted to 5.55 million euros at the balance sheet date and is divided into 5.55 million bearer shares. Each share entitles the bearer to one vote.

Relating to Section 315 [4] 2 HGB

Shareholder agreement between Azkoyen S.A. and Heinz Roth

Azkoyen S.A. headquartered in Peralta/Spain (hereinafter referred to as “Azkoyen”) and Heinz Roth concluded a shareholder agreement on 11 September 2008. This shareholder agreement contains the following arrangements affecting primion shareholders:

Voting agreement

Heinz Roth has agreed to exercise the voting rights associated with his shares in primion Technology AG in accordance with the instructions of Azkoyen. Excluded from this decisional authority are decisions regarding an elimination of minority interests (a squeeze-out) pursuant to Sections 327a et seq. of the German Stock Corporation Act (AktG) or Sections 39a et seq. of the German Securities Acquisition and Takeover Act (WpÜG); termination of the stock exchange listing (delisting); changing the stock exchange segment or selecting Supervisory Board members according to the requirements specified, which require the approval of both Azkoyen and Heinz Roth within the scope of their internal relationship. As part of the shareholder agreement, Azkoyen and Heinz Roth have made the decision to propose resolutions at the Annual Shareholders’ Meeting of primion Technology AG that:

- The number of Supervisory Board members be reduced from six to three
- The appointment of the current Supervisory Board members be revoked, with the exception of the present Chairman of the Board Professor Johann Loehn, and that new Supervisory Board members be appointed in line with the shareholder agreement described
- The fiscal year of primion Technology AG be aligned with the calendar year
- Deloitte & Touche be appointed as company auditor
- Section 16 [3] of the articles of association of primion Technology AG be modified to the effect that there shall be greater flexibility with regard to the matter of chairmanship of the Shareholders’ Meeting

Composition of executive bodies
With regard to the composition of the Supervisory Board of primion Technology AG, as well as reducing the body in size to three members it is agreed that Heinz Roth shall approve the appointment of two Supervisory Board members nominated by Azkoyen.

If the present Chairman of the Supervisory Board, Professor Johann Loehn, ceases to be in office, Azkoyen shall approve the appointment of a Supervisory Board member nominated by Heinz Roth. In this case, Heinz Roth is obliged to see to it that a Supervisory Board member nominated by Azkoyen be appointed Chairman of the Supervisory Board.

With regard to the Executive Committee of primion Technology AG, Azkoyen and Heinz Roth have agreed as part of their shareholder rights that for a period of five years the Executive Committee shall consist of three members and that Heinz Roth shall be the Chairman of the Executive Committee. Azkoyen and Heinz Roth shall exert their influence over primion Technology AG to the effect that the two other members of the Executive Committee shall be appointed by the Supervisory Board based on nominations made by Azkoyen.

In addition, Azkoyen and Heinz Roth have agreed on proposed by-laws for the Executive Committee and Supervisory Board of primion Technology AG.

Arrangements regarding primion shares
Heinz Roth and Azkoyen have undertaken not to sell or dispose of any primion shares for the duration of the shareholder agreement. Azkoyen is however permitted to transfer its primion shares to an affiliated company.

If after carrying out the takeover bid Azkoyen holds no more than 2,775,000 shares in primion Technology AG, Heinz Roth and Azkoyen have undertaken to exert their influence on primion Technology AG to the effect that primion Technology AG utilizes its approved capital of up to 10% of its capital stock in line with Section 5 [5] of the Company's articles of association and offers the resulting new shares exclusively to Azkoyen for subscription.

Duration of the shareholder agreement
The shareholder agreement is concluded for a period of five years and shall subsequently be extended by one year at a time unless terminated. The shareholder agreement shall end automatically should either Azkoyen or Heinz Roth cease to be a shareholder in primion Technology AG. Furthermore, Heinz Roth is entitled to terminate the shareholder agreement with immediate effect if he ceases to be Chairman of the Executive Committee or a member of the Executive Committee of primion Technology AG or his board contract is terminated, unless this occurs due to cause in the sense of Section 626 of the German Civil Code (BGB).

Relating to Section 315 [4] 3 HGB
Pursuant to Section 21 [1] of the German Securities Trading Act (WpHG), the Chairman of the Executive Committee, CEO and shareholder Heinz Roth, of Ludwigshafen am Bodensee/Germany, announced on 15 March 2007 that his share of the voting rights in primion Technology AG had dropped below the 30% threshold. At the balance sheet date of 30 September 2007, his holding amounted to 28.12%.

In the share purchase agreement dated 11 September 2008, Heinz Roth and VHR Verwaltungsgesellschaft Heinz Roth mbH (hereinafter referred to as "VHR"), in which Heinz Roth holds all shares, have undertaken to transfer to Azkoyen 20.11% of the shares in primion Technology AG headquartered in Stetten am kalten Markt/Germany (hereinafter referred to as "primion"). The transfer of ownership (closing) took place on 17 September 2008. Since the closing, Heinz Roth directly holds 9% of the voting rights in primion. Due to the shareholder agreement between Heinz Roth and Azkoyen dated 11 September 2008 and described above, these voting rights are assigned to Azkoyen. Equally, Azkoyen's voting rights are assigned to Heinz Roth on the basis of this agreement.

As at 30 September 2008, Azkoyen has acquired a further 1.16% of the shares via the stock exchange so that, as at the balance sheet date of 30 September 2008, Azkoyen directly held 21.27% of primion shares. Between 30 September 2008 and 14 October 2008, Azkoyen acquired a further 7.82% of primion shares and before publishing the official voluntary takeover bid to acquire all primion shares on 20 October 2008 directly held 29.09% of primion shares and voting rights. Including Heinz Roth's 9% of the voting rights under the shareholder agreement, at this date Azkoyen held 38.09% of the voting rights in primion Technology AG.

At the end of the first period on 21 November 2008, Azkoyen held 74.02% of the shares and, including Heinz Roth's 9% of the voting rights, 83.03% of the voting rights in primion. At the end of the second term on 11 December 2008, Azkoyen held 77.17% of the shares and, including Heinz Roth's 9% of the voting rights, 86.17% of the voting rights in primion.

In addition to Azkoyen and Heinz Roth, Bluehill ID AG, St. Gallen/Switzerland, ("Bluehill") had a significant stake in primion. From 26 May 2008, Bluehill held a 9.08% share of the voting rights. According to announcements regarding voting rights dated 20 August 2008, Bluehill had exceeded the voting right thresholds of 10% and 15% and at this date held a 15.35% share of the voting rights. According to the announcement regarding voting rights dated 10 October 2008, Bluehill had also exceeded the voting right threshold of 20% and at this date held a 20.36% share of the voting rights in primion. As at 27 November 2008, Bluehill announced that it had sold all its 1,221,745 shares in primion as part of the takeover bid by Spanish company Azkoyen.

Relating to Section 315 [4] 4 HGB
There are no shares with special rights, e.g. powers to appoint Supervisory Board members according to Section 101 [2] of the German Stock Corporation Act (AktG). Due to the shareholder agreement between Heinz Roth and Azkoyen, please refer to the information provided above regarding the composition of the Supervisory Board.

Relating to Section 315 [4] 6 HGB
In terms of appointing and terminating the directorship of Executive Committee members, reference is made to the legal requirements of Sections 84, 85 of the German Stock Corporation Act (AktG). Furthermore, Section 7 of the Company's articles of association specifies that the Supervisory Board sets the number of Executive Committee members. Changes to the articles of association at primion Technology AG may be resolved following Sections 133, 179 of the AktG. Supplementing these legal regulations, Section 14 of the articles of association authorizes the Supervisory Board to make changes to the articles which affect only changes to the text of the articles of association. Furthermore, Section 17 [2] of the articles of association specifies that resolutions of the Annual Shareholders' Meeting may be passed with a simple majority of the votes, provided that the articles of association or mandatory legal regulations do not stipulate otherwise. Please refer to the information provided above with respect to the effects of the shareholder agreement between Heinz Roth and Azkoyen.

Relating to Section 315 [4] 7 HGB
On 12 January 2006, the Shareholders' Meeting of primion Technology AG authorized the Executive Committee, subject to the approval of the Supervisory Board, to increase the Company's capital stock by up to a total of 2,575,000.00 euros (Approved Capital) by issuing new bearer shares in return for stock or cash contributions once or several times by 5 October 2010. Section 5 [5] Sentence 1 of the Company's articles was amended accordingly. Subject to Section 5 [5] Sentence 2 of the articles of association, the Executive Committee is authorized to exclude statutory subscription rights in certain cases.

On 30 May 2008, the Annual Shareholders' Meeting authorized the Company as follows to acquire treasury shares and to sell them excluding statutory subscription rights.

a) The Company is authorized to acquire treasury shares ("primion shares") up to a total of 10% of the capital stock at the time of passing the resolution. In the process, shares acquired under this authorization may not, in combination with other treasury shares acquired by the Company and which it still holds or which are attributed to the Company pursuant to Sections 71 et seq. of the German Stock Corporation Act (AktG), at any time exceed 10% of the capital stock of the Company. The authorization may not be used for the purposes of trading with treasury shares; otherwise, the Executive Committee is free to determine the reason for purchase itself.

   The authorization may be used by the Company wholly or in instalments, for the pursuit of one or more purposes, once or several times, but also by the companies within the Group or by third parties for its or their account within the aforementioned limitations. The authorization to purchase treasury shares expires on 31 August 2009. The time limitation applies to the date of purchase but not to holding the shares beyond this date.

b) The primion shares may be acquired at the discretion of the Executive Committee by purchase via the stock exchange or by means of a public offer to all Company shareholders.

   1) Should the shares be purchased via the stock exchange, the purchase price paid by the Company per share (excluding transaction costs) may not be more than 10% lower or higher than the stock market price. The stock market price for the purpose of the above arrangement is the price of a primion share determined by the opening auction of the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange.

   2) Should the shares be acquired via a public offer to all shareholders, the Company shall set a purchase price or price range per primion share. In the event of a purchase price range being set, the final price shall be determined from the letters of acceptance on hand. The offer may include a term for acceptance, conditions and an option to adjust the price range during the term for acceptance if considerable price movements occur during the term for acceptance following the publication of an offer. The offer volume may be limited. If the number of primion shares tendered exceeds the total number of shares the Company expected to acquire, the shareholders' right to tender may be excluded to the extent that shares shall be acquired based on the proportion of primion shares tendered. Preference may be given to smaller amounts of up to 100 Company shares per shareholder.

      The purchase price or the limits of the offered price range per primion share (excluding transaction costs) may not be more than 20% higher or lower than the average closing price of a primion share on the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange over the last five trading days prior to the effective date. The effective date here is the day on which the Executive Committee makes the final decision regarding the publication of an offer to buy. In the event of a bid adjustment, this shall be superseded by the day on which the Executive Committee makes the final decision regarding the adjustment.

   The principles of the German Securities Acquisition and Takeover Act ("Wertpapiererwerbs- und Übernahmegesetz") must be observed where and insofar as applicable.

c) The Executive Committee is authorized to use Company shares acquired on the basis of the aforementioned or a previously issued authorization

1) to offer and transfer them to third parties, with the agreement of the Supervisory Board, in exchange for non-cash benefits, particularly in the course of business combinations, the acquisition of companies or investments in such companies;

2) to issue to employees of the Company or affiliated companies pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG) or to offer for sale and transfer to such employees;

3) to fulfil obligations arising from convertible and warrant bonds issued by the Company;

4) to offer for subscription to shareholders on the basis of an offer to all shareholders, with due recognition of subscription rights and the principle of equal treatment of shareholders according to Section 53a of the German Stock Corporation Act (AktG), whereby a sale via the stock exchange fulfils these requirements;

5) to sell in some way other than via the stock exchange or via an offer to all shareholders, with the agreement of the Supervisory Board, providing that the acquired shares are sold for cash at a price which is not substantially lower than the quoted market price of a primion share (excluding transaction costs);

6) to retire shares, without such retirement or its implementation requiring any further resolution of the Annual Shareholders' Meeting. Retirement of shares results in a reduction of the capital stock. Alternatively, the Executive Committee may decide, subject to the approval of the Supervisory Board, that the capital stock should remain unchanged after retirement of the shares and thereby raise the proportion of capital stock attributable to the remaining shares pursuant to Section 8 [3] of the German Stock Corporation Act (AktG). In this case, the Executive Committee is authorized to amend the number of shares stated in the Company's articles.

Based on the authorizations in section c), items (5) and (6), depending on when the capital stock is lower, no more than 10% of the Company's capital stock on the day of this Annual Shareholders' Meeting or 10% of the Company's capital stock at the date the shares are sold should be issued in total. When determining the authorized volume, shares must be included that were issued as a result of directly or appropriately applying Section 186 [3] [4] of the AktG (particularly due to existing other authorizations), as well as shares issued or which may be issued during the period for which this authorization is valid due to conversion or options rights and which in turn were issued during the period for which this authorization is valid as a result of directly or appropriately applying Section 186 [3] [4] of the AktG.

d) The authorizations in section c) may be used wholly or in instalments, once or several times, individually or collectively. The price (excluding transaction costs) at which a primion share may be sold to third parties according to the authorizations under section c) (1) and/or (5) may likewise not be more than 20% higher or lower than the average closing price of a primion share on the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange over the last five trading days prior to the effective date. The effective date in this case is the day the binding agreement is reached with the third party.

e) The right of shareholders to subscribe to treasury shares of the Company shall be excluded to the extent that these shares are used according to the aforementioned authorizations under section c) (1), (2), (3) and (5). Moreover, the Executive Committee is authorized in the case of a sale of Company shares as part of an offer to Company shareholders, pursuant to section c) (4), to exclude the right of shareholders to subscribe in the case of fractional amounts, subject to the approval of the Supervisory Board.

The aforementioned resolution replaces the resolution of the Annual Shareholders' Meeting of 2 March 2007, whereby the Company was authorized to acquire treasury shares and to sell them excluding statutory subscription rights.

a) The Company is authorized to acquire treasury shares. The authorization may not be used for the purposes of trading with treasury shares; otherwise, the Executive Committee is free to determine the reason for purchase itself.

b) The authorization is limited to the purchase of shares of up to a total of 555,000 euros – that is, up to 10% of the capital stock at the time of passing the resolution. The authorization may be exercised wholly or in instalments, once or several times, for the pursuit of one or more purposes within the aforementioned limitations. The acquired shares may not, in combination with other treasury shares owned by or attributed to the Company pursuant to Sections 71a et seq. of the German Stock Corporation Act (AktG), at any time exceed 10% of the capital stock. The authorization to purchase treasury shares expires on 1 September 2008. The limitation applies to the date of purchase but not to holding the shares beyond this date.

c) The shares may be purchased at the discretion of the Executive Committee via the stock exchange or by means of a public offer to all Company shareholders.

(i) Should the shares be purchased via the stock exchange, the price paid by the Company per share (excluding transaction costs) may not be more than 10% lower or higher than the stock market price from the opening auction of the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange based on an average price from the preceding five trading days.

(ii) Should the shares be purchased via a public offer to all Company shareholders, i) an offer can be announced by the Company or (ii) shareholders can be publicly invited to submit offers.

Should the shares be purchased via a public offer to all Company shareholders, the purchase price offered, or the limits of the offered price range per share (excluding transaction costs), may not be more than 20% lower or higher than the stock market prices from the closing auction of the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange averaged from the third trading day up to and including the seventh trading day prior to the date on which the offer is announced. The offer volume may be limited. Where the total offer subscription exceeds this volume, acceptance shall be granted in proportion to the respective number of shares on offer. Preference may be given to smaller amounts of up to 100 Company shares per shareholder.

The principles of the German Securities Acquisition and Takeover Act ("Wertpapiererwerbs- und Übernahmegesetz") must be observed where and insofar as applicable.

d) The Executive Committee is authorized to use Company shares acquired on the basis of the aforementioned authorization

(i) to offer to third parties in the course of business combinations or the acquisition of companies, investments in such companies or parts of companies;

(ii) to issue to employees of the Company or affiliated companies pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG), or to offer for sale and/or transfer to such employees;

(iii) to offer to third parties and to transfer to such parties which make a significant contribution to the achievement of the Company's objectives as strategic partners of the Company, or one of its affiliated companies pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG);

(iv) to fulfil obligations resulting from convertible and warrant bonds issued by the Company;

(v) to offer for subscription to shareholders on the basis of an offer to all shareholders, with due recognition of subscription rights and the principle of equal treatment of shareholders according to Section 53a of the German Stock Corporation Act (AktG);
to resell via the stock exchange with due recognition of the principle of equal treatment of shareholders according to Section 53a of the German Stock Corporation Act (AktG);

(vi) to sell in some way other than via the stock exchange or via an offer to all shareholders, providing that the acquired shares are sold for cash at a price which is not substantially lower than the quoted market price of Company shares with the same terms at the time of sale. This authorization is limited to no more than 10% of the Company's capital stock, or 10% of the Company's capital stock at the date the shares are sold, should capital stock be lower at this time. With regard to the authorized volume, other cases of eased subscription right exclusion pursuant to Section 186 [3] Sentence 4 of the German Stock Corporation Act (AktG) must be considered due to other authorizations;

(vii) to retire shares, without such retirement or its implementation requiring any further resolution of the Annual Shareholders' Meeting. Retirement of shares results in a reduction of the capital stock. Alternatively, the Executive Committee may decide, subject to the approval of the Supervisory Board, that the capital stock should remain unchanged after retirement of the shares and thereby raise the proportion of capital stock attributable to the remaining shares pursuant to Section 8 [3] of the German Stock Corporation Act (AktG). In this case, the Executive Committee is authorized to amend the number of shares stated in the Company's articles.

e) The authorizations in section d) may be exercised wholly or in instalments, once or several times, individually or collectively. The price at which the Company's shares may be issued to third parties, pursuant to section d) (i), (iii) and/or (vii), may not be more than 5% lower than the stock market prices determined by the opening auction of the XETRA electronic trading system (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange averaged over the last five trading days prior to the day of the binding agreement with a third party.

f) The right of shareholders to subscribe to treasury shares of the Company shall be excluded to the extent that these shares are used according to the aforementioned authorizations of section d) (i), (ii), (iii), (iv) and (vii). Moreover, the Executive Committee is authorized in the case of a sale of Company shares as part of an offer to Company shareholders, pursuant to section d) (v), to exclude the right of shareholders to subscribe in the case of fractional amounts, subject to the approval of the Supervisory Board.

Based on the authorization presented at the Annual Shareholders' Meeting of 2 March 2007, during fiscal year 2007/2008 the Company acquired a total of 110,000 treasury shares (corresponding to 1.98% of the capital stock) for an average price (including ancillary acquisition costs) of €4.55. The amount spent was €500k in total and, as at the balance sheet date of 30 September 2008, lowers Group equity. In the prior year, the Company did not buy back any shares. These 110,000 repurchased treasury shares were resold in the period from 10 November 2008 to 27 November 2008 for an average price of €6.00 per share (less transaction costs).

Relating to Section 315 [4] 8 HGB
On condition of the change of control the following agreements are in place, which become effective, change or end when there is a change of control in the event of a takeover bid.

The managing director of the subsidiary Jans Sicherheitssysteme GmbH, Jürgen Jans, has a right to terminate his employment contract for cause under section 4 [2] [2] b) should Heinz Roth hold less than 25% of the shares in primion Technology AG as a result of selling his shares.

Furthermore, virtually all finance agreements with banks contain a right to terminate the agreement under specific conditions in case the shareholder structure of primion Technology AG changes substantially.

The change of control led to Deutsche Bank AG demanding repayment or collateralization of its loans in December 2008. Consequently, primion Technology AG no longer uses the overdraft facility granted to the amount of 4.5 million euros. The promissory note loan to the amount of a further 5.0 million euros was fully collateralized by the majority shareholder Azkoyen S.A. by pledging balances at other banks. In place of Deutsche Bank AG, BW-Bank has granted an overdraft facility to the amount of 4.5 million euros and a guaranteed credit line of 1.5 million euros. The other banks made no use of their right to terminate due to the change of control. Overall therefore, the financing situation has been slightly improved as a result of the additional guaranteed credit line.

Relating to Section 315 [4] 9 HGB
There are no compensation agreements with members of the Executive Committee or employees in the event that there is a takeover bid for primion Technology AG.

4. Assets, liabilities, financial position and earnings

The earnings figures presented in the consolidated income statement have been significantly impacted by the incorporation of Jans Sicherheitssysteme GmbH in full for the first time. In the prior year, Jans Sicherheitssysteme GmbH was only included in the scope of consolidation from the date of acquisition on 23 May 2007. The purchase price allocation for Jans Sicherheitssysteme GmbH was completed in the fiscal year now ended. Comparative information for reporting periods before the business combination was initially fully accounted for was presented in accordance with IFRS 3.62 as if accounted for at the acquisition date. In addition, restatements were made pursuant to IFRS 3.63 in conjunction with IFRS 3.33 et seq. in relation to the business combination involving GET N.V. of Malle/Belgium on 28 September 2006. This restatement can be attributed to the disposal of the property from which GET N.V., Malle/Belgium, conducts its operations to the former owner of the GET Group on 28 December 2007. This sale resulted in an additional purchase price payment of €919k, which was paid in cash. Of these subsequent purchase costs, €791k was already recognized under other liabilities as at 30 September 2007. The difference of €128k led to a retrospective increase in goodwill according to IFRS 3.63 in conjunction with IFRS 3.33 f. at the acquisition date of 28 September 2006 and therefore as at 30 September 2006 and 30 September 2007. The restated comparative figures form the basis of the following reporting.

4.1. Results of operations

The results of operations of the primion Group in the year under review and the prior year were materially affected by some special transactions, which are outlined below.

4.1.1. Changes in earnings (total revenues and other operating income)

Earnings compared to the prior year were materially affected by incorporating Jans Sicherheitssysteme GmbH fully for the first time in the year under review.

Fiscal year	2007/2008 in €k	2006/2007 in €k	Change absolute	Change relative
Sales revenues	58,160	52,106	6,054	11.6%
Inventory build-up	437	127	310	244.1%
Other own work capitalized	1,876	2,495	-619	-24.8%
Total revenues	**60,473**	**54,728**	**5,745**	**10.5%**
Other operating income	1,129	1,098	31	2.8%

The impacts on earnings resulting from fully incorporating Jans Sicherheitssysteme GmbH for the first time in the year under review are as follows:

Fiscal year	2007/2008 in €k			2006/2007 in €k			Change	
	primion Total	Jans	primion „Old“	primion Total	Jans	primion „Old“	absolute	relative
Sales revenues	58,160	7,819	50,341	52,106	2,809	49,297	1,044	2.1%
Inventory build-up	437	0	437	127	-54	181	256	141.4%
Other own work capitalized	1,876	0	1,876	2,495	0	2,495	-619	-24.8%
Total revenues	**60,473**	**7,819**	**52,654**	**54,728**	**2,755**	**51,973**	**681**	**1.3%**
Other operating income	1,129	86	1,043	1,098	28	1,070	-27	-2.5%

The change in sales revenues under primion "Old" during the reporting period can largely be attributed to primion Technology AG (€+371k), the GET Group (€+884k) and primion SAS (€-221k).

Other own work capitalized relates almost exclusively to the capitalization of development expenses for new software and hardware. The fall compared to the prior year can be attributed to the reduction in total development capacity, especially at the GET Group in Belgium.

Inventory build-up in the period under review is mainly attributable to hardware internally produced that was not yet assigned to specific projects at the balance sheet date of 30 September 2008.

Other operating income mainly pertains to offset benefits in kind to the amount of €597k (prior year: €607k).

4.1.2. Expenses

Expenses compared to the prior year were materially affected by incorporating Jans Sicherheitssysteme GmbH fully for the first time in the year under review.

Fiscal year	2007/2008 in €k	2006/2007 in €k	Change absolute	Change relative
Costs of materials	21,002	15,574	5,428	34.9%
Personnel expenses	23,846	22,421	1,425	6.4%
Depreciation and amortization	4,693	4,123	570	13.8%
Other operating expenses	10,928	10,300	628	6.1%

The impacts on expenses resulting from the first-time incorporation of Jans Sicherheitssysteme GmbH in full are as follows:

Fiscal year	2007/2008 in €k			2006/2007 in €k			Change	
	primion Total	Jans	primion „Old“	primion Total	Jans	primion „Old“	absolute	relative
Costs of materials	21,002	4,840	16,162	15,574	1,399	14,175	1,987	14.0%
Personnel expenses	23,846	1,627	22,219	22,421	521	21,900	319	1.5%
Depreciation and amortization	4,693	567	4,126	4,123	256	3,867	259	6.7%
Other operating expenses	10,928	775	10,153	10,300	205	10,095	58	0.6%

The cost of materials ratio (costs of materials / total revenues) increased from 28.5% in the prior year to 34.7% in the current fiscal year. This change can be attributed in particular to the inclusion of Jans Sicherheitssysteme GmbH for the first time as it had a cost of materials ratio of 61.9% in the year under review (50.8% in the prior year). Eliminating the effects of including Jans Sicherheitssysteme GmbH for the first time sees the cost of materials ratio for primion "Old" rise to 30.7% in the year under review compared to 27.3% in the prior year. This change, together with the changes described in section 1.8, can be attributed to the fact that during the past fiscal year projects increasingly involved mechatronic products (Prime-Key-Technology, PKT) where margins are lower. Behind this reduced margin, the output quantities for this new product development remain reasonable.

The personnel cost ratio (personnel costs / total revenues) decreased from 41.0% in the prior year to 39.4% in the current fiscal year. This can be attributed in particular to the inclusion of Jans Sicherheitssysteme GmbH for the first time as it had a personnel cost ratio of 20.8% in the year under review (18.9% in the prior year). Eliminating the effects of including Jans Sicherheitssysteme GmbH for the first time sees the personnel cost ratio for primion "Old" remain almost constant at 42.2% in the year under review compared to 42.1% in the prior year. The expenses to the amount of 0.5 million euros incurred or deferred in the current fiscal year due to the premature end of member of the Executive Committee Roland Schmider's employment have had a significant negative impact on personnel expenses. In the prior year, the HR reorganization – particularly at the former Staedtler division – impacted personnel expenses to the amount of approx. 0.6 million euros. Eliminating these opposing effects, the personnel cost ratio remained more or less constant. Adjusted for these special effects, the personnel cost ratio for primion "Old" would have increased marginally to 41.2% from 41.0% in the prior year.

The absolute rise in depreciation and amortization in the reporting period (amortization rate 7.8% in the year under review compared to 7.5% in the prior year) can mainly be attributed to amortization arising from the purchase price allocation for Jans Sicherheitssysteme GmbH to the amount of €475k (prior year: €228k). The increase of €943k in depreciation and amortization on capitalized development costs from €775k in the prior year to €1,718k in the year under review was accompanied by a fall of €508k in depreciation and amortization on the order book identified and valued as part of the purchase price allocation for the GET Group in Belgium. Scheduled depreciation and amortization related to acquisitions on R&D projects acquired will be reduced by a further €210k from fiscal year 2009/2010. A breakdown of depreciation and amortization relating to property, plant and equipment and intangible assets can be found under changes to intangible assets, property, plant and equipment and financial assets in Section J. 10 of the notes to the consolidated financial statements.

Value allowances (impairment) relating to property, plant and equipment and intangible assets (including goodwill) were not required in the year under review or the prior year.

Other operating expenses in relation to total revenues have fallen from 18.8% in the prior year to 18.1% in the current fiscal year. The first-time inclusion of Jans Sicherheitssysteme GmbH with a rate of 9.9%

had a mildly positive impact on this fall in the reporting period. Eliminating the effects of including Jans Sicherheitssysteme GmbH for the first time would see this rate virtually unchanged for primion "Old" at 19.3% in the year under review (prior year: 19.4%).

4.1.3. EBITDA and EBIT

Used to manage primion Group activities and more, the key figures for EBITDA and EBIT for the primion Group were as follows in the period under review and the prior year:

Fiscal year	2007/2008 in €k	2006/2007 in €k	Change absolute	Change relative
EBITDA	5,826	7,531	-1,705	-22.6%
EBIT	1,133	3,408	-2,275	-66.8%

Compared to the prior year these key figures were affected by, among other factors, incorporating Jans Sicherheitssysteme GmbH in full for the first time. The impacts on these key figures resulting from the first-time incorporation of Jans Sicherheitssysteme GmbH in full are as follows:

Fiscal year	2007/2008 in €k			2006/2007 in €k			Change	
	primion Total	Jans	primion „Old“	primion Total	Jans	primion „Old“	absolute	relative
EBITDA	5,826	817	5,009	7,531	657	6,874	-1,865	-27.1%
EBIT	1,133	250	883	3,408	401	3,007	-2,124	-70.6%

The fall in EBITDA and EBIT under primion "Old" in the period under review compared to the prior year is largely a consequence of the shortfall in meeting the target for total revenues, as well as the cost of materials ratio coming in significantly higher than planned.

The EBITDA and EBIT margins on total revenues changed as follows:

Fiscal year	2007/2008			2006/2007		
	primion Total	Jans	primion „Old“	primion Total	Jans	primion „Old“
EBITDA margin	9.6%	10.4%	9.5%	13.8%	23.8%	13.2%
EBIT margin	1.9%	3.2%	1.7%	6.2%	14.6%	5.8%

Accordingly, the margins in fiscal year 2007/2008 are not satisfactory. We plan to increase the EBITDA margin for the primion Group significantly in the fiscal years to come.

4.1.4. Earnings before tax (EBT)

In addition to the effects described above, earnings before tax were significantly impacted by the non-operating result where financial expenditure was considerably higher in the past few years due to the acquisition of Jans Sicherheitssysteme GmbH.

Fiscal year	2007/2008 in €k	2006/2007 in €k	Change absolute	Change relative
EBIT	**1,133**	**3,408**	**-2,275**	**-66.8%**
Financial income	86	88		
Financial expenditure	-1,296	-1,078		
Non-operating result	**-1,210**	**-990**	**-220**	**-22.2%**
Earnings before tax (EBT)	-78	2,418	-2,496	-103.2%

Financial expenditure results almost exclusively from liabilities to banks. These have risen again due to further borrowing for the acquisition of Jans Sicherheitssysteme GmbH in May 2007.

Rates of exchange continue to have an immaterial impact within the primion Group as accounts receivable and payable are almost completely in euros.

4.1.5. Income taxes

Tax expense in the current fiscal year amounts to €1,206k (prior year: €505k) despite negative earnings before tax. The significantly higher tax expense mainly results from fully adjusting deferred taxes recognized in the prior year at primion Technology AG on tax losses that may be carried forward indefinitely according to IAS 12.56. This is because these losses that may be carried forward were lost in full due to Section 8c of the German Corporation Tax Law (KStG) and Section 10a Sentence 9 of the German Trade Tax Law (GewStG) as a result of more than 50% of the shares being transferred to Azkoyen S.A. of Spain in the period from 11 September 2008 to 21 November 2008. This resulted in an expense of €993k. Furthermore, the deferred tax assets on tax losses recognized in France to the amount of €75k and Austria to the amount of €21k thus far were reduced in full.

4.1.6. Income after taxes

Income after taxes is down considerably from 1.9 million euros in the prior year to - 1.3 million euros in the current fiscal year. This change is unsatisfactory.

4.2. Assets and liabilities

Changes in assets and liabilities as at the balance sheet date of 30 September 2008 compared to 30 September 2007 mainly relate to the following balance sheet items:

The fall in total assets from 68.4 million euros to 67.3 million euros as at 30 September 2008 can largely be attributed to the significant reduction in non-current assets from 38.5 million euros to 33.9 million euros. The main factor here was the sale of the property in Malle/Belgium from which GET N.V. conducts its operations. Property, plant and equipment have thereby reduced from 8.4 million euros to 5.4 million euros. The fall in non-current assets was accompanied by a significant rise in current assets from 30.0 million euros to 33.5 million euros in this period, which was caused by growth.

The fall in intangible assets from 29.8 million euros to 28.2 million euros as at 30 September 2008 can be attributed exclusively to scheduled amortization to the amount of just under 3.8 million euros alongside capitalization to the amount of 2.2 million euros (including capitalized development costs of 1.8 million euros). Intangible assets now amount to 41.9% of total assets (compared to 43.5% of total assets as at 30 September 2007). Intangible assets include 12.4 million euros relating to goodwill. Goodwill from the acquisition of Jans Sicherheitssysteme GmbH amounts to 3.1 million euros.

Non-current financial debts were reduced from 16.5 million euros to 15.6 million euros as at 30 September 2008, mainly due to cash outflow for a loan related to the property disposed of in Malle/Belgium. By contrast, current financial debts rose from 4.9 million euros to 8.5 million euros as at 30 September 2008 due to the increased need for working capital. Net financial liabilities (financial liabilities less cash and cash equivalents) increased from 20.0 million euros to 22.3 million euros as at 30 September 2008.

The shareholders' equity ratio for the Group was down from 41.7% as at 30 September 2007 to 39.7% as at 30 September 2008 due to negative income after taxes and the share buyback of 110,000 shares to the amount of 0.5 million euros. These 110,000 shares were sold again after the balance sheet date for €6.00 per share after the reason for the buyback to form stock as currency with the new major shareholder was no longer applicable.

4.3. Financial position

Operating activities
Gross cash flow was down on the prior year from 5.5 million euros to 3.8 million euros, mainly due to the decline in earnings after tax. Cash flow from operating activities decreased from 3.4 million to -0.8 million euros due to working capital being tied up further compared to the prior year.

Investment activities
Cash flow from investment activities amounted to 1.1 million euros in the period under review. There were payouts for investment expenditure to the amount of 3.3 million euros and in-payments from the disposal of assets totalling 3.2 million euros. In-payments from the disposal of assets result almost exclusively from the sale of the property in Malle/Belgium, with the sale proceeds amounting to 3.1 million euros. In connection with these in-payments at GET N.V. (Belgium), payouts of 0.9 million euros were incurred at primion Technology AG as a result of residual purchase price payments for shares in GET N.V. Payouts for investment expenditure relate to capitalized development expenses to the amount of 1.8 million euros (prior year: 2.4 million euros), as well as operational and business equipment to the amount of 1.0 million euros (prior year: 1.1 million euros). In the comparative period last year, cash flow from investment activities was 8.8 million euros, although this includes payouts less acquired cash of 4.3 million euros relating to the acquisition of Jans Sicherheitssysteme GmbH.

Financing activities
The negative cash flow from financing activities resulted from the repayment of the loan associated with the property disposed of in Malle/Belgium to the amount of 1.4 million euros, as well as the repurchase of treasury shares to the amount of 0.5 million euros. A 2.8 million euro increase in bank overdrafts relating to the balance sheet date contributed to the overall rise in cash and cash equivalents by 0.3 million euros to 1.8 million euros as at 30 September 2008.

Other than cash and cash equivalents still available as at 30 September 2008, primion Technology AG and each of its subsidiaries has access to lines of credit totalling 16.2 million euros (prior year balance sheet date: 16.0 million euros), of which 7.6 million euros had been drawn upon at the balance sheet date (prior year figure: 4.1 million euros). There is therefore sufficient financial leeway to cover our liquidity needs at any time. As a rule, lines of credit have a term of one year and a variable rate of interest.

When assessing the financial position, it must be taken into account that as a result of the sale of the property in Malle/Belgium, GET N.V. has entered into commitments of €225k p.a. plus a fixed inflation index of 1.5% p.a. through a nine-year leaseback agreement.

As it increasingly performs a holding function, primion Technology AG adopts a central role for its subsidiaries in the area of finances in particular. By centralizing liquidity planning, primion Technology AG is able to optimize cash flows within the primion Group in terms of interest rate, currency and tax aspects both for the individual companies and itself, depending on borrowing requirements.

4.4. Overall view presented by earnings, assets, liabilities and the financial position

The primion Group's results of operations in fiscal year 2007/2008 and in the prior year were unsatisfactory, even taking into consideration extraordinary factors. With a shareholders' equity ratio of 39.7% as at 30 September 2008 (30 September 2007: 41.7%), the balance sheet structure continues to be solid. Based on the available lines of credit, the financial position of primion Technology AG as well as the primion Group was solid at all times to provide the necessary financial scope.

5. Subsequent events

Transactions of particular importance that occurred after the end of the financial year are the acquisition of the majority of voting rights by Azkoyen S.A. of Peralta (Navarre)/Spain. As a result of acquiring 20.11% of the shares in primion Technology AG on 11 September 2008, Azkoyen S.A., Peralta (Navarre), Spain, became a related party in the sense of IAS 24. On this day, Azkoyen S.A. issued a statement regarding a takeover bid in accordance with the requirements of the German Securities Acquisition and Takeover Act (WpÜG). Heinz Roth of Ludwigshafen/Germany, who according to Section 2 [5] of the WpÜG is a party acting jointly with Azkoyen, still holds 499,750 shares and voting rights in primion Technology AG. This corresponds to a share of 9.00% of the capital stock and voting rights in primion Technology AG. Heinz Roth's voting rights are assigned to Azkoyen S.A. in accordance with Section 30 [2] of the WpÜG. On 20 October 2008, Azkoyen S.A. issued an official voluntary takeover bid in accordance with WpÜG regulations to all shareholders of primion Technology AG for €6.00 per share, which was valid until 21 November 2008. In addition, Azkoyen S.A. arranged a further term for acceptance from 28 November 2008 to 11 December 2008. At the end of the first period on 21 November 2008, Azkoyen held 74.02% of the shares and, including Heinz Roth's voting rights, 83.03% of the voting rights in primion Technology AG. At the end of the second term on 11 December 2008, Azkoyen held 77.17% of the shares and, including Heinz Roth's voting rights, 86.17% of the voting rights in primion Technology AG.

The takeover gave rise to the impacts on assets, liabilities and earnings described in section 4.1.5. Furthermore, after the takeover bid is implemented it is intended to launch a management incentive programme for primion Technology AG employees in management positions, including the members of the Executive Committee. The terms of this shall correspond with those of the management incentive programme for management employees at Azkoyen. The management incentive programme at Azkoyen mainly consists of establishing a variable annual bonus for the respective management staff. The bonus shall be set annually by Azkoyen's board of directors and depends on the relevant company reaching business targets such as revenue and EBITDA targets, as well as objectives agreed individually and the results of individual employee evaluations.

Please refer to section 7 "Outlook and prospects" for information on other anticipated/forecast impacts on the product portfolio as a result of Azkoyen S.A. gaining the majority of voting rights in primion Technology AG.

On 17 October 2008, Bluehill ID AG of St. Gallen/Switzerland applied to the District Court of Ulm for approval to convene an Extraordinary Shareholders' Meeting of primion Technology AG in accordance with Section 122 [3] [1] of the German Stock Corporation Act (AktG), in order to file a motion for a special audit to be carried out pursuant to Section 142 of the AktG. The application had been withdrawn by the time of preparing this Group management report. Furthermore, on 10 November 2008 Bluehill ID AG requested that the Executive Committee of primion Technology AG convene an Extraordinary Shareholders' Meeting in accordance with Section 122 [1] of the AktG. The reason for this request was the announcement of provisional figures for primion Technology AG for the 2007/2008 financial year in an ad-hoc announcement dated 6 November 2008 in which earnings (EBIT) were significantly below the Executive Committee's previously communicated forecast at some 1.0 million euros. Due to this circumstance, the Shareholders' Meeting should also pass a resolution for a special audit to be carried out pursuant to Section 142 of the AktG. The request had not been pursued further at the time of preparing this Group management report.

In addition, in the period from 10 November 2008 to 27 November 2008 the sale of 110,000 treasury shares was performed as disclosed in section 3.

After the balance sheet date, but before these financial statements were approved, it was agreed to close additional facilities at primion Technology GmbH in Graz/Austria. The resulting impact on the consolidated financial statements is judged to be immaterial.

Also following the balance sheet date but before these financial statements were approved, it was agreed to form NODENS s. r. o. in Prague. primion Technology AG has a 51% holding in this company.

6. Risk report

For the primion Group, opportunity and risk management together with corresponding controlling are an integral element of effective management.

A systematic process of identifying, evaluating and managing risks that encompasses all companies within the Group, plus a standardized reporting system, form the foundation. Supported by controlling, this enables the Executive Committee of primion Technology AG to identify risks and their extent/importance and to take appropriate action. The effectiveness of such measures is systematically tracked so that any necessary adjustments can be carried out.

Macroeconomic risks

As a Europe-wide operator, the primion Group is affected by economic developments in these markets. The crisis in the financial markets has already caused the global economy to slow. Currently, this has not yet been reflected in a downward trend in the industry for access control and time recording systems and integrated security technology. Further developments are awaited here.

Industry risks

The market for access control, time management and integrated security technology systems that the primion Group targets is characterized by intense competition and strong technological change. Subsequent development of the business is thus dependent on the extent to which the primion Group is able to maintain and extend its market position and technology leadership, and respond flexibly to changes in the marketplace on an ongoing basis.

Product risk and risks to reputation

The primion Group's products and services could exhibit faults that affect market acceptance and therefore customer sales, or which could lead to claims for compensation.

Although no significant product defects have emerged to date and no major warranty claims have been lodged against a company within the primion Group, it cannot be excluded that the primion Group may face warranty or compensation claims or demands to pay contractual penalties in future. This applies particularly in the event of consequential damages becoming payable to a customer due to the intentional or grossly negligent misconduct of primion Group employees or subcontractors involved in developing or installing security-related products and services, and where the level of such damages considerably exceeds the value of the products or services supplied by primion. Cases such as those described above are not common but cannot be excluded. The usual general warranty provisions are at our disposal. Should it prove necessary in an individual case, we also form individual provisions to cover the insurance deductible. Overall, product risks are adequately taken into consideration.

There is also the risk that a claim is made public that could harm the reputation of primion Group products and services and thereby damage the crucial trust that our customers place in us. Here too, this could have an adverse effect on the primion Group's assets, liabilities, financial position and earnings.

R&D risks

The primion Group invests substantially in developing new products and technologies. If these do not translate into new products which can be marketed by primion Technology AG or the Group's subsidiaries, in the medium term this would have a negative impact on the primion Group's earnings from a fall off in sales revenues.

Liquidity and contingency risks

The liquidity requirements of primion Technology AG and the other companies in the Group are defined by way of cash flow planning as part of the budget process. Actual changes in liquidity are monitored and coordinated centrally by primion Technology AG during the fiscal year, in order to detect potential risks in a timely manner and take corresponding action. Monitoring customers' payment records is also important here. This should make it possible to minimize risks of bad debt losses that may become evident. This is set to become even more important because the recent past has shown that even large multinational entities in the industry can experience difficulties. Thanks to our diverse customer structure, it should however be possible to offset individual, unavoidable bad debt losses.

Currency and interest rate risks

As already explained, direct currency risks are of only very low significance to the primion Group as business is conducted in the eurozone. Accounts receivable and payable are almost completely in euros. Currency hedging transactions are therefore not required at present.

The primion Group has liabilities to banks at both fixed and variable rates of interest. In this respect, the primion Group faces the risk of an increase in variable interest rates. The situation is monitored on an ongoing basis to ascertain whether there is a need to hedge interest rate risk so that corresponding transactions can be concluded if required. Currently there are no such hedging transactions. The impacts of interest rate risks on the primion Group's results of operations are currently low-graded. The potential effects of this are presented in the notes to the consolidated financial statements as part of the sensitivity analysis required by IFRS 7.

Asset risks

The main risks affecting the primion Group are the valuation of projects and impairment of intangible assets (including goodwill). Goodwill and intangible assets not yet ready for their intended use are tested for impairment at least once per year and are impaired where applicable. In the case of all other intangible assets, indicators are considered at each balance sheet date (at least) as to whether they should be impaired. In such a case they are likewise tested for impairment. Particular attention is currently being paid to testing goodwill relating to the domestic and Belgian cash-generating units (CGU) for impairment. The potential effects of variations in key premises are presented in the notes to the consolidated financial statements as part of the sensitivity analysis demanded by IAS 1 and IAS 36.

Assessment of overall risk
We believe that the overall risk to which the primion Group is exposed is comparatively moderate given its solid assets, liabilities and financial position.

7. Outlook and prospects

Economic development
Based on the forecasts of major economic institutes, for the 2008/2009 fiscal year we expect growth in Germany and Europe to slow significantly. In our key markets, however, we expect growth for 2008/2009 to remain more or less on a par with the average of prior years. The effects of the current crisis on the financial markets cannot yet be assessed for the current year or for subsequent years, whereby primion is assuming neither a worst-case scenario in its own planning nor a scenario of immediate economic recovery.

Further growth in the industry
According to the Mario Fischer study presented in section 1.5, the market for access control and time management systems in Germany will grow by an average of 7.6% p.a. from 2007 to 2012. We anticipate growth in the European market to be at least on a par with domestic growth.

Trend for mechatronics and integrated security technology continues
Development departments throughout the primion Group are working on continually improving the quality of our products and services, as well as on optimizing processes to boost our innovation and technology competencies.

The primion Group's development activities include the systematic integration of new technologies, such as prime key technology and biometrics in the field of mechatronics. One element is the joint marketing of comprehensive electronic locking systems as part of a strategic partnership with the internationally operating manufacturer of fittings for furniture and doors, Nagold-based Haefele GmbH & Co. KG. Haefele supplies the hardware in this partnership, while the primion Group is responsible for the software components. Customers benefit from integrated security systems with flexible identification options.

Further key aspects affecting the future development of primion products and services include full integration of hazard detection and video technology into the product portfolio of the primion Group due to the acquisition of Jans Sicherheitssysteme GmbH, Ludwigsburg.

Production optimization
In terms of mechatronics products, the primion Group already procures standard components (e.g. individual cylinder components and door fittings) from China. This lowers fixed costs, particularly when it comes to the initial procurement of tools and die-cast or plastic fixtures. To optimize costs in future the primion Group intends to have individual mechanical components made in China, particularly for new developments. The primion Group also aims to continue to increase the proportion of hardware it manufactures itself across the Group and thereby gradually reduce the proportion of hardware components which are bought in or produced outside the Group. This will reduce the percentage of cost of sales relating to goods and materials employed.

Anticipated/forecast impacts arising from Azkoyen S.A. taking over the majority of the voting rights in primion Technology
Azkoyen intends to expand the operating activities of primion Technology AG within the scope of what is legally permissible. This includes strengthening primion Technology AG's activities in Southern European markets like Spain and Italy, as well as developing new operating activities in Eastern Europe and the UK. Azkoyen assumes demand for integrated security technology will rise in all markets and intends to strengthen the offerings of the primion Group accordingly. In addition, Azkoyen plans to integrate its proprietary developments in the field of payment systems into some of the products offered by primion. Sharing and jointly developing new technologies shall enhance primion's research and development activities.

One of the main objectives of the takeover is to leverage the sales and service networks and R&D resources of both groups of companies to extend their geographic coverage and to improve the products and services offered by both groups, within the scope of what is legally permissible. For example, primion Technology AG will benefit considerably from Azkoyen's presence in the Spanish, Italian and UK markets, while Azkoyen will be able to utilize primion's excellent sales and service network in Germany and the Benelux countries. There are also plans for both R&D departments to work together on jointly developing technologies and products like RFID in order to develop new products and services that will be offered by Azkoyen and primion.
Improved conditions of purchase for electronic components are also envisaged in order to leverage scale effects more effectively for both companies and primion in particular.

Certain functions within the groups of companies such as financing, administration and human resources can benefit from cooperation between the two groups. Azkoyen is also convinced that systematically sharing best management practice between the two companies can help enhance business processes and generate additional value for primion and the new Group.

All future cooperation, agreements or other commercial activities between primion and Azkoyen will take place on standard market terms.

Azkoyen plans no measures relating to the assets of primion Technology AG beyond the normal course of business. No measures are planned that would lead to a rise in the liabilities of primion Technology AG beyond the normal course of business. Furthermore, Azkoyen does not intend to make any changes to the working conditions and employment conditions or changes to workers' representation at individual company level within the primion Group. Azkoyen also does not intend the number of employees at primion Technology AG to change.

Forecasts relating to sales revenues, earnings and the financial position
The following forecasts were all prepared on the basis of planning that does not include the effects of the takeover by Azkoyen, because at the time of preparing this Group management report there was no integrated overall planning for the primion sub-group of companies that incorporates the takeover by Azkoyen.

Sales
Contrary to the general economic trend but in accordance with anticipated positive development in the industry, we plan for sales and total revenues to grow above the expected rate of growth for the industry. The primion Group's order backlog to the amount of 29.1 million euros as at 30 September 2008 (prior year: 30.1 million euros) and other major orders received after the balance sheet date but before preparing this Group management report (Fraport and Deutsche Telekom) support this expectation.

The forecast provided in the prior year's Group management report to "broadly grow with the market" came about taking into consideration acquisition-based growth through Jans Sicherheitssysteme GmbH. Growth in total revenues for primion "Old" was below growth for the industry.

Earnings
Planned earnings for fiscal year 2008/2009, 2009/2010 and beyond are developing akin to our assumptions regarding growth in sales and total revenues, with consolidated earnings set to remain substantially positive. Specific measures to optimize costs, e.g. closing the development section at the subsidiary in Graz, have already been introduced.
The forecast provided in the prior year's Group management report for "consolidated earnings to remain substantially positive" did not transpire.

Financial position
Based on the sales and earnings planning, we expect operating cash flow to be satisfactory and to maintain a solid financial position and liquidity provisions which provide adequate scope to cover necessary requirements.

The forecast made in the prior year's Group management report "to maintain our solid financial position and liquidity provisions" came about. However, it should be noted that credit lines not drawn upon as at 30 September 2008 are below those of 30 September 2007.

Overall outlook
Based on its present risk and opportunity profile – especially in the light of the takeover of the majority of shares by Azkoyen S.A. – the primion Group is well positioned for the future and expects to boost its sales and earnings long-term.

Stetten am kalten Markt, 20 January 2009

The Executive Committee

Heinz Roth	Thomas Becker	Thomas Bredehorn
Chairman & CEO	Chief Financial Officer	Chief Sales Officer

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

Stetten am kalten Markt, 20 January 2009

The Executive Committee

Heinz Roth	Thomas Becker	Thomas Bredehorn
Chairman & CEO	Chief Financial Officer	Chief Sales Officer

Annual Financial Statements of the primion Group according to IFRS

in €k	Fiscal 2007/2008	Change	Fiscal 2006/2007	Change	Fiscal 2005/2006
Revenues	58,160	12%	52,106	52%	34,199
Total revenues	60,473	10%	54,728	49%	36,805
EBITDA	5,826	-23%	7,531	10%	6,852
EBITDA as % of total revenues	9.6%	-30%	13.8%	-26%	18.6%
EBIT	1,133	-67%	3,408	-24%	4,476
EBIT as % of total revenues	1.9%	-70%	6.2%	-49%	12.2%
Consolidated net income	-1,284	-167%	1,923	-24%	2,538
Consolidated net income as % of total revenues	-2.1%	-160%	3.5%	-49%	6.9%
Gross cash flow	3,777	-32%	5,548	23%	4,500

	30/09/2008	30/09/2007	30/09/2006
Order backlog	29,102	30,098	28,778
Total assets	67,340	68,414	59,737
Net borrowing	-22,308	-19,972	-14,488
Shareholders' equity	26,763	28,558	26,646
Headcount	420	402	380

Consolidated income statement

from 1 October 2007 to 30 September 2008 according to IFRS

in €	Note	01/10/2007-30/09/2008	01/10/2006-30/09/2007*
Revenues	1	**58,159,807**	**52,105,539**
Changes in inventory		437,266	127,498
Other own work capitalized	2	1,875,793	2,494,845
Total revenues		**60,472,866**	**54,727,882**
Other operating income	3	1,129,058	1,097,998
Costs of materials	4	21,002,089	15,573,915
Personnel expenses	5	23,846,294	22,421,143
Depreciation and amortization		4,692,937	4,123,196
Other operating expenses	7	10,927,792	10,299,706
Operating result (EBIT)		**1,132,812**	**3,407,920**
Non-operating result	8	**-1,210,423**	**-989,642**
thereof: income from financial services accounted for under the equity method		6,218	11,083
Income before taxes		**-77,611**	**2,418,278**
Income taxes	9	1,205,985	504,750
Income after taxes		**-1,283,596**	**1,913,528**
thereof: net income attributable to minority interests		0	-9,811
Income attributable to shareholders of primion Technology AG (consolidated net income)		**-1,283,596**	**1,923,339**
Earnings per share (basic and diluted)	K	**-0.23**	**0.35**

* Figures restated in accordance with IFRS 3

Consolidated balance sheet

as at 30 September 2008 according to IFRS

Assets in €	Note	30/09/2008	30/09/2007*
Non-current assets			
Intangible assets	11	28,224,887	29,782,199
Property, plant and equipment	12	5,405,141	8,360,401
Financial assets accounted for under the equity method	15	91,453	80,929
Other financial assets	16	87,616	100,621
Deferred tax assets	9	62,589	129,591
Total non-current assets		**33,871,686**	**38,453,741**
Current assets			
Inventories	17	6,202,344	5,663,889
Receivables from construction contracts	18	9,717,419	8,178,606
Trade accounts receivable	19	13,966,855	12,746,580
Other accounts receivable and other assets	20	1,383,095	1,070,198
Claims for tax refunds		241,646	166,640
Other financial assets	16	171,298	673,277
Cash and cash equivalents	21	1,786,040	1,460,920
Total current assets		**33,468,697**	**29,960,110**
Total assets		**67,340,383**	**68,413,851**

* Figures restated in accordance with IFRS 3

Equity and liabilities in €	Note	30/09/2008	30/09/2007*
Equity attributable to shareholders of primion Technology AG	22		
Share capital		5,550,000	5,550,000
Capital reserves		18,115,605	18,115,605
Retained earnings		3,614,937	4,898,533
Other cumulated equity		-16,999	-6,009
Treasury shares		-500,313	–
Minority interests		–	–
Total equity		**26,763,230**	**28,558,129**
Non-current liabilities			
Long-term provisions	23	578,594	444,295
Non-current financial debts	24	15,570,709	16,540,530
Deferred tax liabilities	9	3,984,866	3,753,149
Total non-current liabilities		**20,134,169**	**20,737,974**
Current liabilities			
Short-term provisions	23	148,369	191,026
Current financial liabilities	24	8,523,039	4,892,351
Liabilities from construction contracts	25	115,086	238,533
Trade accounts payable	26	4,031,818	3,655,082
Tax liabilities	27	464,189	1,209,607
Other liabilities	28	7,160,483	8,931,149
Total current liabilities		**20,442,984**	**19,117,748**
Total liabilities		**40,577,153**	**39,855,722**
Total equity and liabilities		**67,340,383**	**68,413,851**

* Figures restated in accordance with IFRS 3

Changes in shareholders' equity

according to IFRS

in €	Share capital primion Technology AG	Capital reserves	Retained earnings	Other cumulated equityl	Treasury shares	Group shares	Shares of other shareholders	Total
As at 30/09/2006	**5,550,000**	**18,115,605**	**2,975,194**	**-4,398**	**–**	**26,636,401**	**9,811**	**26,646,212**
Income after taxes	–	–	1,923,339	–	–	1,923,339	-9,811	1,913,528
Other cumulated equity	–	–	–	-1,611	–	-1,611	–	-1,611
As at 30/09/2007*	**5,550,000**	**18,115,605**	**4,898,533**	**-6,009**	**–**	**28,558,129**	**0**	**28,558,129**
Income after taxes	–	–	-1,283,596	–	–	-1,283,596	–	-1,283,596
Other cumulated equity	–	–	–	-10,990	–	-10,990	–	-10,990
Repurchase of treasury shares	–	–	–	–	-500,313	-500,313	–	-500,313
As at 30/09/2008	**5,550,000**	**18,115,605**	**3,614,937**	**-16,999**	**-500,313**	**26,763,230**	**0**	**26,763,230**

*Figures restated in accordance with IFRS 3

Note: J22

Consolidated cash flow statement

from 1 October 2007 to 30 September 2008 according to IFRS

in €	01/10/2007-30/09/2008	01/10/2006-30/09/2007*
Income after taxes	-1,283,596	1,913,528
Depreciation and amortization	4,692,937	4,123,196
Change in long-term provisions	134,299	63,789
Change in deferred taxes	298,719	-544,134
Result on disposal of non-current assets	-54,760	-12,814
Change in financial assets accounted for under the equity method	-6,218	-7,690
Other non-cash expenses/income	–	15,859
Foreign exchange translation differences	-4,306	-3,393
Gross cash flow	**3,777,075**	**5,548,341**
Change in short-term provisions	-42,657	78,694
Change in inventories	-538,455	-1,091,611
Change in receivables from construction contracts	-1,538,812	-2,500,627
Change in other working capital		
Assets	-1,106,199	1,213,863
Liabilities	-1,330,236	183,194
Cash flow from operating activities	**-779,284**	**3,431,854**
Intangible assets/Property, plant and equipment		
Capital expenditure	-3,349,502	-4,477,971
Cash inflow from disposal of assets	3,234,137	31,561
Use of provisions for purchase costs in accordance with IFRS 3	-940,786	–
Business combinations less acquired cash according to IFRS 3	–	-4,349,937
Cash flow from investment activities	**-1,056,151**	**-8,796,347**
Repurchase of treasury shares	-500,313	–
Cash inflow from financial debts	2,670,116	20,471,168
Cash outflow from debt repayment	-2,828,631	-10,465,129
Cash flow from financing activities	**-658,828**	**10,006,039**
Net change in cash and cash equivalents	**-2,494,263**	**4,641,546**
Change in bank overdraft	2,819,383	-6,050,663
Total change in cash and cash equivalents	**325,120**	**-1,409,117**
Cash and cash equivalents at beginning of period	1,460,920	2,870,037
Cash and cash equivalents at end of period	**1,786,040**	**1,460,920**
Income tax paid	1,272,011	452,791
Income tax refunded	–	1,111,180
Interest paid	1,208,962	1,044,965
Interest received	77,775	89,242

*Figures restated in accordance with

Note: L

Notes to the consolidated financial statements

of primion Technology AG for fiscal year 2007/2008

A. General notes

1. Principles

primion Technology AG is headquartered at Steinbeisstrasse 2-5, Stetten am kalten Markt, Germany, and is listed in the Companies' Register (Handelsregister) at Ulm under HRB No. 710911. The Company's shares have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since 13 February 2006.

The operating activities of primion Technology AG include the development, production and sale of hardware and software, particularly for systems used for the recording of time, operating data and project duration. primion Technology AG is also active in the development, production and sale of system technology in the areas of electronic access control equipment and facility management (building control systems), as well as for Internet applications, security technology and the provision of related services.

As at 30 September 2008, primion Technology AG has prepared consolidated financial statements and a Group management report according to IFRS as they are to be applied in the European Union and the additional requirements of German commercial law pursuant to Section 315a [1] of the HGB (German Commercial Code). The consolidated financial statements and management report are published in the electronic Bundesanzeiger (Federal Gazette). As at 30 September 2008, the consolidated financial statements of primion Technology AG include the parent company and all directly or indirectly held subsidiaries (hereinafter referred to as the primion Group).

The income statement was prepared according to the total cost method. The current/non-current classification was used for the balance sheet. Assets and liabilities are regarded as current if they accrue within a year. To improve the clarity of presentation, various items in the balance sheet and income statement have been combined. These items are presented separately and commented on in the notes.

The functional currency of the Group is the euro. All amounts are stated in thousands of euros (€k) unless otherwise specified.

2. Declaration of conformity

The consolidated financial statements of primion Technology AG as at 30 September 2008 were prepared in accordance with all International Financial Reporting Standards (IFRS) of the London-based International Accounting Standards Board (IASB) effective at the balance sheet date, together with all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) binding for the past fiscal year as they are to be applied in the European Union. The consolidated financial statements are supplemented by a Group management report and notes required by the German Commercial Code (HGB).

B. New and amended standards/interpretations

1. First-time adoption of new and amended standards

In fiscal year 2007/2008, the IFRS were used that are to be applied to fiscal years beginning on or after 1 October 2007. Of these standards, the following were adopted for the first time in fiscal year 2007/2008 where relevant to the operating activities of our Company:

IFRS 7 (Financial Instruments: Disclosures)

IFRS 7 governs the disclosure requirements concerning financial instruments of industrial enterprises, as well as of banks and similar financial institutions. IFRS 7 replaces the disclosure requirements covered by IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and IAS 32 Financial Instruments: Disclosure and Presentation. This revision has led to additional disclosures concerning financial instruments within our Group.

IAS 1 (Amendments to IAS 1 Presentation of Financial Statements)

In conjunction with publishing IFRS 7 Financial Instruments: Disclosures, the IASB has announced an amendment to IAS 1. For the first time, therefore, information is included in these financial statements that enables recipients of the financial statements to evaluate the objectives, methods and processes of capital management (compare IAS 1.124A-C).

IFRIC 10 (Interim Financial Reporting and Impairment)

IFRIC 10 addresses the interaction between the requirements of IAS 34 Interim Financial Reporting and standards on the recognition of impairment losses on goodwill (in IAS 36) and certain financial assets (in IAS 39). IFRIC 10 states that impairment losses recognized in a previous interim period, and where there is a requirement to write up pursuant to IAS 36 or IAS 39, cannot be reversed in subsequent interim financial statements or annual/consolidated financial statements. The IFRIC makes clear that this interpretation cannot be applied by analogy to similar circumstances. Based on the impairment tests carried out at the interim balance sheet dates pursuant to IAS 36, the first-time adoption of this interpretation had no impacts on the consolidated financial statements.

IFRIC 11 (IFRS 2 Group and Treasury Share Transactions)

IFRIC 11 deals with two issues: The first is whether certain transactions should be capitalized as equity-settled or cash-settled in line with the requirements of IFRS 2. The second issue relates to share-based payment transactions involving two or more companies in the same group. This interpretation is not relevant in relation to primion as there are no share-based payments pursuant to IFRS 2.

These standards were applied in accordance with relevant transitional provisions. Unless expressly regulated by the individual standards and commented on separately below, application is retroactive, i.e. information is presented as if the new accounting policies had been adopted in the past. Comparative figures for prior years were restated accordingly.

2. Standards/interpretations which have not been early adopted
The IASB has published the following standards, interpretations and amendments to existing standards which are not yet compulsory and which have also not been early adopted by the primion Group.

IFRS 8 (Operating Segments)
The IASB published IFRS 8 in November 2006. This standard replaces IAS 14 and particularly stipulates use of the management approach to report on the business performance of segments. Operating segments are components of an entity whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. Several disclosure requirements have been extended. The standard is mandatory for annual periods beginning on or after 1 January 2009. Earlier application is permitted. First-time adoption of this standard is expected to increase the scope of segment reporting and may also impact segmentation.

IAS 1 (Amendments to IAS 1 Presentation of Financial Statements)
On 6 September 2007, the IASB issued the revised IAS 1 Presentation of Financial Statements. The adoption of the IAS 1 amendment is an outcome of the first phase of the financial statement presentation convergence project. The aim of this project is to reduce the differences between the presentation of financial statements between IFRS and US GAAP. The amendment to IAS 1 will see the introduction of a statement of comprehensive income in financial statements according to IFRS. Presenting income and expense items in this way will allow readers of the financial statements to differentiate changes in shareholders' equity resulting from transactions with holders of shares from other changes (non-owner changes). Here the company has the option of presenting income and expense items and other comprehensive income either in one or two separate statements (an income statement and a statement of comprehensive income). Furthermore, the amendments to IAS 1 change the titles of some parts of the financial statements. In future, the balance sheet will be called the statement of financial position and the cash flow statement will become the statement of cash flows. Amendments to the standard are mandatory for all annual periods beginning on or after 1 January 2009. Earlier application is permitted. First-time adoption of this standard will lead to the reporting elements described being presented for the first time.

IAS 23 (Amendment to IAS 23 Borrowing Costs)
The main change to the standard is the removal of the option of immediately recognizing as an expense borrowing costs that relate to the acquisition, construction or manufacture of a qualifying asset. In future, companies are required to capitalize such borrowing costs as part of the cost of acquiring qualifying assets. Here a qualifying asset is one that takes a substantial period of time to get ready for use or sale. The revised standard does not require the capitalization of borrowing costs relating to assets measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for sale. The revised IAS 23 applies for the first time to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. At primion, this standard will have implications when it comes to capitalizing interest for capitalized development activities. Assuming the extent of development activity remains broadly unchanged and that – for simplicity's sake – this is financed solely by borrowing at an overdraft interest rate of 8%, it is expected that this would improve EBT by approx. €70k p.a. initially. Subsequently, EBIT would be impacted by correspondingly higher amortization on the capitalized development activities which would now be higher.

Amendments to IFRS 3 and IAS 27
On 10 January 2008, the IASB published both the revised IFRS 3 Business Combinations and the revised IAS 27 Consolidated and Separate Financial Statements according to IFRS, thereby completing phase two of the business combinations project. The IFRS 3 and IAS 27 standards now finalized contain numerous amendments compared to the draft standards published in the summer of 2005. These changes were made due to the numerous comments received and numerous discussions conducted. By comparison with the IFRS 3 and IAS 27 standards applied to date, there were amendments in the following areas in particular:

- Acquisition costs (only the costs of issuing debt instruments or equity instruments can be recognized; all other costs associated with the acquisition must be expensed)
- Treatment of contingent consideration (subsequent calculation does not impact goodwill)
- Full goodwill method (application optional)
- Accounting for step acquisitions (remeasurement of existing interests on the date that control is obtained; value of remeasured previously-held interests plus purchase price for new shares less the acquired entity's net assets corresponds to goodwill)
- Changes to an investment in a subsidiary while control is retained are accounted for as an equity transaction
- Extending the scope of IFRS 3

The amendments to IFRS 3 and IAS 27 are mandatory for fiscal years beginning on or after 1 July 2009. Application shall be prospective. Earlier application is permitted, whereby the amendments to IFRS 3 and IAS 27 must then be early adopted together. Revision of these standards results in subsequent amendments to IAS 28 and IAS 31. Impacts from the first-time adoption of these standards depend on contingent corporate transactions (e.g. acquisitions or sales of companies or parts of companies previously belonging to the Group). As there are currently no plans of this kind, according to present knowledge the first-time adoption of these standards shall have no implications.

Amendments to IFRS 2
On 17 January 2008, the IASB published the revised IFRS 2 Share-based Payment. The amendments are based on the draft standard IFRS 2 Vesting Conditions and Cancellations issued in February 2006. The IFRS 2 amendment defines the term „vesting conditions" more precisely and governs the cancellation of share-based payment by parties other than the entity. According to IFRS 2, vesting conditions are service conditions (which require the counterparty to complete a specified period of service) and performance conditions (which require specified performance targets to be met) only. Other

features of a share-based payment are not vesting conditions. In response to comments received during the consultation process it was decided to add guidance on the determination of whether a condition is a vesting condition or not to the Guidance on Implementing IFRS 2. A cancellation of a share-based payment by a party other than the entity, such as by employees, shareholders or other parties, should receive the same accounting treatment as a cancellation by the entity. The IFRS 2 amendment is mandatory for fiscal years beginning on or after 1 January 2009. Earlier application is permitted. According to present knowledge, the amendment to this standard shall have no impacts on primion's accounting and reporting as there are currently no share-based payments pursuant to IFRS 2.

Amendments to IAS 32

On 14 February 2008, the IASB published the revised version of IAS 32 Financial Instruments: Presentation. This standard is central to the classification of financial instruments as a liability or as equity. The IASB hereby addresses criticism from Germany and elsewhere that corporate equity be classified as a liability due to shareholders' rights of cancellation. The revised version allows puttable instruments to be classified as equity under certain conditions. These conditions have undergone considerable change since the IASB's original exposure draft dating from summer 2006 following intensive consultation with the German Accounting Standards Committee (DRSC). The revised version shall permit private German companies to typically classify their corporate equity as equity in financial statements according to IFRS. The revised version is mandatory from 1 January 2009, with earlier voluntary application possible. According to present knowledge, the change to this standard shall have no impacts on primion's accounting and reporting as there are currently no financial instruments within the primion Group that would be affected by the amendment to IAS 32.

Improvements to IFRSs – a collection of amendments to International Financial Reporting Standards (IFRSs)

On 22 May 2008, the International Accounting Standards Board (IASB) issued Improvements to IFRSs – a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of the IASB's first annual improvements project. The IASB decided to initiate an annual improvements project in July 2006 as a method of making minor, necessary, but non-urgent, amendments to existing standards that will not be included as part of another major project. The IASB's objective was to ease the burden for all concerned by presenting the amendments in a single document rather than as a series of piecemeal changes. These amendments, which have now been published, are presented in two parts:

- those that involve accounting changes for presentation, recognition or measurement purposes (a list of standards affected by these amendments and the issues addressed is included in separate notes) and
- those involving terminology or editorial changes with minimal effect on accounting.

Unless otherwise specified in the standard, the amendments are effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier. As a variety of individual amendments are involved here, it is not possible to make a definitive statement at present with regard to the likely implications. Based on present knowledge, however, we expect there to be no impacts on primion's accounting and reporting with the exception of additional disclosures in the notes to the financial statements relating to the impairment test pursuant to IAS 36.

Revised version of IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

On 22 May 2008, the International Accounting Standards Board (IASB) amended two standards: IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. This completed the project commenced in March 2006 to simplify the way the cost of an investment is measured in separate financial statements on first-time adoption of IFRSs. In particular, the amendments simplify the way the initial cost of investments in subsidiaries, joint ventures and associated companies is measured using either fair value or the carrying amount under previous accounting practice. The definition of the cost method was also removed from IAS 27. This dispenses with the time-consuming need to divide profits according to „before" and „after" the acquisition. According to the revision to IAS 27, dividends are to be recognized in full as income. A further amendment affects the reorganization of an existing group structure. The revised version of IAS 27 requires that the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganization. The amendments to both standards are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The amendment to these standards has no impacts on primion's accounting and reporting as the requirements of IFRS 1 can have no relevance and the amendments to IAS 27 likewise have no implications.

Amendments to IAS 39

On 31 July 2008, the IASB published an amendment to IAS 39 Financial Instruments: Recognition and Measurement for eligible hedged items. The IASB amended the standard to give additional guidance on applying the principles underlying hedge accounting. Two hedge accounting issues were clarified in the amendment to IAS 39: risks in hedge accounting and in which cases an entity may designate a portion of cash flows of a financial instrument as an underlying hedge transaction. Within the revision process, no existing requirements were modified. Additional paragraphs were simply added to the guidance on applying the standard. The amendments to IAS 39 are mandatory for annual periods beginning on or after 1 July 2009, with earlier application permitted. According to present knowledge, the amendment to this standard shall have no impacts on primion's accounting and reporting as there are currently no financial instruments within the primion Group that would be affected by the amendment to IAS 39.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

On 13 October 2008, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. These amendments to IAS 39 and IFRS 7 enable certain financial instruments to be reclassified in limited circumstances from „held for commercial purposes" to another category. The financial crisis in the money and capital markets is considered one of these rare circumstances in which companies are permitted to utilize this capability. As a result, IAS 39.50 was modified and paragraphs 50B–50F and 103G were inserted. In addition, IFRS 7.12 was amended and paragraphs 12A and 44E were inserted. Pursuant to the changes to IAS 39 and IFRS 7, companies are permitted to reclassify certain financial instruments from 1 July 2008.

Given the financial crisis and the fact that certain financial instruments are no longer traded or the associated markets are no longer active or are in a precarious situation, in the view of the IASB and EU these amendments had to be implemented immediately as of 15 October 2008, in order to enable certain financial instruments to be reclassified retroactively for quarterly reports as at 30 September 2008. primion made no use of this ability to reclassify financial instruments.

Update to amendment to IAS 39

On 27 November 2008, the IASB published an update to the amendments to IAS 39 published on 13 October 2008 regarding the reclassification of financial instruments. This slightly modified version of the amended IAS 39 clarified transitional provisions which had led to some ambiguity in practice. It was clarified that reclassifications carried out on or after 1 November 2008 are effective from the date of reclassification and may not be applied retrospectively. If the reclassification regulations were applied before 1 November 2008, these could be applied retrospectively as at 1 July 2008 or a later date. The reclassification rules must not however be applied before 1 July 2008. Although these amendments have not yet been adopted in European law, they are to be taken into consideration in their currently applicable wording in interpreting cases of doubt at the date the amendments became effective. This is because the IASB has already published details of the clarification in the October issue of the IASB update and the amendment does not refer to a new requirement but rather clarification of regulations already adopted in EU law.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards

On 27 November 2008, the IASB issued a restructured version of IFRS 1 First-time Adoption of International Financial Reporting Standards. The changes to IFRS 1 here relate solely to the standard's structure to make it easier for the reader to understand and to design it to better accommodate future changes. IFRS 1 requirements on the first-time adoption of IFRSs have not been changed. IFRS 1 was first issued in 2003 and subsequently it has been amended frequently. As a result, the standard and its structure were quite complex. In 2007, therefore, as part of the annual improvements project it was proposed to improve the structure of IFRS 1 in a separate project. The revised version of IFRS 1 is mandatory for annual periods beginning on or after 1 January 2009. Earlier application is permitted. The change to this standard has no impacts on the consolidated financial statements of primion as the requirements of IFRS 1 can have no relevance.

IFRIC 12 (Service Concession Arrangements)

Service concession arrangements are arrangements whereby a government or an other state body grants contracts for the supply of public services – such as building roads, airports or hospitals – to private operators. The public sector has the authority to dispose of the assets while the company is contractually obligated to build, operate and/or maintain them. IFRIC 12 draws a distinction between two types of service concession arrangements: In the first case, the company obtains a contractual right to receive cash or other financial assets from the government in return for providing the public service. In this case, a financial asset is recognized for the service concession arrangement. In the second case, the company receives the right to charge users of public services. In this case an intangible asset is recognized. If the company has a contractual right to receive cash or other financial assets as well as the right to charge users, a financial asset is recognized to the extent that there is a contractual right to cash or other financial assets and an intangible asset is recognized for future anticipated payments receivable from charges. This interpretation is initially effective for fiscal years beginning on or after 1 January 2008. primion assumes that this interpretation will have no impacts on accounting and reporting due to the lack of relevance to its business model.

IFRIC 13 (Customer Loyalty Programmes)

This interpretation addresses the accounting of customer loyalty programmes – marketing and bonus measures designed to boost customer loyalty. Companies grant awards or bonus points to customers who buy goods or services which they can exchange for free or discounted goods or services. Previously there were no requirements according to IFRS relating to the accounting of customer loyalty programmes, which meant that in practice they were capitalized in very different ways. In this light, the objective of IFRIC 13 was to standardize the accounting of customer loyalty programmes. IFRIC 13 prescribes that customer loyalty programmes are now recognized according to IAS 18.13, i.e. as multiple element transactions. This interpretation is initially effective for fiscal years beginning on or after 1 July 2009. primion assumes that this interpretation will have no impacts on accounting and reporting due to the lack of relevance to its business model.

IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction)

IFRIC 14 provides general guidance on how to and the extent to which to recognize a surplus in calculating pension provisions according to IAS 19 as an asset. IFRIC 14 also explains how the measurement of pension provisions (or a potential pension asset) can be affected by a statutory or contractual minimum funding requirement. The IFRIC 14 interpretation has been announced to standardize current accounting practices and ensure that companies always capitalize assets resulting from pension calculation. This interpretation is initially effective for fiscal years beginning on or after 1 January 2008. primion assumes that this interpretation will have no impacts on accounting and reporting due to the lack of relevance to its business model.

IFRIC 15 (Agreements for the Construction of Real Estate)
The IFRIC published the interpretation IFRIC 15 Agreements for the Construction of Real Estate on 3 July 2008. This interpretation arises from the draft interpretation IFRIC D21 Real Estate Sales which was released on 5 July 2007 and shall standardize accounting practice for property sales made „off plan“ before construction is complete. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognized. IFRIC 15 stipulates that IAS 11 may only be applied if the definition of a construction contract according to IAS 11.3 is fulfilled. IFRIC 15.11 points out that this definition is only met if the buyer is able to shape key aspects of construction before construction starts or can specify key elements during construction, irrespective of whether they may use this opportunity or not. Construction agreements where the buyer has only limited participation rights, e.g. only the right to choose between certain prescribed elements, must be accounted for according to IAS 18. IFRIC 15 is mandatory for annual periods beginning on or after 1 January 2009. Earlier voluntary application is permitted. primion assumes that this interpretation will have no impacts on accounting and reporting due to the lack of relevance to its business model.

IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)
The IFRIC published the interpretation IFRIC 16 Hedges of a Net Investment in a Foreign Operation on 3 July 2008. This interpretation arises from the draft interpretation IFRIC D22 issued on 19 July 2007. IFRIC 16 addresses the following accounting issues:

- Identifying risks that qualify as a hedged risk. Identifying risk as transaction risk (risk arising from transactions in the functional currency of a subsidiary) or translation risk (currency risk from converting the subsidiary's financial statements from the functional currency to the presentation currency)
- Which entity within the group may hold the hedging instrument
- Accounting for foreign exchange differences recognized in equity when disposing of the investment

IFRIC 16 provides the following guidance:

- Translation to the presentation currency does not represent a risk that may be hedged with the help of hedge accounting. Only transaction risks can be hedged.
- The hedge instrument may be held by any company within the group.
- With regard to accounting and measurement when the investment is disposed of, IAS 39 is to be applied to the hedge and IAS 21 to the hedged transaction, i.e. the underlying transaction.

IFRIC 16 is mandatory for annual periods beginning on or after 1 October 2008. Earlier voluntary application is permitted. Application shall be prospective, i.e. IAS 8 shall not be applied. primion assumes that this interpretation will have no impacts on accounting and reporting due to the lack of relevance to its business model.

IFRIC 17 (Distributions of Non-cash Assets to Owners)
On 27 November 2008, the International Financial Reporting Interpretations Committee (IFRIC) issued its interpretation IFRIC 17 Distribution of Non-cash Assets to Owners. IFRIC 17 arises from the draft interpretation IFRIC D23 published on 17 January 2008 and addresses the accounting of non-cash dividends. Existing IFRSs did not address how an entity should measure distributions of assets other than cash when it pays dividends to its owners. As a result significant diversity in practice has developed. The dividend payable is sometimes recognized at the carrying amount of the assets to be distributed and sometimes at their fair value. When recognizing dividends, IFRIC 17 clarifies that:

- a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity (this may be when the dividend resolution is passed or when such dividends are announced depending on the respective national regulations);
- an entity should measure the dividend payable at the fair value of net assets to be distributed to owners as dividends;
- an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss;
- additional disclosures are required if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. The IFRIC 17 interpretation is to be applied prospectively for all annual periods beginning on or after 1 July 2009. Earlier application is permitted. primion assumes that this interpretation will have no impacts on the consolidated financial statements due to no distributions of non-cash assets being scheduled at this time.

C. Accounting policies

The assets and liabilities of primion Technology AG and the fully consolidated domestic and foreign subsidiaries were uniformly recognized and measured pursuant to IAS 27 according to the primion Group's prevailing accounting policies as at 30 September 2008.

The same applies for the participation included in the consolidated financial statements using the equity method.

The comparative information for fiscal year 2006/2007 is based on the same accounting policies as have been adopted for fiscal year 2007/2008 unless otherwise expressly reported.

The key accounting policies adopted in drawing up these consolidated financial statements are as follows:

Recognition of income and expenses
Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenues from product sales are recognized when title and risk have passed to the customer, when a price is agreed or quantifiable, where payment can be assumed with sufficient probability and if costs incurred or yet to be incurred and associated with the sale can be reasonably determined. Revenues are presented less discounts, price reductions, bonuses, volume discounts, VAT and other sales-related taxes. Revenues from the sale of services are recognized proportionally according to performance development in the period the services were provided. Please refer to the separate notes on construction contracts regarding the recognition of revenues from construction contracts.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from financial assets is recognized when the shareholders' rights to receive payment have been established.

Non-capitalized expenses are recognized as expenses in the income statement at the time they are incurred.

Borrowingcosts
Borrowing costs within the Group are recognized in the period in which they are incurred in accordance with IAS 23.

Government grants
Investment subsidies are assigned to the related acquisition and/or production costs and are deducted in reporting the related expense.

Income taxes
The tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is calculated on the basis of the taxable income for the year of the individual companies within the Group. Deferred income taxes are calculated using the asset and liability method. Deferred tax assets and liabilities are capitalized in accordance with IAS 12 for all temporary differences between the carrying amount of an asset or liability and its fair value for tax purposes. Deferred tax assets are also capitalized for tax loss carry-forwards and tax credits. Deferred tax assets on tax losses are to be accumulated to the extent that it is probable that tax loss carry-forwards could be utilized in future. Therefore all deferred taxes on tax losses are stated with reference to their feasibility. Deferred tax is determined on the basis of the tax rates in the period when the asset is realized or that are expected to apply given the current legal situation in the individual countries. The impact of tax rate changes on deferred tax is recognized in the income statement when the statutory amendment becomes effective, except for items originally charged or credited to equity.

Intangible assets
Acquired and internally-generated intangible assets are capitalized with their purchase/production costs when it is probable that the primion Group will derive future commercial benefit from the intangible asset and the purchase/production costs can be reasonably determined. In subsequent calculations, a distinction is made between intangible assets with limited and unlimited/indefinite useful lives.

Intangible assets with limited useful lives are subject to amortization on a straight-line basis over the asset's estimated future useful commercial life. The amortization period and method are reviewed at least once a year at the balance sheet date. In the case of circumstances leading to further value restrictions, impairment tests are performed in accordance with IAS 36 as soon as there is evidence of impairment and additional impairment charges are made to the recoverable amount where necessary. The recoverable amount here is the higher of fair value less costs to sell and an asset's value in use. A value allowance is made if the individual asset's carrying amount exceeds the recoverable amount. The resulting impairment charge is presented in the income statement under depreciation and amortization.

In addition to goodwill, intangible assets mainly consist of order backlogs, customer relationships, servicing agreements, development costs, licences, patents and software acquired for consideration. There are no intangible assets with an unlimited or indefinite useful life except for goodwill.

Internally-generated intangible assets – Research & Development costs
Group-wide development activities represent a significant intangible resource for the primion Group. The primion Group expects considerable future economic benefits to flow to the entity from the development of software and hardware products for systems used for the recording of time, operating data and project duration. Expenses incurred in connection with software and hardware development projects are recognized as intangible assets if the technical and commercial feasibility of completing the development projects can be demonstrated, it is probable that the development projects will be used or sold by the Company in the future, and if the development cost can be reasonably measured.
According to IAS 38.66, production costs include all costs incurred in the development phase which are directly attributable to the development project. Borrowing costs are not included. Amortization begins when the asset is marketable and continues on a straight-line basis over the useful life, which is estimated at three to ten years. Development projects not yet completed and capitalized are subject to an annual impairment test. Research and non-capitalizable development costs are treated as income when they materialize.

Intangible assets acquired for consideration
Intangible assets acquired are measured at purchase/production cost less cumulative amortization.

Amortization continues on a straight-line basis over the asset's useful life which was estimated as follows for the major capitalized intangible assets:

• Software, licences and similar rights:	2-10 years
• Order backlog:	max. 2 years
• Customer relationships:	5-10 years
• Servicing agreements:	5-12 years
• Non-competition clause:	5 years

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Pursuant to IFRS 3, goodwill is not subject to amortization but rather tested for impairment in accordance with IAS 36 annually, and additionally on a case-by-case basis where there is an indication that the asset may be impaired, and where applicable reduced to its recoverable amount („impairment only approach"). For the purpose of the impairment test, goodwill is allocated to cash generating units (CGU). Any impairment is recognized as income immediately. No subsequent reversal of impairment losses takes place.

Property, plant and equipment
Property, plant and equipment are stated at their historical purchase cost less amortization. Purchase costs include the purchase costs directly attributable to the acquisition. Retroactive purchase/production costs are considered a component of the asset's purchase/production costs only when it is probable that the Group will derive future commercial benefit therefrom and the asset costs can be reasonably measured. Any other repairs and maintenance are recognized as an expense in the income statement win the period in which they are incurred.
Land is not subject to amortization. For all other assets, amortization of the purchase costs continues over the asset's estimated useful life, using the straight-line method, on the following bases:

• Buildings:	20-50 years
• Machinery and auxiliary facilities:	3-13 years
• Operational and business equipment:	3-13 years

The residual carrying amounts, amortization methods and estimated useful lives are examined at each balance sheet date and adjusted where necessary. If an asset's carrying amount exceeds its estimated recoverable amount, it is amortized at the latter with immediate effect. Gains and losses arising on the disposal of assets are determined as the difference between the sales proceeds and the carrying amount and are recognized in income.

Investment property
Land and (parts of) buildings that represent a financial investment in terms of IAS 40 are immaterial within the primion Group.

Leases
Leases are classified as finance leases whenever the terms of the leases substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
Assets which are held under finance leases are recognized as assets of the respective Group company at the present value of the lease payments or at the lower fair value pursuant to IAS 17 and amortized over their useful life or, where applicable, a shorter term of the relevant lease.
The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation under financial liabilities. Lease payments are apportioned between interest expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rental payments under operating leases are recognized as expenses in the income statement on a straight-line basis over the term of the relevant lease.

Inventories
Inventories are stated at the lower of purchase/production cost and net realizable value.

Production costs include direct costs, a reasonable proportion of material and manufacturing overheads, amortization arising from production and production-related administrative costs. Finance costs are not recognized as part of the purchase and production costs.
In order to simplify the calculations, the average method is applied to raw materials and supplies.

Net realizable value represents the estimated selling price less all estimated costs of completion and of marketing, selling and distribution.

Construction contracts
Where the outcome of a construction contract can be reasonably estimated, revenue and costs are recognized pursuant to IAS 11.22 by reference to the stage of completion at the balance sheet date (percentage of completion (POC) method). This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Payments for variations in contract work, additional claims and incentive payments are included to the extent that they have been agreed. The Group recognizes a receivable for all ongoing construction contracts where the sum of invoices for partial delivery does not exceed the costs incurred plus the recognized gains. The Group recognizes a liability for all ongoing construction contracts where the sum of invoices for partial delivery exceeds the costs incurred plus the recognized gains. Where the outcome of a construction contract cannot be reasonably estimated, pursuant to IAS 11.32 contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognized as expenses in the

period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Financial assets
Under the provisions of IAS 32/39 financial assets are divided into the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the respective financial asset was acquired. Management determines the classification of financial assets when they are first included in the financial statements and reviews this at each balance sheet date.

In addition to trade accounts receivable and cash and cash equivalents, the primion Group holds a small portfolio of open securities fund units which are classified as financial assets available for sale in terms of IAS 39 and measured at fair value at the balance sheet date. Value changes are recognized in a separate item under equity, taking into consideration potential deferred taxes.

There are no derivative financial instruments, including embedded derivatives, within the primion Group. As a result, hedge accounting is likewise not applied.

Trade accounts receivable
Trade accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized purchase cost, net of impairment, using the effective interest rate method where applicable if there are material impacts on interest. An impairment loss for trade account receivables is recognized when there are objective indications that the receivable amounts due are not recoverable in their entirety. The level of impairment is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows arising from this receivable, discounted by the effective interest rate. Any impairment loss is recognized in the income statement and charged or credited to separate value adjustment accounts. Corresponding reversals of impairment losses take place if the reasons for the prior periods' value allowances no longer apply.

Cash and cash equivalents
Cash and cash equivalents comprise cash, deposits and other short-term highly liquid financial assets with maturity of three months or less. Overdraft facilities drawn upon are recognized on the balance sheet as liabilities to banks under current financial liabilities.

Other accounts receivable and other assets
Other accounts receivable and other assets do not include financial assets. When recognized for the first time, these are capitalized at their fair value and subsequently at amortized purchase cost.

Shareholders' equity
Ordinary shares are classified as shareholders' equity. According to IAS 32, costs that are directly attributable to the issue of new shares are accounted for at equity net (after taxes) as a deduction of issue proceeds.

If an entity within the Group purchases primion Technology AG treasury shares, the value of the consideration paid (net), including directly attributable transaction costs and related income taxes, is deducted from the shareholders' equity the shareholders are entitled to until the shares are retracted, reissued or resold. Where such shares are subsequently reissued or resold, the consideration received (net) is recognized in the equity the shareholders are entitled to less directly attributable transaction costs and related income taxes. At the balance sheet date of 30 September 2008, the Company holds 110,000 treasury shares (prior year: 0) with a total purchase cost of €500k (prior year: €0k). These 110,000 repurchased treasury shares were resold in the period from 10 November 2008 to 27 November 2008 for an average price of €6.00 per share (less transaction costs).

Provisions
Provisions pursuant to IAS 37 are recorded only when there is a present legal or de facto obligation to third parties leading to a probable future outflow of resources that can be reasonably estimated.
Where there is a material effect, long-term provisions are recognized based on their discounted redemption amount at the balance sheet date.

Employee benefits
Pension obligations
IAS 19 differentiates between defined benefit and defined contribution plans. With defined contribution plans, the cost solely comprises the primion Group's contributions payable – as a rule no value is shown in the balance sheet. With defined benefit commitments, however, the value of the obligation should be determined and capitalized using the projected unit credit method. This method takes into consideration forecast increases in pensions and salaries given careful appraisal of relevant factors, as well as known pensions and acquired rights. Calculations are made on the basis of actuarial opinion with reference to biometric assumptions.

It can be difficult to distinguish between defined contribution and defined benefit plans in an individual case. For example, in Germany contribution commitments typically guarantee a minimum benefit for which the employer is ultimately always liable, even if involving an external provider or insurance company (final employer liability according to Section 1 [1] Sentence 3 of the German Company Pension Act (BetrAvG)). The legal situation in Belgium is comparable. In purely formal terms, it could be argued that these types of occupational pension schemes represent defined benefit plans. However, for accounting purposes the commercial interpretation is the term defined contribution commitment. With reference to the IFRIC D 9 interpretation (Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions) which is not yet finalized, the primion Group currently qualifies the occupational pension schemes within the Group as defined contribution plans in both commercial and formal legal terms, whether they are implemented via an insurance company or associated pension plan or pension fund. Only in the unlikely event of a deficit, i.e. when the assets of the external provider do not cover the present value of guaranteed benefits or minimum benefits, would the deficit be capitalized by the primion Group. This is not currently the case. In the unlikely event of a deficit or if the view of the IFRIC changes with regard to the classification of occupational pension schemes within the primion Group, this could lead to accounting restatements where necessary. For current purposes, the impacts on the assets, liabilities, financial position and earnings of the primion Group are immaterial. The disclosures required may however be substantially extended by IAS 19.120 et seq.

Share-based compensation
No share-based compensation occurs within the primion Group.

Termination benefits
Termination benefits are paid when an employee is released from employment before reaching statutory retirement age or when an employee accepts voluntary redundancy benefits. The Group recognizes redundancy benefits when demonstrably obliged to terminate the contracts of current employees according to a detailed formal plan which cannot be retracted or when employees terminate their contracts voluntarily in exchange for redundancy payments. Payments due more than twelve months after the balance sheet date are discounted at their present value.

Lawsuits and claims for damages
Companies within the primion Group are involved in various legal and official proceedings as part of the general course of business or may become involved in the same should they be instigated or become applicable in the future. Although the outcome of individual proceedings cannot be anticipated with any certainty in view of the imponderability of lawsuits, the current assessment is that, beyond the risks taken into consideration in the financial statements as liabilities or provisions, the results of Group operations are not significantly adversely affected.

Financial liabilities
There are no liabilities held for commercial purposes within the primion Group. The requirements for applying the fair value option do not apply within the primion Group either. Within the primion Group, financial liabilities are therefore measured exclusively at amortized purchase cost. Accordingly, current liabilities are carried at payment or redemption amounts. Non-current liabilities and financial liabilities are carried at amortized cost using the effective interest rate method.

Items with a residual maturity of up to one year are presented as current; non-current items have a residual maturity of more than a year.

The Group derecognizes a financial liability when the primion Group's obligations have been paid, offset or matured.

Other liabilities
Other liabilities do not include financial liabilities. When recognized for the first time, these are measured at their fair value and subsequently at amortized purchase cost.

Estimates
The preparation of the consolidated financial statements according to IASB principles requires forward-looking assumptions to be made and estimates to be used which impact the level and disclosure of reported assets and liabilities, income and expenses, as well as contingent liabilities.

Assumptions and estimates mainly relate to the standard definition of useful life across the Group, the accounting and measurement of provisions, the recognition of receivables and future tax relief, calculations of remaining costs and the extent of progress towards the completion of construction contracts, as well as the planning and measurement assumptions behind the impairment test. Actual values may vary from the assumptions and estimates made in individual cases. Changes are recognized in the income statement at the date they come to light.

Estimates are also used in the course of acquisitions to determine the fair value of the assets, liabilities and contingent liabilities acquired. The identification and valuation of intangible assets in particular has a significant discretionary component. Fair value is generally derived from a forecast of total expected future cash flows. Assets may be valued using methods based on cost, market price or income, depending on the type of asset and the availability of information. The income approach is the preferred measure of intangible assets. Although we believe that our estimates of the relevant expected useful life of certain assets and estimations of the discounted future cash flows are appropriate, changes in assumptions or circumstances could require changes in the analysis.

Significant forward-looking assumptions and other sources of uncertainty with regard to estimates at the balance sheet date, which can give rise to considerable risk and where restatement of assets and liabilities disclosed may be necessary in the next fiscal year, are presented in section „N. Significant assumptions and estimates“.

D. Scope of consolidation

The scope of consolidation at primion Technology AG extends to the following directly or indirectly held subsidiaries in addition to the parent company:

Company and headquarters	Shareholding as at 30.09.2008		Shareholding as at 30.09.2007
Direct participations:			
primion SAS Boulogne-Billancourt, France	100.00%		100.00%
primion Technology GmbH, Graz, Austria	51.00%		51.00%
primion GmbH, Stetten am kalten Markt, Germany	100.00%		100.00%
primion Digitek S.L.U., Barcelona, Spain	100.00%		100.00%
General Engineering & Technology N.V., Malle, Belgium	100.00%		100.00%
Jans Sicherheitssysteme GmbH, Ludwigsburg, Germany	100.00%		100.00%
primion AG, Tuggen, Switzerland	26.00%	*2	26.00%
SFK Networkservice GmbH, Roemhild, Germany	15.00%	*3	15.00%
Indirect participations:			
Nisus N.V., Herentals, Belgium	0.00%	*4	100.00%
GET Nederland B.V., Waardenburg, Netherlands	100.00%	*1	100.00%
Dataget SAS, Tourcoing Cedex, France	100.00%	*1	100.00%

* 1 Wholly-owned subsidiary of General Engineering & Technology N.V., Belgium
* 2 At-equity
* 3 At-cost
* 4 Merged with the parent company General Engineering & Technology N.V., Belgium

At all companies within the Group, the fiscal year corresponds with that of the parent company.

E. Changes to the scope of consolidation

The scope of consolidation has changed compared to 30 September 2007 due to legally amalgamating Nisus N.V., Herentals/Belgium, into its parent company General Engineering & Technology N.V., Malle/Belgium, with economic effect as of 1 October 2007 following the notarized merger agreement of 29 April 2008. Details were entered in the Companies' Register on 5 May 2008 and published on 22 May 2008.

F. Consolidation principles

Subsidiaries
A subsidiary is any company where the Group has the power to govern financial and operating policies either directly or indirectly. Subsidiaries are included in the consolidated financial statements (fully consolidated) when the Group starts to exercise control over the company and are deconsolidated when this ceases to be the case.

Business combinations are accounted for by applying the purchase method pursuant to IFRS 3 (Business Combinations). On acquisition, the assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequently, the purchase costs of the acquired interests are offset against the acquired company's underlying shareholders' equity. Any excess of the cost of acquisition over the fair values of the identified assets, liabilities and contingent liabilities is presented as goodwill under intangible assets. Any deficiency of the cost of acquisition below the fair values of the identified assets, liabilities and contingent liabilities (i.e. negative goodwill) is, following verification, immediately recognized as income in the period of acquisition.

The interests of minority shareholders are stated at the minority's proportion of the fair values of the assets and liabilities presented and subsequently adjusted based on share of income. Minority interests in consolidated shareholders' equity and the consolidated annual results are stated separately from the parent company's interests. Where proportionate losses made by a Group subsidiary exceed the equity interest, the excess amounts are offset against the parent company's retained earnings.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intragroup transactions, balances and unrealized gains from transactions between Group entities are eliminated. Unrealized losses are also eliminated unless there is evidence of an impairment of the asset transferred.

The effects of including Jans Sicherheitssysteme GmbH in the scope of consolidation for the whole year for the first time in the current fiscal year 2007/2008 are presented in detail and commented on in the Group management report.

Associated companies
An associated company is an entity over which the Group is in a position to exercise significant influence. This is typically expected with a share of the voting rights of between 20 and 50 per cent. Participations in associated companies are accounted for under the equity method. Pursuant to IAS 28 the shares are initially stated at cost as adjusted by post-acquisition changes and subsequently according to the Group's share of the net assets of the associate. The Group's share of gains and losses of associated companies is recognized in the non-operating result in the income statement from the date of acquisition, while the effects of currency changes are charged or credited to other cumulated equity.

The participation in primion AG of Tuggen/Switzerland (26%) is included in the consolidated financial statements at equity. At the balance sheet date of 30 September 2008, the net assets of primion AG of Tuggen were €351k (30 September 2007: €311k).

Non-current assets held for sale
Non-current assets or disposal groups are classified as held for sale according to IFRS 5 if the associated carrying amount will predominantly be realized via a sale transaction and not by continued use. This condition is only regarded as fulfilled if the sale is highly probable and the asset (or disposal group) is available for immediate sale in its current state. The level of management responsible for this within the Group must have committed to a sale. Here the assumption must be that a completed sale will be recognized within a year of such a classification being made.
Non-current assets (and disposal groups) classified as held for sale are stated at the lower amount of their original carrying amount or their fair value less costs to sell.

G. Foreign exchange translation

The functional currency of all fully consolidated subsidiaries is the euro.

Transactions denominated in currencies other than the euro are translated at the rates of exchange prevailing on the dates of the transactions. Gains and losses from the settlement of such transactions and from translating monetary assets and liabilities at the balance sheet date are recognized in the income statement.

Balance sheet items denominated in currencies other than the euro are measured at the rates of exchange prevailing on the balance sheet date.

Pursuant to IAS 21 and the concept of the functional currency, the percentage of equity of foreign associated companies is translated at the balance sheet date at the period-end exchange rate or historical rates. Expense and income items are translated at the average exchange rates for the period. Exchange differences arising are presented in the balance sheet under „Other cumulated equity" in equity.

The following rates of exchange were used to translate the underlying shareholders' equity of foreign associated companies:

	Balance sheet date		**Annual average**	
	30.09.2008	30.09.2007	2007/2008	2006/2007
1 Swiss franc (CHF) in €	1,5801	1,6612	1,6187	1,6231

H. Changes in accordance with IFRS 3

At the balance sheet date of 30 September 2007, Jans Sicherheitssysteme GmbH was included in the consolidated financial statements according to IFRS 3.62 based on provisional figures. Following completion of the purchase price allocation, the values as at 30 September 2007 were restated. In addition, restatements were made pursuant to IFRS 3.63 in conjunction with IFRS 3.33 et seq. in relation to the business combination involving GET N.V. of Malle/Belgium on 28 September 2006. This restatement can be attributed to the disposal of the property from which GET N.V., Malle/Belgium, conducts its operations to the former owner of the GET Group on 28 December 2007. This sale resulted in an additional purchase price payment of €919k, which was paid in cash. Of these subsequent purchase costs, €791k was already recognized under other liabilities as at 30 September 2007. The difference of €128k led to a retrospective increase in goodwill according to IFRS 3.63 in conjunction with IFRS 3.33 et seq. at the acquisition date of 28 September 2006 and therefore as at 30 September 2006 and 30 September 2007.

Impacts on the income statement, balance sheet and cash flow statement are presented below:

Consolidated income statement

in €	restated 01/10/2006-30/09/2007*	reported 01/10/2006-30/09/2007
Revenues	**52,105,539**	**52,105,539**
Changes in inventory	127,498	127,498
Other own work capitalized	2,494,845	2,494,845
Total revenues	**54,727,882**	**54,727,882**
Other operating income	1,097,998	1,097,998
Cost of materials	15,573,915	15,573,915
Personnel expenses	22,421,143	22,421,143
Depreciation and amortization	4,123,196	4,135,769
Other operating expenses	10,299,706	10,299,707
Operating result (EBIT)	**3,407,920**	**3,395,346**
Non-operating result	**-989,642**	**-979,672**
thereof: income from financial assets accounted for under the equity method	11,083	11,083
Earnings before tax	**2,418,278**	**2,415,674**
Income taxes	504,750	557,899
Income after taxes	**1,913,528**	**1,857,775**
thereof: net income attributable to minority interests	-9,811	-9,811
Income attributable to shareholders of primion Technology AG (consolidated net income)	**1,923,339**	**1,867,586**
Earnings per share (basic and diluted)	**0.35**	**0.34**

* Figures restated in accordance with IFRS 3

Consolidated balance sheet

Assets in €	restated 30/09/2007*	reported 30/09/2007
Non-current assets		
Intangible assets	29,782,199	29,409,331
Property, plant and equipment	8,360,401	8,360,401
Financial assets accounted for under the equity method	80,929	80,929
Other financial assets	100,621	100,621
Deferred tax assets	129,591	129,591
Total non-current assets	**38,453,740**	**38,080,873**
Current assets		
Inventories	5,663,889	5,663,889
Receivables from construction contracts	8,178,606	8,178,606
Trade accounts receivable	12,746,580	12,757,828
Other accounts receivable and other assets	1,070,198	1,070,198
Claims for tax refunds	166,640	166,640
Other financial assets	673,277	673,277
Cash and cash equivalents	1,460,920	1,460,920
Total current assets	**29,960,111**	**29,971,358**
Total assets	**68,413,851**	**68,052,231**

* Figures restated in accordance with IFRS 3

Equity and liabilities in €	restated 30/09/2007*	reported 30/09/2007
Equity attributable to shareholders of primion Technology AG		
Share capital	5,550,000	5,550,000
Capital reserves	18,115,605	18,115,605
Retained earnings	4,898,533	4,842,780
Other cumulated equity	-6,009	-6,009
Minority interests	–	–
Total equity	**28,558,129**	**28,502,376**
Non-current liabilities		
Long-term accrued liabilities	444,295	444,295
Non-current financial debts	16,540,530	16,540,530
Deferred tax liabilities	3,753,149	3,583,617
Total non-current liabilities	**20,737,974**	**20,568,442**
Current liabilities		
Current accruals	191,026	191,026
Current financial debts	4,892,351	4,892,351
Liabilities from construction contracts	238,533	238,533
Trade accounts payable	3,655,082	3,655,082
Tax liabilities	1,209,607	1,209,607
Other liabilities	8,931,149	8,794,814
Total current liabilities	**19,117,748**	**18,981,413**
Total liabilities	**39,855,722**	**39,549,855**
Total equity and liabilities	**68,413,851**	**68,052,231**

* Figures restated in accordance with IFRS 3

Consolidated cash flow statement

in €	restated 01/10/2006-30/09/2007*	reported 01/10/2006-30/09/2007
Income after taxes	1,913,528	1,857,775
Depreciation and amortization	4,123,196	4,135,769
Change in long-term provision	63,789	63,789
Change in deferred taxes	-544,134	-490,985
Result on disposal of non-current assets	-12,814	-12,814
Result from using equity method	-7,690	-7,690
Other non-cash expenses/income	15,859	15,860
Foreign exchange translation differences	-3,393	-3,393
Gross cash flow	**5,548,341**	**5,558,311**
Change in short-term provisions	78,694	78,694
Change in inventories	-1,091,611	-1,091,611
Change in receivables from construction contracts	-2,500,627	-2,500,627
Change in working capital		
Assets	1,213,863	1,213,861
Liabilities	183,194	173,226
Cash flow from operating activities	**3,431,854**	**3,431,854**
Intangible assets/Property, plant and equipment		
Capital expenditure	-4,477,971	-4,477,971
Cash inflow from disposal of assets	31,561	31,561
Business combinations less acquired cash according to IFRS 3	-4,349,937	-4,349,937
Cash flow from investment activities	**-8,796,347**	**-8,796,347**
Cash inflow from financial debts	20,471,168	20,471,168
Cash outflow from debt repayment	-10,465,129	-10,465,129
Cash flow from financing activities	**10,006,039**	**10,006,039**
Net change in cash and cash equivalents	**4,641,546**	**4,641,546**
Change in bank overdraft	-6,050,663	-6,050,663
Total change in cash and cash equivalents	**-1,409,117**	**-1,409,117**
Cash and cash equivalents at beginning of period	2,870,037	2,870,037
Cash and cash equivalents at end of period	**1,460,920**	**1,460,920**
Income tax paid	452,791	452,791
Income tax refunded	1,111,180	1,111,180
Interest paid	1,044,965	1,044,965
Interest received	89,242	89,242

*Figures restated in accordance with IFRS 3

I. Notes on corporate acquisitions

In the process of the purchase price allocation, assets are valued following IDW RS HFA 16 using one of the following three approaches: the market approach, the income approach or the cost approach.

When applying the market approach the fair value of an asset is determined by making comparisons with actual transactions for comparable assets. This value is adjusted according to characteristics that are specific to the asset such as age, selling propositions or the transaction environment. The market approach is primarily used to value tangible fixed assets such as buildings or machinery as an active market exists for these.

As a rule, intangible assets are acquired in the course of business combinations. For these transactions it is often difficult to find examples of prices paid for comparable assets. In most cases it is not possible to identify competent, willing parties at the time because intangible assets are not standardized; rather they predominantly exhibit highly company-specific characteristics.

With the income approach the fair value is determined by discounting future cash flows of the corresponding asset with a risk-adjusted interest rate. Thus, the fair value corresponds to the present value of anticipated future cash flows. The evaluation is based on estimates and forecasts made by management. These are founded on both present expectations and assumptions with regard to the future development of the asset, as well as on assumptions regarding a suitable risk-adjusted discount rate. The cost approach is applied only in the process of deriving the fair current value under purchase price allocation. Here costs associated with producing a precise copy of the asset are taken into consideration (reproduction cost method). Alternatively, it is possible to base on the costs of producing an asset which is equivalent in terms of use (replacement cost method). Deductions that take into consideration technical, physical and/or commercial obsolescence are made where necessary. Recognizing depreciation is based on the estimated useful life as determined by commercial criteria. Insofar as the determination of useful economic life cannot be reasonably substantiated, for assets which have already been fully amortized in particular, the consideration of so-called cut-off values may be appropriate in order to reflect the potential value lacking.

Jans Sicherheitssysteme GmbH

On 23 May 2007 primion Technology AG acquired 100% of the shares in Jans Sicherheitssysteme GmbH, Ludwigsburg/Germany. Jans Sicherheitssysteme GmbH was incorporated into the consolidated financial statements from 23 May 2007.

The purchase price for the acquired company totalled €5,000k. This purchase price was paid in cash and has increased by a variable, profit-related amount of €500k (with a cash value shown as a liability of €468k at the acquisition date) which was paid in July 2008. The ancillary acquisition costs incurred amounted to €271k, whereby €30k was paid in the current fiscal year. The purchase price allocation for Jans Sicherheitssysteme GmbH was completed in the third quarter of fiscal year 2007/2008. Comparative information for reporting periods before the business combination was initially fully accounted for was presented in accordance with IFRS 3.62 as if accounted for at the acquisition date.

Following the completed purchase price allocation, the following values are capitalized for this business combination:

	Carrying amounts €k	Fair Value €k
Non-current assets		
Intangible assets	9	2,414
Property, plant and equipment	164	164
Current assets		
Inventories	40	40
Receivables from construction contracts	969	969
Trade accounts receivable	493	482
Other accounts receivable and other assets	267	267
Cash and cash equivalents	891	891
Liabilities		
Provisions	699	700
Financial liabilities	105	105
Trade accounts payable	392	392
Other liabilities	408	408
Deferred taxes	57	954
Acquired net assets		**2,668**

The cash and cash equivalents acquired amounted to €891k. In the process of the acquisition no areas of the business were relinquished or disposed of.

Goodwill to the amount of €3,071k resulting from the purchase price allocation reflects the anticipated future synergy effects arising from the business combination and is assigned to the domestic CGU. It also incorporates the expertise of the employees at Jans Sicherheitssysteme GmbH in the field of security technology and strategic considerations with regard to market diversification.

Intangible assets mainly consist of the following:

- Servicing agreements: €1,188k
- Customer relationships: €522k
- Order backlog: €196k
- Non-competition clause: €500k

Material changes to the provisional purchase price allocation result from the identification and valuation of additional intangible assets to the amount of €606k which – following a corresponding increase in deferred taxes – led to a reduction in provisional goodwill according to IFRS 3.62 from €3,474k previously. In the prior year financial statements, the provisional purchase price allocation according to IFRS 3.62 led to the following result:

	Carrying amounts €k	Fair Value €k
Non-current assets		
Intangible assets	9	1,808
Property, plant and equipment	164	164
Current assets		
Inventories	40	40
Receivables from construction contracts	969	969
Trade accounts receivable	493	493
Other accounts receivable and other assets	267	267
Cash and cash equivalents	891	891
Liabilities		
Provisions	699	699
Financial liabilities	105	105
Trade accounts payable	392	392
Other liabilities	408	408
Deferred taxes	57	731
Acquired net assets		**2,297**

During the period from 1 October 2007 to 30 September 2008, Jans Sicherheitssysteme GmbH generated revenues of €7,979k (prior year: €2,809k from 23 May to 30 September 2007) and earnings (EBIT) of €250k (prior year: €401k from 23 May to 30 September 2007) after depreciation and amortization as a result of the purchase price allocation to the amount of €475k (prior year: €228k).

GET Group

On 28 December 2007, GET N.V. of Malle/Belgium sold the property from which it conducts its operations to the former owner of the GET Group. This sale was related to the original business combination. It resulted in an additional purchase price payment of €919k, which was paid in cash. Of these subsequent purchase costs, €791k was already recognized under other liabilities as at 30 September 2007. The difference of €128k led to a retrospective increase in goodwill according to IFRS 3.63 in conjunction with IFRS 3.33 et seq. at the acquisition date of 28 September 2006 and therefore as at 30 September 2006 and 30 September 2007.

The selling price for the property was €3,140k. Also paid in cash, the sale resulted in a book profit of €28k that was recognized under other operating income in the first quarter of fiscal year 2007/2008. The property is leased back by GET N. V. on a nine-year lease.

J. Notes to the consolidated income statement and consolidated balance sheet

1. Revenues

Revenues relating to construction contracts are €19,531k (prior year: €16,118k), non-construction contracts/services €19,173k (prior year: €20,142k), commodity goods €8,636k (prior year: €6,634k) and maintenance €10,820k (prior year: €9,212k). This rise can largely be attributed to including Jans Sicherheitssysteme GmbH in full for the first time.

With the associated company, revenues to the amount of €369k (prior year: €502k) were effected.

2. Other own work capitalized

Other own work capitalized derives from the capitalization of development costs to the amount of €1,812k (prior year: €2,432k), the capitalization of internal costs for an ERP project to the amount of €64k (prior year: €55k) and the capitalization of internally-generated products to the amount of €0k (prior year: €8k).

3. Other operating income

Other operating income comprises the following:

	2007/2008 €k	2006/2007 €k
Benefits in kind	597	607
Income from cancelling provisions (accruals)	103	–
Income from exchange rate differences	5	11
Insurance compensation	64	34
Cancellation of value allowances	2	94
Income from sales of assets	69	38
Other	289	314
	1,129	**1,098**

Benefits in kind mainly relate to the private use of company cars by employees.

4. Costs of materials

The costs of materials are composed of the following:

	2007/2008 €k	2006/2007 €k
Costs of raw materials and supplies and of purchased goods	14,746	11,968
Costs of purchased services	6,256	3,606
	21,002	**15,574**

5. Personnel expenses

Personnel expenses are composed of the following:

	2007/2008 €k	2006/2007 €k
Salaries and wages	19,733	18,267
Retirement and social benefit expenses	4,113	4,154
	23,846	**22,421**

Profit sharing by management is governed by individual bonus agreements.

Group companies provide retirement benefits under defined contribution plans only. Please refer to the details provided in section „C. Accounting policies“.

All ongoing contributions to publicly or privately administered pension insurance plans are recognized as expenses in the respective period under social security contributions, retirement and other benefit costs. In 2007/2008 these amounted to €1,255k (2006/2007: €1,121k). Of this, in 2007/2008 €6k related to members of management (2006/2007: €9k).

Personnel expenses include severance payments to the amount of €597k (prior year: € 560k).

6. Number of employees in the Group

As at 30 September 2008, the Group employed 420 employees (30 September 2007: 402).

7. Other operating expenses

Other operating expenses are composed of the following:

	2007/2008 €k	2006/2007 €k
Rents/energy/building costs	1,171	883
Administrative costs/insurance	1,214	1,199
Vehicle costs	2,170	1,882
Marketing/trade shows	968	970
Travel/hospitality costs	870	731
Legal and consultancy costs	1,647	1,396
Management services	447	530
External development costs	298	355
Other expenses	2,143	2,354
	10,928	**10,300**

8. Non-operating result

	2007/2008 €k	2006/2007 €k
Income accounted for under the equity method	6	11
Interest and similar income	80	77
Interest and similar expenses	-1,296	-1,078
	-1,210	**-990**

9. Income taxes

Income taxes

Income tax expenses for fiscal 2007/2008 and 2006/2007 comprise the following:

	2007/2008 €k	2006/2007 €k
Current taxes		
Germany	130	633
Other countries	865	423
	995	**1,056**
Deferred taxes		
From temporary differences	-878	-105
From loss carry-forwards	1,089	-446
	211	**-551**
	1,206	**505**

In excess of the deferred tax expense for the fiscal year, in 2007/2008 a total of €-8k deferred tax expense (prior year: €7k) was charged to equity („other cumulated equity").

The calculation is based on the tax rates in the period when the asset is realized or that are expected to apply given the current legal situation in the individual countries. Statutory requirements applicable or adopted at the balance sheet date form the basis.

A corporation tax rate of 15.0% (prior year: 25.0%) plus a solidarity surcharge of 5.5% (prior year: 5.5%) on corporation tax together with an average corporate income tax rate of 13.3% (prior year: 18.2%) was used for domestic tax calculations relating to current taxes. This gives a total tax rate of 29.1% in fiscal year 2007/2008 and, taking into consideration the deductibility of corporate income tax from corporation tax, a total tax rate of 37.7% in the prior year.

To calculate domestic deferred taxes, the corporation tax rate of 15% applicable in fiscal year 2007/2008 and from 2008 in the prior year, plus a solidarity surcharge of 5.5% on corporation tax together with a corporate income tax rate of 13.3% was used. This gives a total tax rate of 29.1% for both financial years.

Foreign tax rates are between 25% and 35%.

The reasons for the difference between expected and actual tax expense within the Group are as follows:

	2007/2008 €k	2006/2007 €k
Income before taxes	-78	2,418
Expected tax expense 29.1% (prior year: 29.1%)	-23	704
Changes in expected tax expense:		
Non-deductible expenses	72	21
Tax expenses relating to other periods	-125	–
Effect of change to Group tax rate	–	-207
Differences in foreign tax rates	22	56
Value allowance on deferred taxes	1,089	–
Non-capitalized deferred taxes on current losses	198	–
Other tax effects	-27	-69
Actual tax expense	**1,206**	**505**

Deferred tax assets and liabilities

Deferred tax assets and liabilities due to temporary differences between IFRS and the balance sheet for taxation purposes together with deferred tax assets due to tax loss carry-forwards as at 30 September 2008 and 30 September 2007 respectively are as follows:

	30/09/2008 €k		30/09/2007 €k	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	339	3,471	1,839	5,222
Property, plant and equipment	–	83	–	537
Financial assets	–	–	–	–
Inventories	1,698	–	1,036	–
Receivables from construction contracts	–	2,672	–	2,096
Trade accounts receivable	–	15	–	13
Other financial assets	–	1	–	22
Long-term provisions	–	–	127	–
Financial liabilities	64	–	54	–
Liabilities from construction contracts	34	–	69	–
Trade accounts payable	–	–	5	–
Other liabilities	147	25	13	1
Loss carry-forwards	–	–	1,089	–
Consolidation	63	–	36	–
	2,345	6,267	4,268	7,891
Netting*	-2,282	-2,282	-4,138	-4,138
	63	**3,985**	**130**	**3,753**

*According to IAS 12.74, under certain premises deferred tax assets and liabilities are offset if they relate to taxes levied by the same taxation authority.

At the French subsidiary, deferred tax assets on tax losses that may be carried forward indefinitely totalling €458k (prior year: €328k) were not recognized according to IAS 12.34. This is because at the time of preparing these financial statements it cannot be stated with reasonable assurance that these may have been utilized already in the current year, at least in part, due to recent losses incurred. The recognized tax loss carry-forward as at 30 September 2007 to the amount of €75k was impaired in full in the current fiscal year.

Furthermore, deferred taxes were not recognized at primion Technology AG on the full tax losses that may be carried forward indefinitely according to IAS 12.56 to the amount of €1,074k. This is because these losses that may be carried forward were lost in full due to Section 8c of the German Corporation Tax Law (KStG) and Section 10a Sentence 9 of the German Trade Tax Law (GewStG) as a result of more than 50% of the shares being transferred to Azkoyen S.A. of Spain in the period from 11 September 2008 to 21 November 2008. The amount of deferred tax on tax loss carry-forwards recognized as at 30 September 2007 was impaired in full to the amount of €993k.

Likewise, deferred taxes were not recognized at primion Technology GmbH of Graz/Austria on the full tax losses that may be carried forward indefinitely according to IAS 12.56 to the amount of €24k, as it is planned to close the subsidiary. The amount of deferred tax on tax loss carry-forwards recognized as at 30 September 2007 was impaired in full to the amount of €21k.

10. Changes to intangible assets, property, plant and equipment and financial assets

Changes to intangible assets; property, plant and equipment, and financial assets are outlined on the following page:

Group assets analysis as at 30 September 2008

	Purchase and production costs					Depreciation and amortization					Carrying amounts	
	As at 01/10/2007 €	**Additions €**	**Disposals €**	**Reclas-sification €**	**As at 30/09/2008 €**	**As at 01/10/2007 €**	**Additions €**	**Disposals €**	**Reclas-sification €**	**As at 30/09/2008 €**	**30/09/2008 €**	**30/09/2007 €**
Intangible assets												
Franchises, industrial property rights and similar rights and assets and licences to such rights and assets	2,287,345	394,617	195,567	211,355	2,697,750	1,051,010	453,577	192,027	7,326	1,319,886	1,377,864	1,236,335
Customer relationships	5,601,404	–	–	–	5,601,404	985,487	612,389	–	–	1,597,876	4,003,528	4,615,917
Servicing agreements	7,349,531	–	–	–	7,349,531	1,039,864	867,802	–	–	1,907,666	5,441,865	6,309,667
Order backlog	1,540,793	–	–	–	1,540,793	1,431,972	108,821	–	–	1,540,793	–	108,821
Development costs	5,808,798	1,812,097	–	–	7,620,895	876,820	1,717,898	–	–	2,594,718	5,026,177	4,931,978
Goodwill	12,375,453	–	–	–	12,375,453	–	–	–	–	–	12,375,453	12,375,453
Payments in advance	204,028	–	–	204,028	–	–	–	–	–	–	–	204,028
Intangible assets	**35,167,352**	**2,206,714**	**195,567**	**7,327**	**37,185,826**	**5,385,153**	**3,760,487**	**192,027**	**7,326**	**8,960,939**	**28,224,887**	**29,782,199**
Property, plant and equipment												
Land, similar rights and buildings, incl. buildings on third-party land	6,511,266	150,694	3,180,398	24,398	3,505,960	446,201	124,248	70,326	19,087	519,210	2,986,750	6,065,065
Technical facilities and machinery	286,546	5,810	75,962	768,031	984,425	285,474	55,267	75,961	488,200	752,980	231,445	1,072
Other facilities, operational and business equipment	5,533,920	992,797	71,264	785,800	5,669,653	3,253,612	752,935	2,736	514,613	3,489,198	2,180,455	2,280,308
Payments in advance	13,956	6,491	–	13,956	6,491	–	–	–	–	–	6,491	13,956
Property, plant and equipment	**12,345,688**	**1,155,792**	**3,327,624**	**7,327**	**10,166,529**	**3,985,287**	**932,450**	**149,023**	**7,326**	**4,761,388**	**5,405,141**	**8,360,401**
Financial assets												
Financial assets accounted for under the equity method	80,929	10,524	–	–	91,453	–	–	–	–	–	91,453	80,929
Other financial assets	100,621	25,305	38,310	–	87,616	–	–	–	–	–	87,616	100,621
Financial assets	**181,550**	**35,829**	**38,310**	**–**	**179,069**	**–**	**–**	**–**	**–**	**–**	**179,069**	**181,550**
	47,694,590	**3,398,335**	**3,561,501**	**–**	**47,531,424**	**9,370,440**	**4,692,937**	**341,050**	**–**	**13,722,327**	**33,809,097**	**38,324,150**

Group assets analysis as at 30 September 2007

	Purchase and production costs					Depreciation and amortization				Carrying amounts	
	As at 01/10/2006 €	Additions buy €	Additions €	Disposals €	As at 30/09/2007 €	As at 01/10/2006 €	Additions €	Disposals €	As at 30/09/2007 €	30/09/2007 €	30/09/2006 €
Intangible assets											
Franchises, industrial property rights and similar rights and assets and licences to such rights and assets	1,629,743	508,532	156,285	7,215	2,287,345	747,132	311,093	7,215	1,051,010	1,236,335	882,611
Customer relationships	5,079,153	522,251	–	–	5,601,404	442,754	542,733	–	985,487	4,615,917	4,636,399
Servicing agreements	6,162,065	1,187,466	–	–	7,349,531	260,409	779,455	–	1,039,864	6,309,667	5,901,656
Order backlog	1,344,914	195,879	–	–	1,540,793	718,223	713,749	–	1,431,972	108,821	626,691
Development costs	3,376,963	–	2,431,835	–	5,808,798	102,052	774,768	–	876,820	4,931,978	3,274,911
Goodwill	9,302,433	3,071,131	1,889	–	12,375,453	–	–	–	–	12,375,453	9,302,433
Payments in advance	–	–	204,028	–	204,028	–	–	–	–	204,028	–
Intangible assets	**26,895,271**	**5,485,259**	**2,794,037**	**7,215**	**35,167,352**	**2,270,570**	**3,121,798**	**7,215**	**5,385,153**	**29,782,199**	**24,624,701**
Property, plant and equipment											
Land, similar rights and buildings, incl. buildings on third-party land	5,940,478	–	570,788	–	6,511,266	276,841	169,360	–	446,201	6,065,065	5,663,637
Technical facilities and machinery	286,546	–	–	–	286,546	284,331	1,143	–	285,474	1,072	2,215
Other facilities, operational and business equipment	4,503,484	164,014	1,087,379	220,957	5,533,920	2,624,926	830,895	202,209	3,253,612	2,280,308	1,878,558
Payments in advance	–	–	13,956	–	13,956	–	–	–	–	13,956	–
Property, plant and equipment	**10,730,508**	**164,014**	**1,672,123**	**220,957**	**12,345,688**	**3,186,098**	**1,001,398**	**202,209**	**3,985,287**	**8,360,401**	**7,544,410**
Financial assets											
Financial assets accounted for under the equity method	73,238	–	7,691	–	80,929	–	–	–	–	80,929	73,238
Other financial assets	88,794	–	11,827	–	100,621	–	–	–	–	100,621	88,794
Financial assets	**162,032**	**–**	**19,518**	**–**	**181,550**	**–**	**–**	**–**	**–**	**181,550**	**162,032**
	37,787,811	**5,649,273**	**4,485,678**	**228,172**	**47,694,590**	**5,456,668**	**4,123,196**	**209,424**	**9,370,440**	**38,324,150**	**32,331,143**

11. Intangible assets

Intangible assets mainly include order backlogs, customer relationships, servicing agreements, licences, patents, software acquired for consideration and a non-competition clause. Furthermore, acquired or internally-generated development activities and acquired goodwill are disclosed.

The impairment of goodwill was assessed by applying IAS 36 on the basis of cash generating units (CGU). To perform the impairment test, the expected future cash flows of the cash generating unit are determined based on the most recent five-year planning approved by management. This planning is based on historical experience and corporate management's best-possible estimates of future performance. Furthermore, the average weighted growth rates used in the planning correspond to expectations in appropriate growth forecasts. To perform the impairment test, corporate management estimated cash income over the planning period and projected a constant growth rate for subsequent years. Cash flow progressions were extrapolated for the period beyond the fifth year based on a constant annual rate of growth of 1%, which is significantly below the average long-term growth rate for the international market in integrated security technology, time recording and access control. The Executive Committee is of the view that no reasonably conceivable change in the basic assumptions on which the determination of the recoverable amount is based would lead to the accumulated carrying amount of the cash generating unit exceeding the accumulated recoverable amount.

Using a discounted cash flow approach, the value in use during the reporting period and the prior year was calculated as a recoverable amount. The primion Group calculates the cost of capital according to the debt/equity ratio by the weighted average cost of capital (WACC) formula.

The CGU's recoverable amount is then contrasted with the corresponding carrying amount. In line with the definition of a cash generating unit, the companies within the primion Group based in Germany and the facilities in Austria are identified as one CGU (the "domestic CGU"), with the French and Spanish companies plus the GET Group acquired in Belgium each forming further separate CGUs. Following its acquisition in 2007, Jans Sicherheitssysteme GmbH of Ludwigsburg/Germany was included in the domestic CGU in the period under review and in the prior year (provisionally in the prior year pursuant to IFRS 3.62).

Where the carrying amount of a cash generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference. First, the goodwill of the relevant CGU is written down accordingly. Any remaining impairment loss is allocated among the other assets of the CGU in proportion to their net carrying amounts.

There was no evidence of an impairment based on the impairment tests performed in either the current year or the prior year.

The following table provides an overview of the goodwill tested and the assumptions incorporated into the respective impairment tests:

Name of CGU	Domestic	France	Belgium
Carrying amount goodwill	7,318	213	4,844
Carrying amount CGU	36,887	406	12,991
Recoverable amount	43,233	1,293	14,100
Impairment loss	–	–	–
Sales growth p.a. in planning period	7.8% - 12.5%	11.3 - 15.0%	3.0% - 7.9%
EBITDA margin in planning period	16.5% - 16.8%	1.4% - 9.4%	12.0% - 15.0%
Rate of investment in planning period	6.7% - 8.4%	3.0% - 3.8%	4.0% - 5.4%
Duration of planning period	5 years	5 years	5 years
Deduction in growth p.a. from end of planning period	1%	1%	1%
EBITDA margin from end of planning period	16.80%	9.40%	13.50%
Rate of investment from end of planning period	6.68%	3.06%	4.04%
Discount rate (WACC before taxes)	12.87%	15.00%	13.11%

In the prior year the situation was as follows:

Name of CGU	Domestic	France	Belgium
Carrying amount goodwill	7,318	213	4,844
Carrying amount CGU	32,059	810	16,735
Recoverable amount	49,001	2,907	18,986
Impairment loss	–	–	–
Sales growth p.a. in planning period	2% - 5%	5%	5.4% - 6.6%
EBITDA margin in planning period	15.6% - 16.4%	6.4% - 10.4%	14.7% - 16.2%
Rate of investment in planning period	7.2% - 7.9%	1.3% - 1.5%	3.4% - 5.0%
Duration of planning period	5 years	5 years	5 years
Deduction in growth p.a. from end of planning period	1%	1%	1%
EBITDA margin from end of planning period	16.40%	10.40%	16.20%
Rate of investment from end of planning period	7.21%	1.33%	3.44%
Discount rate (WACC before taxes)	9.87%	10.11%	10.20%

As at 30 September 2008, development costs to the amount of €5,026k were capitalized (30 September 2007: €4,932k). Of this, a total of €1,201k relates to acquisitions in fiscal years 2005/2006 and 2006/2007 (GET Group €629k and primion Staedtler GmbH €572k), which was subject to amortization at €589k as at 30 September 2008. Amortization in the period from 1 October 2007 to 30 September 2008 amounted to €1,718k (prior year: €775k). Pursuant to IAS 38.71, development costs that were originally recognized as expenses have not been recognized as the production costs of an intangible asset at a subsequent point in time. Research and development expenditure which was directly recognized under expenses amounted to €2,217k during the period (prior year: €2,099k).

The intangible assets owned by the primion Group with a carrying amount of approx. 28.2 million euros (prior year: approx. 29.8 million euros) were not used to hedge Group liabilities.

At the balance sheet date, there are no contractual obligations to acquire intangible assets (purchase commitments).

12. Property, plant and equipment

Please refer to the group assets analysis for the composition of and changes to property, plant and equipment. During fiscal year 2007/2008, within property, plant and equipment reclassifications were performed between Technical facilities and machinery and Other facilities, operational and business equipment. The impacts of the reclassifications are immaterial. The prior year was restated accordingly.

The additions principally pertain to buildings, computer hardware, office equipment and fittings, company cars and other operational and business equipment.

The land and buildings owned by the primion Group with a carrying amount of approx. 3.0 million euros (prior year: approx. 6.1 million euros) were mortgaged to hedge Group liabilities (see section "24. Financial liabilities"). In particular, they were negotiated as security for bank loans.

Tangible fixed assets to the amount of €289k (prior year: €291k) also include leased operational and business equipment which is attributable to Group ownership due to the form of the underlying lease agreements (finance leases). These lease items almost exclusively relate to corporate vehicles. These lease agreements typically have options to extend or buy on standard market terms. There are no price adjustment clauses in these lease agreements. Other limitations imposed by lease agreements, such as dividends, additional liabilities and subsequent leases, do not exist. In neither the year under review nor the prior year were conditional rental payments resulting from finance lease agreements recognized as expenses. The primion Group's obligations arising from these finance leases are collateralized by the lessor's rights to the lease items.

In terms of property, plant and equipment and capitalized finance leases, there were no impairments pursuant to IAS 36 within the primion Group during the reporting period or the prior year.

At the balance sheet date, there were no contractual obligations to acquire property, plant and equipment (purchase commitments).

13. Investment property

Land and (parts of) buildings that represent a financial investment in terms of IAS 40 are immaterial within the primion Group.

14. Non-current assets held for sale

After the balance sheet date 30 September 2007 – but before the relevant financial statements were approved for publication – the disposal of property in Malle/Belgium (headquarters of the GET Group) was finalized so that in all likelihood this was to be considered in terms of IFRS 5.7. The relevant planned transaction was therefore reported in the prior year's financial statements.

In negotiations between the parent company primion Technology AG, the GET Group and the potential buyer there was a consensus from December 2007 on the central points (purchase price and rental/lease payment for a subsequent leaseback arrangement) relating to the sale of the property. The sale ultimately took effect as of 31 December 2007/1 January 2008.

Based on the rental/lease payments expected in the prior year and ultimately agreed, the leaseback arrangement constituted an operating lease pursuant to IAS 17.61 and 17.33. The selling price for the property was €3,140k. Paid in cash, the sale resulted in a book profit of €28k that was recognized under other operating income in fiscal year 2007/2008. The property is leased back by GET N. V. on a nine-year lease. The commitments from this agreement are €225k p.a. plus a fixed inflation index of 1.5% p.a.

The property in Malle/Belgium was still disclosed in the "Western Europe" segment at the balance sheet date 30 September 2007.

15. Financial assets accounted for under the equity method

The interest in primion AG of Tuggen/Switzerland is carried at equity. The Company generated revenues of €950k in fiscal year 2007/2008 (prior year: €1,222k), as well as net income of €24k (prior year: €47k). Total assets amounted to €490k as at 30 September 2008 (prior year: €473k) while shareholders' equity was €352k (prior year: €311k).

The equity value in fiscal year 2007/2008 and the prior year changed as follows:

	2007/2008 €	2006/2007 €
As at 01/10	**81**	**73**
Proportionate annual result	7	12
Exchange rate differences	4	-3
Income taxes	-1	-1
As at 30/09	**91**	**81**

16. Other financial assets

Other financial assets mainly relate to (open) securities fund units held by the GET Group in Belgium and primion SAS in France. They are measured at fair value at the balance sheet date, whereby value changes are recognized in Other cumulated equity, taking into consideration deferred taxes.

As at 30 September 2008 the carrying amounts and fair values are €171k (prior year: €673k). In the fiscal year, securities fund units to the amount of €469k (prior year: €328k) were sold. Here gains totaling €18k (prior year: €34k) were recognized and disclosed in the income statement under Interest and similar income under the Non-operating result. At the balance sheet date 30 September 2008, the impairment losses from these available for sale securities recognized under Other cumulated equity is €5k less deferred taxes to the amount of €2k, net €3k (30 September 2007: €21k less deferred taxes of €7k, net €14k).

17. Inventories

Inventories comprise the following:

	30/09/2008 €	30/09/2007 €
Raw materials and supplies	2,236	2,632
Work in process and services	1,140	803
Finished goods	2,490	2,083
Payments in advance	336	146
	6,202	**5,664**

Inventories are stated at the lower of purchase/production costs and net realizable value at the balance sheet date, less remaining costs. At the balance sheet date, value allowances amount to €235k (prior year: €85k). Value allowances were mainly made for overrange and insufficient marketability.

18. Receivables from construction contract

	30/09/2008 €	30/09/2007 €
Costs incurred plus cumulative gain	12,734	13,232
Less part payments	3,132	5,292
	9,602	**7,940**
thereof: Receivables from construction contracts	9,717	8,179
thereof: Liabilities from construction contracts	115	239

19. Trade accounts receivable

Receivables to the amount of €13,967k (prior year: €12,747k) include receivables from associated companies of €8k (prior year: €9k). As in the prior year, all trade accounts receivable are due within one year.

For trade accounts receivable, all recognizable risks associated with bad debts are taken into consideration by creating value allowances. Receivables which cannot be recovered are written off. The Company creates value allowances according to the principle of individual valuation. All available information, historical experience and management assessments are taken into consideration in the valuation process. The individual value allowances changed as follows:

	2007/2008 €k	2006/2007 €k
Value allowances as at 01/10	**401**	**292**
Allocation	264	207
Reversal	159	98
Value allowances as at 30/09	**506**	**401**

Of the value allowances at 30 September 2008, €496k (prior year: €401k) relates to individual value allowances and €10k (prior year: €0k) to general individual value allowances. The allocations in fiscal year 2007/2008 relate to general individual value allowances to the amount of €10k (prior year: €0k). All reversals in fiscal year 2007/2008 and the prior year refer to individual value allowances.

For non-impaired receivables these are structured as follows:

in €k	Carrying amount	thereof: neither impaired nor overdue at balance sheet date	thereof: not impaired at balance sheet date and due in the following time ranges: Under 90 days	Between 90 and 180 days	Between 181 and 360 days	More than 360 days
As at 30/09/2008	13,967	7,688	4,423	670	624	228
As at 30/09/2007	12,747	7,106	4,064	391	491	567

Of the non-impaired trade accounts receivable at the balance sheet date, there are no indications at the balance sheet date or findings at the time of preparing the annual financial statements that the parties liable will not meet their payment commitments.

20. Other accounts receivable and other assets

Other accounts receivable and other assets are composed of the following:

	30/09/2008 €k	30/09/2007 €k
Employee receivables	95	32
Deferred items	470	420
Claims for VAT refunds	327	200
Other receivables	491	418
	1,383	**1,070**

Other accounts receivable and other assets include only employee receivables as financial instruments and there are no delinquent receivables or value allowances. As in the prior year, the residual maturities of all these assets are under one year.

21. Cash and cash equivalents

	30/09/2008 €k	30/09/2007 €k
Cheques and cash	9	32
Balances with banks	1,777	1,429
	1,786	**1,461**

This item presents cash and balances at banks with maturity of three months or less, plus securities with original maturities of up to three months.

Balances with banks mainly comprise funds in current accounts with an average rate of interest between 0.5% and 1.5%.

22. Shareholders' equity

Changes to primion Group shareholders' equity are shown in the consolidated statement of changes to shareholders' equity.

The share capital of primion Technology AG, amounting to €5,550k (prior year: €5,550k), is divided into 5,550,000 (prior year: 5,550,000) no-par bearer shares with a nominal value of €1.00 per share. Each share entitles the bearer to one vote at the Annual Shareholders' Meeting.

Capital reserves

The primion Group's capital reserves remained unchanged compared to the prior year. Capital reserves reflect the premium from the issue of shares and are subject to the restrictions of Section 150 of the German Stock Corporation Act (AktG).

Retained earnings

Retained earnings include earnings achieved and retained in the past by the entities included in consolidation, as well as adjustments made as part of the first-time adoption of IFRS.

Treasury shares

Based on the authorization presented at the Annual Shareholders' Meeting of 2 March 2007, during fiscal year 2007/2008 the Company acquired a total of 110,000 treasury shares (corresponding to 1.98% of the capital stock) for an average price (including ancillary acquisition costs) of €4.55. The amount spent was €500k in total and, as at the balance sheet date of 30 September 2008, lowers Group equity.

These 110,000 repurchased treasury shares were resold in the period from 10 November 2008 to 27 November 2008 for an average price of €6.00 per share (less transaction costs). In the prior year, the Company did not buy back any shares.

Other cumulated equity

Other cumulated equity changed as follows:

	30/09/2008 €k	30/09/2007 €k
As at beginning of year	**-6**	**-4**
Foreign exchange translation from at-equity participation	4	-3
Increase/decrease from remeasuring available for sale securities	-5	21
Cumulative gain/loss from disposal of available for sale securities carried over to the income statement	-18	–
Associated income taxes	8	-7
Other	–	-13
As at end of year	**-17**	**-6**

Other cumulated equity from available for sale securities results from the market valuation of these securities. When available for sale securities are sold, the relevant share of other cumulated equity is realized and recognized as income. If an available for sale security is impaired, the relevant portion of other cumulated equity is eliminated against the income statement.

Reserve from foreign exchange translation

	30/09/2008 €k	30/09/2007 €k
As at beginning of year	-8	-5
Translation of foreign operations	4	-3
As at end of year	**-4**	**-8**

Translation differences from translating from the functional currency of foreign operations into the Group's reporting currency (the euro) are recognized in the consolidated financial statements directly in the reserve from foreign currency translation.

23. Provisions

Long-term provisions

Long-term provisions are apportioned fully to commitments associated with redundancy benefits for employees leaving. These benefits are based on legal claims arising from the Austrian company employees' severance pay and pensions fund act (BMVG) and the French code de l'action sociale et des familles, as well as partial retirement commitments and claims on an individual contract basis at the GET Group in Belgium.

The discount rates applied as at 30 September 2008 and 30 September 2007 were between 3.0 and 5.23% (prior year: 3.0-5.23%).

	As at 01/10/2007 €k	Allocation €k	Accumulation €k	Reversal €k	As at 30/09/2008 €k
Commitment Austria	19	2	–	–	21
Commitment France	52	–	–	8	44
Commitment Belgium	373	121	20	–	514
	444	**123**	**20**	**8**	**579**

	As at 01/10/2006 €k	Allocation €k	Accumulation €k	Reversal €k	As at 30/09/2007 €k
Commitment Austria	26	–	–	7	19
Commitment France	–	52	–	–	52
Commitment Belgium	355	–	18	–	373
	381	**52**	**18**	**7**	**444**

Short-term provisions

Short-term provisions solely comprise provisions for warranties. Provisions for warranties pertain to the estimated costs of reworking completed projects plus legal product guarantees. Provisions for warranties are recorded on the basis of historical experience and underlying revenues in the period. The warranty period is two years. In the year under review short-term provisions changed as follows:

	As at 01/10/2007 €k	Allocation €k	Consumption €k	Reversal €k	As at 30/09/2008 €k
Warranty provisions	191	49	92	–	148
	191	**49**	**92**	**–**	**148**

	As at 01/10/2006 €k	Allocation €k	Consumption €k	Reversal €k	Stand 30/09/2007 €k
Warranty provisions	112	82	3	–	191
	112	**82**	**3**	**–**	**191**

Because other provisions relate solely to warranty provisions aimed at meeting requirements and not cash payment, these are not financial instruments in the sense of IFRS 7.

24. Financial liabilities

Non-current financial debts

	30/09/2008 €k	30/09/2007 €k
Liabilities to banks	15,424	16,447
Non-current finance lease liabilities	147	94
	15,571	**16,541**

The interest rate on non-current financial debts to banks ranges from 3.85% to 5.98% (prior year: 3.48% to 5.98%). Liabilities to banks pertain particularly to promissory note and repayment loans of primion Technology AG to the amount of €15,424k (prior year: €15,392k) and the GET Group of €0k (prior year: €1,054k).

The maturity structure is broken down as follows:
- From one to five years: €9,444k (prior year: €9,897k)
- Over five years: €6,127k (prior year: €6,644k)

Liabilities of €2,942k (prior year: €4,152k) are collateralized. Of this, €2,500k (prior year: €3,671k) is for liabilities collateralized by mortgage loans.

Finance lease liabilities pertain almost exclusively to leases for company vehicles which are qualified as finance leases by primion Technology AG pursuant to IAS 17. Leasing liabilities were calculated on the basis of a standard market interest rate.

Minimum lease payments accrue as follows:

	30/09/2008 €k	30/09/2007 €k
Within one year	85	101
Between one and five years	157	100
Over five years	–	–
Total future lease payments	242	201
Less future interest on lease payments	16	12
Current value of finance lease payments	**226**	**189**

Current financial liabilities

	30/09/2008 €k	30/09/2007 €k
Liabilities to banks	8,444	4,797
Current finance lease liabilities	79	95
	8,523	**4,892**

Liabilities to banks pertain particularly to promissory note and repayment loans due within one year and overdrafts of primion Technology AG to the amount of €8,205k (prior year: €4,341k), primion Digitek S.L.U. of €236k (prior year: €0k) and the GET Group of €0k (prior year: €337k).

Please refer to the disclosures on "Non-current financial debts" with regard to the interest rates of repayment loans and finance lease liabilities.

25. Liabilities from construction contracts

Please refer to the disclosures in section "18. Receivables from construction contracts".

26. Trade accounts payable

There are trade accounts payable of €181k to an associate company. They are recognized at their nominal value or repayment amount and, just as at the prior year balance sheet date, accrue fully within one year. The carrying amount broadly corresponds to the fair values due to the short residual maturity.

27. Tax liabilities

Tax liabilities totaling €464k (prior year: €1,210k) mainly relate to primion Digitek S.L.U. to the amount of €308k (prior year: €312k) and Jans Sicherheitssysteme GmbH to the amount of €156k (prior year: €884k).

28. Other liabilities

Other current liabilities are composed of the following:

	30/09/2008 €k	30/09/2007 €k
Liabilities from taxes	890	1,069
Personnel-related liabilities	2,458	2,477
Social security liabilities	343	310
Deferred income	2,219	2,107
Order payments received in advance	276	411
Other liabilities	974	2,557
	7,160	**8,931**

Deferred income pertains solely to proceeds from servicing agreements which are to be included in subsequent periods.

In fiscal 2007/2008 and the prior year, the significant components of other liabilities changed as follows:

	As at 01/10/2007 €k	Allocation €k	Consumption €k	Reversal €k	As at 30/09/2008 €k
Liabilities from taxes on wages and VAT	1,069	890	1,069	–	890
Personnel-related liabilities	2,477	2,458	2,477	–	2,458

	As at 01/10/2006 €k	Allocation €k	Consumption €k	Reversal €k	As at 30/09/2006 €k
Liabilities from taxes on wages and VAT	551	1,069	551	–	1,069
Personnel-related liabilities	1,984	2,477	1,984	–	2,477

The personnel-related liabilities contained in Other liabilities represent financial instruments in the sense of IFRS 7. As in the prior year, they have residual maturities of a maximum of one year.

The other liabilities not apportioned to financial instruments in the sense of IFRS 7 are recognized at their repayment amount. They mainly comprise liabilities to the tax authorities in the form of taxes on wages, church tax and VAT.

29. Financial instruments

Objective and methods of financial risk management

Financial risk factors

The Group is exposed to various financial risks in the normal course of business. The Group's overall risk management policy is focused on the unpredictability of financial markets and aims to minimize potentially negative impacts on the Group's financial situation. Risk management follows guidelines approved by the Executive Committee which the Group uses to identify and measure risks. These are then hedged in close conjunction with the Group's operating units. The Executive Committee provides in writing the principles of cross-divisional risk management and guidelines for specific areas such as the management of foreign exchange risk, interest rate and credit risk, the use of derivative financial instruments and non-derivatives, as well as the investment of excess liquidity.

Foreign exchange risk

Foreign exchange risk is currently immaterial within the primion Group as the Group is principally active in the euro zone.

Interest rate risk

At present, management considers interest rate sensitivity arising from variable rate financing from current financial liabilities immaterial. Group management constantly monitors movements in the money and capital markets, in order to take appropriate hedging measures by way of interest-rate hedging transactions such as interest caps and swaps, where necessary. Equally, if required synthetic variable financing can be created from fixed interest positions using derivative financial instruments.

Credit risk

Within the primion Group, there is a latent risk of default associated with all trade accounts receivable. The risk that customers cannot pay billed invoices cannot be excluded or only to a very limited extent. Due to the existing customer base comprising many public sector bodies, there is however only a low risk that customers or ordering parties will be unable to pay. Furthermore, there are no significant concentrations in the primion Group regarding potential risks of default, as the customer base is broad and there are no correlations. A special method of monitoring and managing this issue is therefore not required. Incoming payments and potentially overdue items are monitored as part of the ongoing accounts receivable system within the financial accounts department. In determining the impairment of trade accounts receivable, any change in the credit standing since the term of payment was granted to the balance sheet date is taken into consideration. Identifiable credit risks are adequately taken into consideration by way of corresponding value allowances. Accordingly, management is convinced that no provision for risk is necessary beyond the impairments already recognized. The carrying amount of the financial assets recognized in the consolidated financial statements less any impairment losses represents the maximum default risk for the Group. Securities received are not taken into consideration.

Liquidity risk

A prudent liquidity management strategy includes holding sufficient reserves of cash and cash equivalents, financing options through adequate, approved lines of credit and the ability to issue shares. Due to the dynamic business environment in which the Group operates, primion Technology AG's objective is to maintain the necessary financing flexibility by having access to sufficient untapped lines of credit. All liquid assets which are not required immediately for operational purposes are deposited with banks in current accounts and money market accounts. Liquidity risks and default risks are therefore not expected. It was and remains the primion Group's policy not to conduct trading with financial instruments.

Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined using the following hierarchy:

- The fair value of financial assets and financial liabilities with standard maturities and conditions and which are traded on active, liquid markets is determined with reference to quoted market prices. This includes the investment funds held in the available for sale category, for example.

- The fair value of other financial assets and financial liabilities is determined according to generally recognized valuation methods based on discounted cash flow analyses and using prices from actual market transactions and dealer listings for similar instruments.

- For financial investments in equity instruments that do not have quoted prices in an active market, fair value is not calculated pursuant to IFRS 7.29 (b). In this case, there is a 15% holding in SFK Network Service GmbH with a book value of €4k, which corresponds to the cost of acquisition. The same applies to financial assets accounted for under the equity method. Based on materiality, there is no reason to perform a time-consuming business valuation for these participations. There is no intention to sell these participations.

- In the case of trade accounts receivable and payable, receivables and liabilities from construction contracts and other accounts receivable and other assets/liabilities, in the view of management the carrying amounts represent a suitable approximation of fair value.

- For finance lease liabilities and long-term provisions, management likewise considers the respective defined benefit obligations carried as a liability as a suitable approximation of fair value.

- Cash and cash equivalents have short residual maturities. As a result, their carrying amounts at balance sheet date correspond approximately to fair value.

Carrying amounts, amounts stated and fair values by valuation category as at 30 September 2008:

in €k	Valuation category acc. IAS/IFRS	Carrying amount 30/09/2008	Acquisition costs (at amortized cost)	Fair value neutral income	Fair value credited income	Fair value 30/09/2008
Cash and cash equivalents	(LaR - IAS 39)	1,786	1,786			1,786
Trade accounts receivable	(LaR - IAS 39)	13,967	13,967			13,967
Financial assets accounted for under the equity method	(IAS 28)	91	91			91
Other financial assets	(LaR - IAS 39)	88	88			88
Other financial assets	(AfS - IAS 39)	171		171		171
Other receivables and other assets	(LaR - IAS 39)	95	95			95
Receivables from construction contracts	(IAS 11/18)	9,717	9,717			9,717
Liabilities to banks	(FLAC)	23,868	23,868			20,019
Finance lease liabilities	IAS 17	226	226			226
Liabilities from long-term provisions	IAS 19	579	579			579
Trade accounts payable	(FLAC)	4,032	4,032			4,032
Liabilities from construction contracts	(IAS 11/18)	115	115			115
Financial instruments from other liabilities	(FLAC)	2,458	2,458			2,458
Total of valuation categories acc, IAS 39						
Loans and receivables (LaR)		15,936	15,936			15,936
Available for sale (AfS)		171		171		171
Financial liabilities measured at amortized cost (FLAC)		30,358	30,358			26,509
Separate classes acc, IFRS 7 B2 (b)						
Financial assets accounted for under the equity method		91	91			91
Liabilities from long-term provisions		579	579			579
Receivables from construction contracts		9,717	9,717			9,717
Liabilities from construction contracts		115	115			115
Finance lease liabilities		226	226			226

Carrying amounts, amounts stated and fair values by valuation category as at 30 September 2007:

in €k	Valuation category acc. IAS/IFRS	Carrying amount 30/09/2007	Acquisition costs (at amortized cost)	Fair value neutral income	Fair value credited income	Fair value 30/09/2007
Cash and cash equivalents	(LaR - IAS 39)	1,461	1,461			1,461
Trade accounts receivable	(LaR - IAS 39)	12,747	12,747			12,747
Financial assets accounted for under the equity method	(IAS 28)	81	81			81
Other financial assets	(LaR - IAS 39)	101	101			101
Other financial assets	(AfS - IAS 39)	673		673		673
Other receivables and other assets	(LaR - IAS 39)	32	32			32
Receivables from construction contracts	(IAS 11/18)	8,179	8,179			8,179
Liabilities to banks	(FLAC)	21,244	21,244			20,148
Finance lease liabilities	IAS 17	189	189			189
Liabilities from long-term provisions	IAS 19	444	444			444
Trade accounts payable	(FLAC)	3,655	3,655			3,655
Liabilities from construction contracts	(IAS 11/18)	239	239			239
Financial instruments from other liabilities	(FLAC)	2,477	2,477			2,477
Total of valuation categories acc, IAS 39						
Loans and receivables (LaR)		14,341	14,341			14,341
Available for sale (AfS)		673		673		673
Financial liabilities measured at amortized cost (FLAC)		27,376	27,376			26,280
Separate classes acc, IFRS 7 B2 (b)						
Financial assets accounted for under the equity method		81	81			81
Liabilities from long-term provisions		444	444			444
Receivables from construction contracts		8,179	8,179			8,179
Liabilities from construction contracts		239	239			239
Finance lease liabilities		189	189			189

Income and expenses from financial instruments

Net results by valuation category:

			From subsequent valuation				
Aggregated by valuation category acc. IAS 39	**From Interest**	**From participa-tions**	**At fair value**	**Currency translation**	**Impairment**	**From sale**	**Net result 2007/2008**
Loans and receivables	-53			-2	105		50
Available for sale financial assets	-9					-18	-27
Financial liabilities measured atamortized cost	1,267						1,267
Financial assets accounted for under the equity method		-6					-6
Liabilities from long-term provisions	20						20
Finance lease liabilities	9						9
	1,234	**-6**	**0**	**-2**	**105**	**-18**	**1,313**

			From subsequent valuation				
Aggregated by valuation category acc. IAS 39	**From Interest**	**From participa-tions**	**At fair value**	**Currency translation**	**Impairment**	**From sale**	**Net result 2006/2007**
Loans and receivables	-43			4	109		70
Available for sale financial assets						-34	-34
Financial liabilities measured atamortized cost	1,054						1,054
Financial assets accounted for under the equity method		-11					-11
Liabilities from long-term provisions	18						18
Finance lease liabilities	6						6
	1,035	**-11**	**0**	**4**	**109**	**-34**	**1,103**

The following tables show the basic contract (non-discounted) interest and loan repayments on the primion Group's original financial liabilities:

Due dates of financial liabilities as at 30 September 2008:

		Cash flows 2008/2009			Cash flows 2009/2010			Cash flows 2010/2011			Cash flows 2011/2012		
in €k	**Carrying amount 30/09/08**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**
Trade accounts payable	4,032			4,032									
Liabilities to banks	23,868	759	361	8,444	699		1,531	652		889	1,158		13,004
Finance lease liabilities	226	6		79	8		117	2		30			
Liabilities from long-term provisions	579			22						458			44
Liabilities from construction contracts	115			115									
Financial instruments from other liabilities	2,380			2,380									

Due dates of financial liabilities as at 30 September 2007:

		Cash flows 2007/2008			Cash flows 2008/2009			Cash flows 2009/2010			Cash flows 2010/2011		
in €k	**Carrying amount 30/09/08**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**	**In-terest fixed**	**In-terest variable**	**Loan repay-ment**
Trade accounts payable	3,655			3,655									
Liabilities to banks	21,244	766	186	4,797	711		1,377	651		1,445	2,183		13,625
Finance lease liabilities	189	6		95	4		69	2		25			
Liabilities from long-term provisions	444						22						510
Liabilities from construction contracts	239			239									
Financial instruments from other liabilities	2,477			2,477									

All instruments held as at 30 September 2008 and 30 September 2007 are included for which repayment has already been contractually agreed. Planned figures for future new liabilities are not entered in the overview. Variable interest payments arising from financial instruments were determined based on the last interest rates set prior to 30 September 2008 and 30 September 2007 respectively. Financial liabilities which can be repaid at any time are always assigned to the earliest time period.

Sensitivity analysis

If the interest rates had been 1% higher as at 30 September 2008 and 30 September 2007 respectively, with all other variables remaining constant the annual result - before taxes - would have been €50k (prior year: €11k) lower because higher interest income from cash and cash equivalents deposited at variable

interest rates and securities available for sale to the amount of 1.8 million euros and 0.2 million euros respectively (prior year: 1.4 million euros and 0.7 million euros) only partly compensated for higher interest expenses on financing at variable rates totaling 7.0 million euros (prior year: 3.2 million euros). If interest rates had been 1% lower as at 30 September 2008 and 30 September 2007 respectively, with all other variables remaining constant the annual result - before taxes - would have been correspondingly better. Impacts on other cumulated equity as a result of this were immaterial only.
Other price risks such as foreign exchange risks, risks associated with the prices of raw materials and share price risks associated with available for sale securities are immaterial within the primion Group.

Disclosures with regard to capital management
With regard to its capital management, the primion Group focuses on optimizing the ratio between equity and financial debts, as well as on improving the shareholders' equity ratio and return on equity.

As at 30 September 2008 and 30 September 2007 respectively, shareholders' equity and total capital (shareholders' equity plus non-current and current financial debts) were:

	Change in %	30/09/2008 €k	30/09/2007 €k
Shareholders´ equity	-6.3%	26,763	28,558
as % of total capital		52.6%	57.1%
Non-current financial debts		15,571	16,541
Current financial debts		8,523	4,892
Financial debts	12.4%	24,094	21,433
as % of total capital		47.4%	42.9%
Total capital (shareholders´ equity plus financial debts)	1.7%	50,857	49,991

Shareholders' equity fell by 6.3% in fiscal year 2007/2008 compared to the prior year. The changes are detailed in the consolidated statement of changes in shareholders' equity. Financial debts were up 12.4% on the previous year. Overall, in fiscal year 2007/2008 this led to a reduction in shareholders' equity as a percentage of total capital to 52.6% compared to 57.1% in the prior year. The ratio of debt to total capital increased to 47.4% in fiscal year 2007/2008 (prior year: 42.9%). Financial liabilities mainly consisted of various loans with German banks, as well as overdrafts and special cash facilities drawn upon as at the balance sheet date of 7.0 million euros (prior year: 3.2 million euros).

In fiscal year 2007/2008, non-current liabilities were changed into current liabilities, whereas in the prior year precisely the reverse happened.

The change of control led to Deutsche Bank AG demanding repayment or collateralization of its liabilities in December 2008. Consequently, primion Technology AG no longer uses the overdraft facility granted to the amount of 4.5 million euros. The promissory note loan to the amount of a further 5.0 million euros was fully collateralized by the majority shareholder Azkoyen S.A. by pledging balances at other banks. In place of Deutsche Bank AG, BW-Bank has granted an overdraft facility to the amount of 4.5 million euros and a guaranteed credit line of 1.5 million euros. Other banks made no use of their right to terminate due to the change of control. Overall therefore, the financing situation has been slightly improved as a result of the additional guaranteed credit line.

30. Other commitments and contingent liabilities
Other commitments and contingent liabilities within the primion Group comprise rental agreements, operating leases and purchase commitments.

Rental agreements and operating leases pertain to office space, cars and operational and business equipment.

Future commitments due to fixed leases are composed of the following as at 30 September 2008:

Fiscal year	Rental payments €k	Operating leases €k
2008/2009	790	863
2009/2010	814	575
2010/2011	724	274
2011/2012	537	103
2012/2013	488	9
From 2013/2014	1,303	–

As at 30 September 2007, the commitments were composed of the following:

Fiscal year	Rental payments €k	Operating leases €k
2007/2008	368	791
2008/2009	249	618
2009/2010	207	377
2010/2011	270	104
2011/2012	104	21
From 2012/2013	33	1

Expenses from operating leases amounted to €1,824k for fiscal year 2007/2008 (prior year: €1,912k).

At the balance sheet date, purchase commitments for property, plant and equipment, construction contracts and inventories amount to €1,720k (prior year: €1,380k).

In the view of the Executive Committee there are no contingent liabilities.

K. Earnings per share

Earnings per share are calculated by dividing the income attributable to shareholders for the period under review by the weighted average number of outstanding shares during the period.

The basic and diluted earnings per share are calculated on the basis of the following overview:

	2007/2008 €k	2006/2007 €k
Income attributable to shareholders of primion Technology AG (consolidated net income)	-1,283,596	1,923,339
Average number of shares issued	5,470,194	5,550,000
Earnings per share (basic and diluted)	-0.23	0.35

L. Notes to the consolidated cash flow statement

The cash flow statement shows the origin and use of cash flows in fiscal 2007/2008 and 2006/2007. Here cash flows from operating activities are distinguished from those resulting from investment and financing activities.

The Group's companies only maintain cash and cash equivalents that are short-term funds. Cash funds comprise cash and balances at banks where they are available within three months.

Interest income and expenditure are assigned solely to operating activities.

The impacts of the acquisition carried out during the prior year on the cash flow statement are outlined in section "I.".

Acquiring the shares in Jans Sicherheitssysteme GmbH led in fiscal year 2007/2008 to an outflow of cash and cash equivalents from an earn-out payment to the amount of €500k, as well as subsequent ancillary acquisition costs of €30k. In the prior year, the payment of acquisition costs (including ancillary acquisition costs) led to an outflow of cash and cash equivalents of €5,241k less cash and cash equivalents acquired of €891k. In addition, in fiscal year 2007/2008 there was an outflow of cash and cash equivalents of €919k for a real estate benefit associated with the sale of the building at General Engineering & Technology N.V., Malle/Belgium.

There were no significant non-cash expenses and income other than amortization or they are detailed in the cash flow statement.

M. Segment reporting

Segment reporting was prepared in accordance with the requirements of IAS 14. Accordingly, a business segment is a group of assets and operating activities that provides products or services which differ from other areas of the business in terms of their risks and rewards. A geographic segment provides products or services within a certain economic environment. Segment reporting is divided into primary and secondary segments in accordance with the regulations of IAS 14.

Due to the acquisitions in Spain and Belgium, since fiscal year 2005/2006 the organization has largely been managed along geographic lines. Correspondingly these were defined as the primary segments. In accordance with IAS 14.34 in combination with IAS 14.9, Germany and Western Europe were defined as geographic segments.

The access control, time recording and integrated security technology system solutions offered by primion are regarded as a single business segment on the basis of the homogeneity criteria of IAS 14.9. Due to integration in the production, sale and construction of electronic access control, time recording and security systems, including the associated services, the opportunity and risk structure of these systems are virtually identical.

Segment reporting takes place in accordance with the accounting recognition and measurement methods of the underlying IFRS consolidated financial statements. Intersegment consolidations were undertaken. Amortization of intangible assets and tangible fixed assets was disclosed as segment amortization.

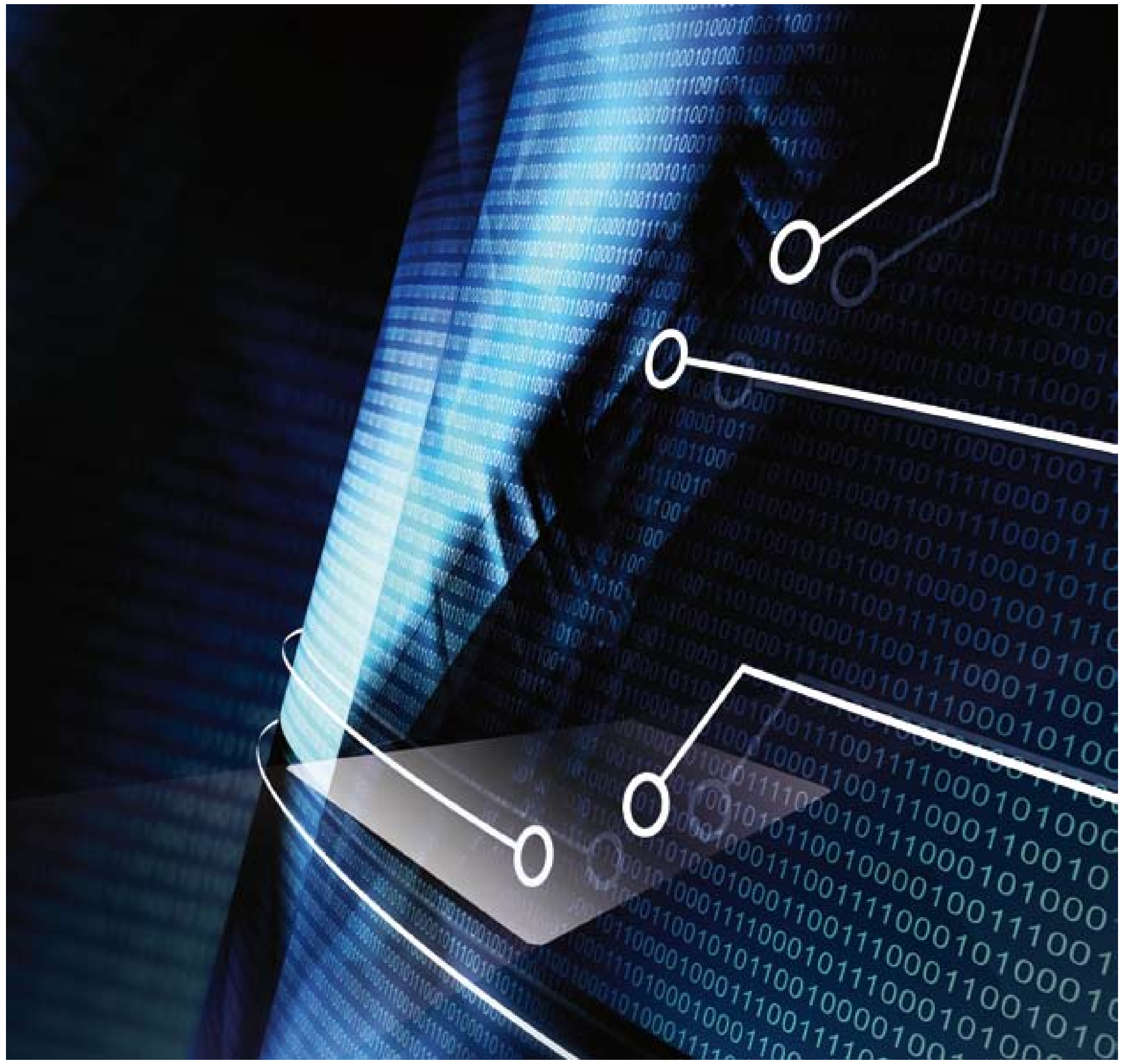
External revenues includes revenues from sales to third parties outside the Group, while internal revenues are sales which occurred between the segments.

Trade accounts within the primion Group are processed on standard market terms as with external third parties.

The operating result comprises the earnings of the respective segment before taxes and interest. Amortization includes scheduled amortization and depreciation incurred during the reporting period. No impairments relating to intangible assets and property, plant and equipment were recognized.

The investments pertain to all purchase costs caused by the acquisition of segment assets (property, plant and equipment and intangible assets) during the reporting period and which are expected to be used over more than one reporting period.

Segment assets and debts include all assets and liabilities which contributed to achieving the presented segment results in the respective region. Segment assets primarily comprise intangible assets and property, plant and equipment, inventories, receivables and other assets. Segment debts mainly include provisions, liabilities and other debts.



There were no significant non-cash expenses and income other than amortization.
Segment information for the business segments in fiscal year 2007/2008 and the comparative figures for the prior year are provided below:

	Germany 2007/2008 €k	Western Europe 2007/2008 €k	Eliminations 2007/2008 €k	Consolidated 2007/2008 €k
Revenues				
External revenues	37,578	20,582	0	58,160
Internal revenues	898	241	-1,139	0
Total revenues	**38,476**	**20,823**	**-1,139**	**58,160**
Segment result/EBIT	**825**	**338**	**-30**	**1,133**
Income from financial assets accounted for under the equity method	6	0	0	6
Other non-operating result				-1,217
Income before taxes				**-78**
Income taxes				-1,206
Income after taxes				**-1,284**
Net income attributable to minority interests				0
Consolidated net income				**-1,284**
Balance sheet				
Assets				
Segment assets	45,254	25,665	-4,143	66,776
Shares in associated companies	89	0	3	92
Non-classified assets	20,467	215	-20,210	472
Group assets	**65,811**	**25,880**	**-24,350**	**67,340**
Liabilities				
Segment liabilities	7,988	8,110	-4,063	12,035
Non-classified liabilities	26,174	2,368	0	28,542
Group liabilities	**34,162**	**10,478**	**-4,063**	**40,577**
OTHER INFORMATION				
- Capital expenditure	2,901	461	0	3,362
- Depreciation and amortization	3,247	1,446	0	4,693

The comparative figures for the prior year are as follows:

	Germany 2006/2007 €k	Western Europe 2006/2007 €k	Eliminations 2006/2007 €k	Consolidated 2006/2007 €k
Revenues				
External revenues	32,212	19,894	0	52,106
Internal revenues	423	272	-695	0
Total revenues	**32,635**	**20,166**	**-695**	**52,106**
Segment result/EBIT	**2,486**	**956**	**-34**	**3,408**
Income from financial assets accounted for under the equity method	11	0	0	11
Other non-operating result				-1,001
Income before taxes				**2,418**
Income taxes				-505
Income after taxes				**1,913**
Net income attributable to minority interests				-10
Consolidated net income				**1,923**
Balance sheet				
Assets				
Segment assets	42,720	27,941	-3,321	67,340
Shares in associated companies	89	0	-8	81
Non-classified assets	20,957	893	-20,857	993
Group assets	**63,766**	**28,834**	**-24,186**	**68,414**
Liabilities				
Segment liabilities	8,520	8,212	-3,272	13,460
Non-classified liabilities	22,085	4,310	0	26,395
Group liabilities	30,605	12,522	-3,272	39,855
OTHER INFORMATION				
- Capital expenditure	9,387	728	0	10,115
- Depreciation and amortization	2,104	2,020	-1	4,123

N. Significant assumptions and estimates

Significant discretionary elements on the part of management in applying accounting policies
The discretionary elements are shown below that management used in applying the Company's accounting policies, as well as the key impacts arising in relation to the level of disclosure in the annual financial statements. Discretionary elements that contain estimates are excluded (see "Main sources of uncertainty" below).

1) **Distinction between defined contribution and defined benefit plans in the accounting of employee retirement benefits**
Please refer to the details provided in section "C. Accounting policies".

2) **Recognition of internally-generated intangible assets in development expenses according to IAS 38**
Please refer to the details provided in section "C. Accounting policies".

3) **(Non-)recognition of deferred tax on tax loss carry-forwards**
Please refer to the details provided in section "J. 9. Income taxes".

4) **Classification of leases as operating or finance leases**
IAS 17.10 specifies five criteria which separately or in combination would normally lead to a lease being classified as a finance lease. None of the criteria were applicable when the transaction relating to the sale and lease-back of the Malle property was reviewed (see section "I. Notes on corporate acquisitions" and section "J. 14. Non-current assets held for sale"). The recovery of investment test to be carried out pursuant to IAS 17.10 (d) requires premises to be made in relation to the discount rate to be used, the fair value of the lease item, the allocation of fair value between land and buildings and interpreting the statement "at least substantially all of the fair value of the leased asset". Based on all these premises, a current value of the minimum lease payments was calculated for the building as 89.35% of the building's fair value at the start of the lease.

5) **Stipulating the method of determining recognition of revenues as construction contracts pursuant to IAS 11 according to the percentage of completion method for the primion business model primion subdivides its revenues into the following categories:**
- Construction contracts
- Non-construction contracts/services
- Commodity goods
- Maintenance

There is a discretionary element in deciding whether a construction contract exists in a specific case, whereby revenues should be recognized according to the percentage of completion method and the stage of completion pursuant to IAS 11 and IAS 18, or if the situation represents a sale of goods, whereby revenues should be recognized according to IAS 18 only if and to the extent that only insignificant title risk remains with the primion Group. The primion Group basically assumes that the business model and individual agreements are "specifically negotiated" in the sense of IAS 11.3, provided that these do not clearly belong in another category for the purposes of revenue recognition:

- Non-construction contracts/services
- Commodity goods
- Maintenance

or are immaterial in respect of assets, liabilities, financial position and earnings.

6) **Segment classification according to IAS 14 into the segments Germany and Western Europe**
To identify segments, two or more internally presented segments which are basically similar were combined according to IAS 14.34. This pooling involves a discretionary element in presentation in assuming earnings shall remain similar long-term and similarity on the basis of the homogeneity criteria of IAS 14.9, the suitability of which must be reviewed by management at each balance sheet date at least.

7) **Allocating goodwill to cash generating units (CGU) in the Group for the purpose of the impairment test pursuant to IAS 36**
Allocating goodwill acquired in the course of business combinations to the cash generating units "Domestic", "France" and "Belgium" involves a significant discretionary element in presentation.

Main sources of uncertainty

Significant forward-looking assumptions and other sources of uncertainty with regard to estimates at the balance sheet date, which can give rise to considerable risk and where restatement of assets and liabilities disclosed may be necessary in the next fiscal year, are presented below.

1) Impairment test on goodwill

In section "J. 11. Intangible assets" of the notes to the consolidated financial statements, the carrying amounts for goodwill and significant assumptions underlying the impairment test conducted at the balance sheet date were presented. Due to the number of variables, this test involves a complex, subjective discretionary element. Therefore the central premises were subjected to a sensitivity analysis as outlined below:

EBITDA margin

If the actual EBITDA margin at the end of the planning period were 10% below the current planning assumption and if this effect would also impact cash flows forecast for after this period, there would be no important impairment losses at the relevant CGU as in the prior year.

If the weighted cost of capital (WACC after tax) by CGU underlying the sensitivity analyses is unchanged, in the event of a variation from scheduled EBIT this would result in the following need for impaired goodwill by CGU:

Goodwill sensitivity analysis (fiscal year 2007/2008)

		EBIT scheduled variation in % (plan = 0%)				
	WACC	**-20%**	**-15%**	**-10%**	**-5%**	**0%**
Impairment requirement in €k at x% scheduled variation EBIT						
CGU Domestic	9.53	2,597	361	0	0	0
CGU Belgium	9.30	1,400	772	145	0	0
CGU France	9.30	0	0	0	0	0

Goodwill sensitivity analysis (fiscal year 2006/2007)

		EBIT scheduled variation in % (plan = 0%)				
	WACC	**-20%**	**-15%**	**-10%**	**-5%**	**0%**
Impairment requirement in €k at x% scheduled variation EBIT						
CGU Domestic	7.31	0	0	0	0	0
CGU Belgium	7.20	0	0	0	0	0
CGU France	7.20	0	0	0	0	0

Average growth rate for cash flows

If the growth rate in operating cash flows assumed after the planning period were 10% below the current assumption, i.e. at 0.9% rather than the 1% currently assumed, there would be no impairment losses at the relevant CGU as in the prior year.

Discount rate – WACC

If the WACC before taxes, which was used to calculate value in use, were 10% above the current assumption, i.e. in a range from 14.15-16.50% rather than the underlying 12.87-15.00% (prior year: a range from 10.86-11.22% rather than the underlying 9.87-10.20%), there would have been an impairment loss at the Belgian CGU in the current financial year 2007/2008. As in the prior year, there would have been no impacts at the domestic CGU or the French CGU.

2) Defining premises for identifying and measuring intangible assets

Due to the number of variables, the finalized purchase price allocation for Jans Sicherheitssysteme GmbH performed in the fiscal year according to IFRS 3.62 also involved a highly complex, subjective discretionary element. The procedure and outcome are outlined in section "I. Notes on corporate acquisitions". Depending on the choice of central premises (e.g. assumptions regarding the period for allowing customer relationships or servicing agreements to shrink, EBITDA margin, growth rate of cash flows, discount rate), there are impacts particularly on the allocation of identified intangible assets and goodwill. Because goodwill is subject only to the impairment test described above at least once a year and the identified intangible assets within the primion Group are all subject to amortization however, this breakdown has significant impacts on EBIT and consolidated net income.

The necessary estimates pertaining to the calculation of remaining costs and the extent of progress towards the completion of construction contracts have a substantial impact on EBIT and consolidated net income. Furthermore, there are major sources of uncertainty behind the assessment of demand and the measurement of the level of warranty provisions.

There are no other important, forward-looking assumptions and sources of uncertainty at the balance sheet date which could give rise to considerable risk and where restatement of assets and liabilities disclosed would be necessary in the next fiscal year.

O. Relationships with related companies and persons

Due to voting interests, the subsidiaries listed under section "D. Scope of consolidation" are related companies of primion Technology AG. Transactions with these companies are eliminated in the Group consolidation, with the exception of transactions with the associated company primion AG, Tuggen/Switzerland.

The key relationships with Tuggen-based primion AG are as follows:

- Revenues and earnings from services €369k
- Supply of goods €6k
- Trade accounts receivable €8k
- Trade accounts payable €1k

As a result of acquiring 20.11% of the shares in primion Technology AG on 11 September 2008, Azkoyen S.A., Peralta (Navarre), Spain, became a related party in the sense of IAS 24. On this day, Azkoyen S.A. issued its decision regarding a takeover bid in accordance with the requirements of the German Securities Acquisition and Takeover Act (WpÜG). Heinz Roth of Ludwigshafen/Germany, who according to Section 2 [5] of the WpÜG is a party acting jointly with Azkoyen, still holds 499,750 shares and voting rights in primion Technology AG. This corresponds to a share of 9.00% of the capital stock and voting rights in primion Technology AG. Heinz Roth's voting rights are assigned to Azkoyen S.A. in accordance with Section 30 [2] of the WpÜG. On 20 October 2008, Azkoyen S.A. issued an official voluntary takeover bid in accordance with WpÜG regulations to all shareholders of primion Technology AG for €6.00 per share, which was valid until 21 November 2008. In addition, Azkoyen S.A. arranged a further term for acceptance from 28 November 2008 to 11 December 2008. At the end of the first period on 21 November 2008, Azkoyen held 74.45% of the shares and, including Heinz Roth's voting rights, 83.46% of the voting rights in primion Technology AG. From this date at the latest, Azkoyen was regarded as the controlling enterprise in the sense of IAS 27. At the end of the second term on 11 December 2008, Azkoyen held 77.16% of the shares and, including Heinz Roth's voting rights, 86.17% of the voting rights in primion Technology AG.

primion Technology AG has concluded an agreement with VHR Verwaltungsgesellschaft Heinz Roth mbH headquartered in Bodman-Ludwigshafen regarding the leasing of cars from a vehicle pool, which currently covers two cars. The Chairman of the Executive Committee, Heinz Roth, is the sole and therefore controlling shareholder in VHR Verwaltungsgesellschaft Heinz Roth mbH. In fiscal year 2007/2008, contractual fees to VHR Verwaltungsgesellschaft Heinz Roth mbH were recognized as expenses to the amount of €31k. The level of compensation fee was calculated using the cost plus method. The Supervisory Board approved the agreement on 20 November 2008.

A member of the Supervisory Board and/or their law firm represented and advised the Company as a lawyer until the prior year. In the prior year 2006/2007, the law firm received €6k (gross) for advice and legal representation.

No other significant business relationships beyond those outlined here existed in the fiscal year with members of the Executive Committee, the Supervisory Board or their relations or other related parties.

Remuneration of members of management in key positions

Members of management in key positions in the sense of IAS 24 at primion are the Executive Committee and Supervisory Board of primion Technology AG. During the year under review and the prior year, these persons received the following remuneration:

	2007/2008 €k	2006/2007 €k
Current benefits due	734	1,096
Termination benefits	0	0
Other non-current benefits due	0	0
Termination benefits	516	124
Share-based payments	0	0
	1,250	**1,220**

P. Other information

Supervisory Board
The members of the Supervisory Board as at 30 September 2008 are:

- Prof. Dr. Dr. h.c. mult. Johann Loehn, physicist, Waldkirch-Suggental (Chairman)
- Leo Benz, engineer, Munich (Deputy Chairman)
- Rolf Beck, lawyer, Tuebingen
- Dr. Willi Merkel, lawyer, Albstadt-Ebingen
- Dr. Franz Wilhelm Hopp, Dipl.Kfm (MBA), Duesseldorf
- Dr. Ulf Leichtle, doctor, Tuebingen (since 4 August 2008)

The remuneration of the Supervisory Board members amounted to €65k in fiscal 2007/2008 (2006/2007: €65k). Konrad Haussmann, retired bank director, Tuttlingen, resigned from his position on the Supervisory Board effective 30 April 2008.

Other activities of the members of the Supervisory Board

Name	Member since	Main activity outside the Company and other supervisory board seats held on comparable German and foreign supervisory bodies of commercial enterprises
Prof. Dr. Dr. h.c. mult. Johann Loehn (Chairman)	20 May 1999	President of the Steinbeis College, Berlin Seats on supervisory boards according to stock corporation law M&A Consultants AG, Mannheim (Chairman)
Leo Benz (Deputy Chairman)	14 January 2000	Entrepreneur Seats on supervisory boards according to stock corporation law Sporthouse.de AG, Munich
Dr. Willi Merkel	21 May 2001	Managing Director of IWSB Management GmbH Membership of administrative, management or supervisory bodies: Demmel AG, Scheidegg/Allgaeu
Rolf Beck	21 May 2001	Lawyer and specialist lawyer in employment law No membership of administrative, management or supervisory bodies
Konrad Haussmann	21 May 2001 (resigned 30 April 2008)	Banker, retired person No membership of administrative, management or supervisory bodies
Dr. Franz Wilhelm Hopp	29 January 2007	Management Board of KarstadtQuelle Pension Trust Membership of administrative, management or supervisory bodies: Member of the Supervisory Board, Ruhrland Automobile AG, Essen Member of the Board of Directors, New Germany Fund Inc., New York Member of the Board of Directors, HSBC Trinkaus und Burkhardt Bank AG, Duesseldorf Member of the Board of Directors, Frankfurter Volksbank e.G., Frankfurt Member of the advisory body, Dresdner Bank AG, Frankfurt Member of the advisory body, Sport Schmidt GmbH, Solingen VALOVIS Bank AG, Essen
Dr. Ulf Leichtle	4 August 2008	Senior physician at the University Department of Orthopaedic Surgery, Tuebingen No membership of administrative, management or supervisory bodies

Executive Committee
The members of the Executive Committee are:

- Heinz Roth, engineer (University of Applied Sciences), Bodman-Ludwigshafen (Chairman & CEO)
- Thomas Bredehorn, executive, Timmendorfer Strand (Chief Sales Officer)
- Roland Schmider, engineer, Albstadt-Ebingen (Director of International Business until 30 April 2008)
- Thomas Becker, Dipl.-Kfm. (MBA), Calw (since 15 April 2008) (Chief Financial Officer)

The Executive Committee received the following remuneration broken down into fixed and variable components:

	2007/2008 €k	2006/2007 €k
Fixed cash payments	652	738
Variable cash payments	–	243
Non-cash benefits	17	50
Termination benefits	516	124
	1,185	**1,155**

Ownership of shares by members of corporate bodies
As at 30 September 2008, the following members of corporate bodies directly or indirectly held shares in primion Technology AG:

- Heinz Roth 499,750 shares
- Thomas Bredehorn 53,243 shares
- Roland Schmider 15,000 shares
  (Member of the Executive Committee until 30 April 2008)
- Dr. Willi Merkel 2,000 shares

As at 30 September 2007, the situation was as follows:

- Leo Benz 248,431 shares
- Heinz Roth 1,560,855 shares
- Thomas Bredehorn 53,243 shares
- Roland Schmider 15,000 shares

Audit fees
For the services performed by the auditors in fiscal 2007/2008, the following fees were recognized as expenses: €135k for the auditing of the annual financial statements (prior year: €194k) and €30k for other audit work or audit-related services (prior year: €74k).

In the prior year, expenses for the auditing of the financial statements included expenses associated with an examination by the German Financial Reporting Enforcement Panel (FREP) which was completed during the prior period.

Q. Declaration of conformity with the German Corporate Governance Code

On 30 September 2008, the Executive Committee and Supervisory Board of primion Technology AG made a declaration of conformity as stipulated by Section 161 of the German Stock Corporation Act (AktG). Shareholders have permanent access to this via the company website at www.primion.de Deviations from the German Corporate Governance Code are documented correspondingly.

R. Events after balance sheet date

During the period between the balance sheet date and the approval of the consolidated financial statements, the majority of the shares in primion Technology AG were taken over by Azkoyen S.A. as presented in section "O. Relationships with related companies and persons". The takeover gave rise to the impacts on assets, liabilities and earnings described in section "J. 9. Income taxes". After the takeover it is intended to launch a management incentive program for primion Technology AG employees in management positions, including the members of the Executive Committee. The terms of this shall correspond with those of the management incentive program for management employees at Azkoyen. The management incentive program at Azkoyen mainly consists of establishing a variable annual bonus for the respective management staff. The bonus shall be set annually by Azkoyen's board of directors and depends on the relevant company reaching business targets such as revenue and EBITDA targets, as well as objectives agreed individually and the results of individual employee evaluations.

Please refer to section 7 "Outlook and prospects" of the Group management report for information on other anticipated/forecast impacts on the product portfolio as a result of Azkoyen S.A. gaining the majority of voting rights in primion Technology AG.

On 17 October 2008, Bluehill ID AG of St. Gallen/Switzerland applied to the District Court of Ulm for approval to convene an Extraordinary Shareholders' Meeting of primion Technology AG in accordance with Section 122 [3] [1] of the German Stock Corporation Act (AktG), in order to file a motion for a special audit to be carried out pursuant to Section 142 of the AktG. The application had been withdrawn by the time of preparing this Group management report. Furthermore, on 10 November 2008 Bluehill

ID AG requested that the Executive Committee of primion Technology AG convene an Extraordinary Shareholders' Meeting in accordance with Section 122 [1] of the AktG. The reason for this request was the announcement of provisional figures for primion Technology AG for the 2007/2008 financial year in an ad-hoc announcement dated 6 November 2008 in which earnings (EBIT) were significantly below the Executive Committee's previously communicated forecast at some 1.0 million euros. Due to this circumstance, the Shareholders' Meeting should also pass a resolution for a special audit to be carried out pursuant to Section 142 of the AktG. The request had not been pursued further at the time of preparing these consolidated financial statements.

In addition, in the period from 10 November 2008 to 27 November 2008 the sale of 110,000 treasury shares was performed as disclosed in section "J. 22. Shareholders' equity".

After the balance sheet date, but before these financial statements were approved, it was agreed to close additional facilities at primion Technology GmbH in Graz/Austria. The resulting impact on the consolidated financial statements is judged to be immaterial.

Also following the balance sheet date but before these financial statements were approved, it was agreed to form NODENS s.r.o. in Prague. primion Technology AG has a 51% holding in this company.

S. Approval of the consolidated financial statements

The Executive Committee approved the present consolidated financial statements and the Group management report for publication on 20 January 2009.

Stetten am kalten Markt, 20 January 2009

The Executive Committee

Heinz Roth	Thomas Becker	Thomas Bredehorn
Chairman & CEO	Chief Financial Officer	Chief Sales Officer

Auditors' Report

We have audited the consolidated financial statements prepared by primion Technology AG, Stetten am kalten Markt, comprising the balance sheet, the income statement, statement of changes in shareholders' equity, the cash flow statement and the notes tothe consolidated financial statements, together with the Group management report, for the fiscal year from 1 October 2007 to 30 September 2008. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a [1] of the HGB (German Commercial Code) and the supplementary provisions of the articles of association are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit. We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB (German Commercial Code) and generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, the 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 operating activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into consideration 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 IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a [1] of the HGB (German Commercial Code) and the supplementary provisions of the articles of association and give a true and fair view of the net assets, the 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.

Albstadt, 21 January 2009

RWT HORWATH GMBH
Auditors

Signed	Signed
Frank Stäudle	Michael Jetter
(German public auditor)	(German public auditor)