Annual Report 2008

elexis

vision for automation

elexis at a glance

€ million	2008	2007
Incoming orders	164.5	183.1
Sales (net) *of which international in %*	170.6 *61.0*	161.2 *62.7*
Gross profit	65.4	62.9
EBITDA	27.6	27.9
EBIT *EBIT-margin (in %)*	24.0 *14.1*	24.6 *15.3*
EBT	22.7	23.1
Consolidated net income after deduction of minority interests	13.5	15.1
Earnings per share in € (EPS)	1.47	1.64
Number of shares in circulation (in million)	9.2	9.2
Cash flow from operating activities	10.5	17.9
Investments	8.1	7.9
Key data as at 31.12.		
Working capital	14.9	5.3
Liabilities to banks	7.4	7.4
Net liquidity	20.9	22.7
Shareholders' equity	71.6	62.9
Balance sheet total *Equity ratio (in %)*	134.9 *53.1*	131.0 *48.0*
Employees (as at balance sheet date, excluding apprentices)	808	763
Profitability data		
Return on shareholders' equity after tax (in %)	*19.4*	*24.7*
Return on capital employed (ROCE in %)	*36.6*	*45.4*

Annual Report 2008

Letter of the Management Board to the shareholders

Dear Shareholders,

the drastic change in direction which overcame the world economy in 2008 has placed companies, including also the elexis Group, before challenges which were unexpected to date. Certainly it was possible to continue the profitable organic course of growth of the past years also during the first nine months 2008, but during the final quarter the consequences of the worldwide financial and economic crisis nevertheless also became noticeable at the elexis Group.

Nevertheless, our business model has proven its quality in particular under these difficult general conditions. Through continuous innovations we are achieving technological leadership in numerous niche markets. This also creates for us frequently a leading market position. Technological and market leadership enables us to avoid in part the prevailing price competition. As a Group, which also owes its success to technical innovations and developments, we pay attention to cost efficiency in all areas. We are supporting our customers in improving the quality of their products and their manufacturing processes and at the same time in saving costs through the avoidance of waste. As a result we are thus also contributing indirectly to the reduction of CO_2 emissions. Our customers come from all regions in the world and are active in various branches. The broad diversification with regard to products and sales markets provides relative stability for our business model.

Number of product innovations at record level

Never before have we introduced so many product innovations in our markets than during the past fiscal year 2008. Particular focus was placed in this respect on the quality assurance systems. Already at the beginning of this decade we made the strategic decision to penetrate more intensively the steel market with new quality assurance systems. New and further developments expand the product range during the period under report. Factory Automation, Steel developed with the IMPOCpro a new generation of this testing system, which is now suitable also for new fields of application such as continuous annealing lines. A further product innovation in the steel sector is the VKI 3, which is a system for strip position measurement in rolling mills.

At the drupa 2008 specialised trade fair Factory Automation, Printing presented for the first time the new SHARK 4000, a 100% print defect inspection system for wide material webs. In addition, the SHARK system was developed further for narrow material webs. Apart from these two new quality assurance systems the printing unit presented numerous further product innovations at the drupa.

In Factory Automation, Plastics technologically sophisticated solutions are being developed and produced in the injection moulding field. In this respect a decisive role is played by precision, speed and reliability. These characteristics were also to the fore in respect of the automation technologies for customers from the packaging and technical medical branches. The excellent product innovations in the plastics segment also included during the period under report equipment for the production of a completely new type of resealable caps for beverage cans. These were introduced successfully in 2008 as packaging for a new energy drink on the French market. The resealable beverage can received last year the “can of the year award”. This award made a strong impression on the packaging industry.

Market leadership through closeness to customer

Our sales organisation which spans the whole world has contributed to a large extent to the development and maintenance of the good relationships with our customers. We are operating with local employees on site in all our important sales markets. For us there are thus no cultural or linguistic hurdles. Again and again this closeness to the customer is the decisive factor for our gaining projects against tough competition. During the past year we founded EMG Automation India Private Ltd. As a result we are now also present on the third most important Asian market with our own sales and service company for Factory Automation, Steel. Already since 1993 we have been active in India with our own production, sales and service company for Factory Automation, Printing.

Broad diversification reduces effects of the downturn in the world economy

Our international sales presence also leads to a broad diversification with regard to regions and the branches from which our customers come. Although all economic branches and regions are suffering from the global economic decline, the extent of such effects is different. This is reflected also in the business development of the various strategic business units. In Factory Automation, Steel it was possible to exceed significantly once again the high level of incoming orders and sales of the prior year. A slight drop in demand was only noticeable during the last quarter. In Factory Automation, Printing the reticence of the customers started earlier. As from the second half year the financial and economic crisis became noticeable in the area of Factory Automation, Plastics. Large orders, which had been firmly planned, were also postponed to 2009.

Cost efficiency in all areas

Our business model is also based on a high level of cost efficiency. For this reason we have also implemented the “TOPFIT” efficiency programme, which led to very many improvement measures in our production processes. Numerous value analyses enabled simultaneously optimisations in the engineering area and in purchasing. The first half year was impacted initially by strongly rising prices for raw materials and volatile foreign exchange rates. This rendered the purchase of materials more difficult and led at times to a higher level of inventories. Due to our international policy also with regard to strategic purchasing we were nevertheless able to realise key cost savings potential in purchasing in spite of the difficult general conditions. The sales and administrative areas are also regularly analysed systematically with regard to potential efficiency increases.

Profitability in 2008 still at high level

The combination of technological and market leadership with broad diversification and substantial cost efficiency guaranteed for us in 2008 a high level of profitability in spite of the financial and economic crisis. Operating profit (EBIT) remained at € 24.0 million only slightly behind the record result of the prior year of € 24.6 million. The EBIT margin of 14.1 % was only slightly lower that the corresponding prior year amount of 15.3%. The equity ratio increased further from 48.0 % to 53.1 %. As at December 31, 2008 we had available net liquidity of € 20.9 million. As a result of the strong business expansion of Factory Automation, Steel and Printing we succeeded in increasing the Group sales (net) versus the prior year by 6 % to € 170.6 million. The postponement of major orders and the considerable crisis in the automobile industry towards the end of the year led, however, to a substantial decline in incoming orders from automotive customers in the plastics division. This could not be fully compensated by Factory Automation, Steel and Printing. In the elexis Group incoming orders declined by 10 % to € 164.5 million.

Dear Ladies and Gentlemen, there is no doubt that 2009 will be a year full of challenges. The forecasts of economists and other experts were rarely characterised by such uncertainties as today. A continuation of the recession can be expected. The economic decline could last for a longer period.

Our objective is to assure the profitability and liquidity of the elexis Group for 2009. For this the necessary measures will be implemented by us with absolute consistence. That means that we shall on the one hand continue to pursue our strengths such as innovation capability and closeness to the customers. On the other hand we shall also implement further measures for cost optimisation. These include also short-time working and reduction of personnel. The planned package of measures will serve to achieve a sustainable reduction of the break-even point and therefore the assurance of the result.

We consider that we are in principle well equipped for these difficult general conditions. The financial key data as at December 31, 2008 illustrate the strength and solidity of the Company. elexis has available a high level of shareholders' equity as well as substantial liquid assts and shows only a low level of financial debt. On the basis of the high liquidity and the current inflow of funds we are, in addition, in a position to play an active role in a possible new structuring in individual branches.

Furthermore we also expect that weaker competitors will also be eliminated from the market. As a result of this additional market shares might also possibly be gained for elexis. The current economic crisis also offers opportunities. We shall exploit these consistently.

We wish to express our thanks to our customers, with whom we have in part cooperated since decades as partners in a spirit of trust. Numerous elexis products were developed in close cooperation with our customers. The closeness and trusting relationship with them enables us to develop products, which correspond to their requirements.

We should also like to thank our employees. We very much appreciate their richness of ideas, their dependability and their commitment. Without the flexibility and the commitment of our employees it would not be possible to fulfil the wishes of our customers to the extent which we have achieved today. Particularly in a difficult year like 2009 team spirit and the corporate culture will above all be important for sustainable success.

Finally we should like to express our thanks to our shareholders. The shareholders of elexis AG proved themselves to be constructive discussion partners in particular at times of declining share prices. We are fully convinced that we shall emerge stronger from the current economic crisis. This is true both for the operating business as well as for the future development of the value of the Company. We therefore request you to also accompany us in the future.

Wenden, March 2009

The Management Board

Siegfried Koepp

Edgar Michael Schäfer

1 elexis on the capital market

Seldom has a year been so turbulent as 2008 on the capital markets. The VDAX, which measures the implicit volatility of the 30 largest German blue chips, rose in October to a record level of 74 points. The uncertainty of the investors led to a very substantial aversion to risk and to a flight into supposed safe capital investments. There was voluminous shifting from shares above all into state bonds. This resulted in substantial differentiation in the valuation of shares and bonds from each other. In addition, equity funds suffered from substantial outflows of funds, which forced them to sell even equity investments which had value. Last but not least, since the business model of smaller companies is considered to be riskier than that of the larger groups, small and mid caps suffered over-proportionally from this development. The SDAX with a minus of 46 % during the curse of the year thus lost substantially more in value than the DAX (-39 %) and the MDAX (-42 %).

The elexis share (ISIN: DE 000 508 500 5) was also not able to escape from this development. It started the year 2008 with a XETRA closing price of € 19.30. On December 30, the share at the close of trading registered a closing price of € 7.69 in the XETRA. This represented a price markdown of 60%. elexis marked a high on May 19, 2008 shortly before the general meeting of shareholders with a XETRA closing price of € 20.18. At the low the share was listed at € 6.86. On May 21, 2008 the shareholders of elexis AG resolved to distribute for the fiscal year 2007 a dividend of € 0.54 per share. In relation to the closing price of € 7.69 on the last trading day of 2008 this results in a dividend yield of 7%. With 9.2 million shares in circulation the dividend payment amounted to a total of € 5.0 million. The distribution ration amounted to 33% of the consolidated net income (after deduction of minority interests) achieved in 2007.

For the fiscal year 2008 the Management Board and the Supervisory Board propose a distribution ratio of 33% of the consolidated net income after deduction of minority interest. In relation to the closing price of the last trading day of 2008 of € 7.69, this represents a dividend yield of 6.3%.

Summary of the elexis share

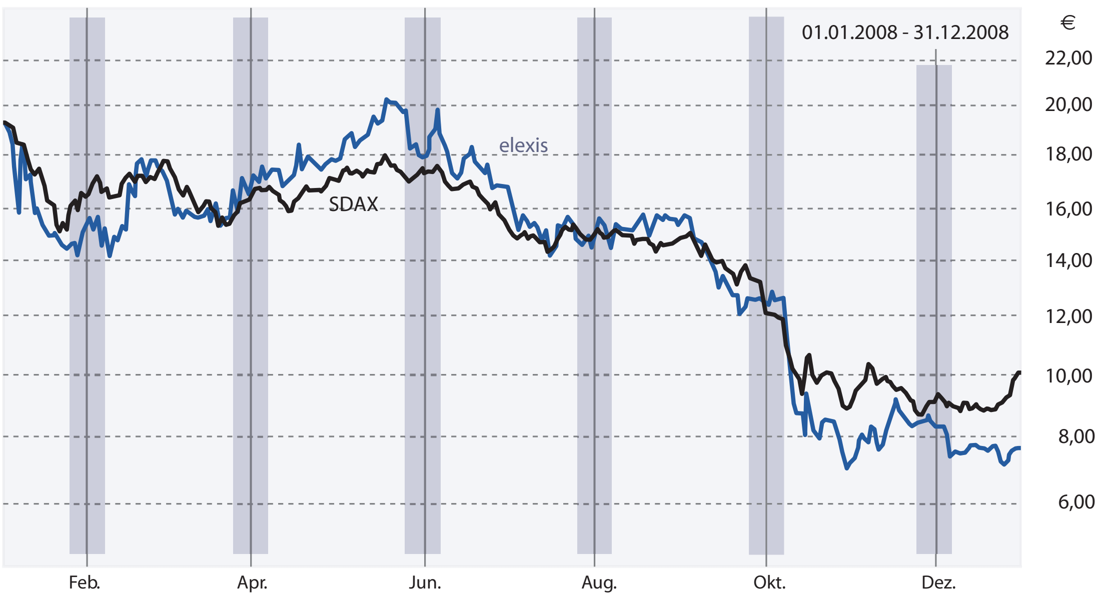
Stock market price (XETRA closing price) in €	2008	2007
High	20.18	26.67
Low	6.86	18.79
Beginning of year	19.30	22.50
End of year	7.69	19.30
Number of shares (in million)	9.2	9.2
Market capitalisation as at 31.12. (€ million)	70.7	177.6

The management places great importance on an open and critical dialogue with the shareholders. In this respect the Management Board conducted numerous discussions with investors and analysts both at home and abroad. In addition a conference was held in the spring and in the autumn for both investors and analysts. On May 21, 2008 the Management Board informed the shareholders at the general meeting of shareholders about the course of business of the year 2007 and answered their questions.

The elexis share is regularly analysed and valued by the research teams of Berenberg Bank, BHF-Bank, HSBC Trinkaus & Burkhardt, Landesbank Baden-Württemberg, Bankhaus Lampe and CloseBrothers Seydler Research AG. During the fiscal year 2008 the elexis share was recommended as a "buy" by all the research establishments.

According to the definition of Deutsche Börse AG the 9.2 shares in circulation are considered to be 100 % in the free float. As at December 31, 2008 the largest investors were Mr. Tito Tettamanti (10,0 %), Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte (8,6 %), Baden-Württembergische Investmentgesellschaft mbH (7,6 %), DWS Investment GmbH (5,5 %) and Polar Capital LLP (3,2 %). After December 31, 2008 Polar Capital LLP announced that they had fallen below the threshold of 3 % of the voting rights and that their share of the voting rights now amounted to 2.96 %. The Possehl-Stiftung announced that they had exceeded the threshold of 10% of the voting rights and that their share of the voting rights now amounted to 11.53 %. The share is listed in the strictly regulated Prime Standard and is one of the shares included in the SDAX.

elexis share vs. SDAX (Perf.)



2 Corporate Governance

2.1 Report of the Supervisory Board

During the fiscal year 2008 the Supervisory Board discharged its tasks imposed by the law and the articles of association. It was kept informed fully by the Management Board about the situation and development of the Company and its subsidiaries. In particular, this information included the asset, financial and earnings situation as well as the development of sales. In addition, the Supervisory Board supported, advised and monitored the Management Board with regard to all decisions, which were of fundamental importance for the elexis Group and its subsidiaries. Moreover, current individual topics were presented and discussed between the Chairman of the Supervisory Board and the Management Board in regular working meetings. Apart from the Presidium, the Supervisory Board has an Audit Committee as well as an Appointments Committee. The Audit Committee was involved in particular with questions regarding the audit as well as the requirements of Corporate Governance, risk management and compliance. The Appointments Committee, which was set up in addition during the fiscal year 2009, should propose to the Supervisory Board suitable candidates in the case of personnel vacancies and new elections within this board in respect of their proposals for election to the general meeting of shareholders.

In four regular meetings and also one meeting each of the Presidium and the Audit Committee the Supervisory Board discussed with the Management Board the principal questions of the business, personnel and capital market policy as well as the economic and strategic situation of the Company and the Group companies. Transactions subject to the approval of the Supervisory Board for legal reasons or in accordance with the articles of association were assessed, debated and resolved in meetings of the Supervisory Board and its Committees.

The main emphases at these meetings were the strategic direction of the elexis Group, the business development, in particular the measures for the expansion of the manufacturing and development capacities in the divisions as well as the measures for increasing internal growth. The Management Board regularly informed the Supervisory Board fully and punctually about the implementation of these measures, the strategy as well as the property, plant and equipment and the financial assets.

As in the prior years the Supervisory Board was informed intensively about the many projects in connection with the implementation of external growth projects. The various specific negotiation approvals requested by the Management Board in this respect were discussed in detail and accepted.

In order to fulfil the task for which it is also competent of efficiently monitoring the use of investment funds and production expansions within the Group, the Supervisory Board also held three of its four regular meetings at the site of the management companies of the divisions in Wenden (EMG Automation GmbH) und Eching (HEKUMA GmbH). There the members of the Supervisory Board could also obtain visually a qualified view of the planning and the implementation of the investment measures. On the occasion of these meetings the management of the corresponding strategic Group companies reported in part at the invitation of the Management Board on the current business and financial situation. The Supervisory Board paid particular attention to the development of the Factory Automation, Plastics division. In this respect the technological perspectives and new market opportunities for the sustainable improvement of the earnings situation were discussed intensively with the Management Board.

Due to the worldwide economic and financial crisis the potential effects of this on the sales and earnings position of the elexis Group for the current fiscal year and the medium term planning were discussed mainly with the Management Board during the fourth quarter. The Management Board reported to the Supervisory Board on the measures for coping with the crisis within the elexis Group and how the expected declines in orders could be compensated for. An extensive package of measures of the Management Board were examined, discussed and fully accepted.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited as auditors the financial statements of elexis AG, the consolidated financial statements and the combined management report for the fiscal year as at December 31, 2008.

PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft has audited and issued an unqualified opinion on the financial statements of elexis AG, which were drawn up by the Management Board in accordance with the accounting principles of HGB (German Commercial Code), the consolidated financial statements drawn up un accordance with the accounting principles of IFRS as well as the combined management report for elexis AG and the Group together on the basis of the accounting documentation. Regarding the system for the early identification of risks, the auditors have declared that the Management Board has initiated the measures and in particular a risk monitoring system, as required by Section 91, Paragraph 2 of the German Stock Corporation Act (AktG) and Section 289 of the German Commercial Code (HGB) and that these are appropriate for recognising at an early stage developments which might endanger the continuation of the Company and the Group. The auditors were elected on May 21, 2008 by the general meeting of shareholders and the order for the audit of the financial statements and the consolidated financial statements was issued by the Supervisory Board. The documentation for the financial statements, the annual report as well as the audit report of the auditors was submitted punctually to all members of the Supervisory Board.

The Audit Committee of the Supervisory Board examined at its meeting of March 17, 2009 the financial statements of elexis AG, the consolidated financial statements and the combined management report as well as the proposal for the appropriation of the net income available. The auditors participated in this meeting and reported on the major elements of their audit. Following the meeting of the Audit Committee the Supervisory Board at its meeting on March 18, 2009 reviewed the documentation and after its own examination followed the recommendation of the Audit Committee and approved the result of the audit of both financial statements by the auditors. At this meeting, in which the auditors also participated, the Supervisory Board declared that following the final result of its review no objections were to be made and that it approved the financial statements submitted by the Management Board as well as the consolidated financial statements and the proposal for the appropriation of the net income available. The financial statements for the fiscal year 2008 were thus adopted.

The Supervisory Board extends its thanks to the Management Board, the general managers of the affiliated companies and all managers and employees of the elexis Group for their commitment during the past fiscal year. The Supervisory Board also thanks the shareholders for their confidence and trust towards the Company.

Frankfurt am Main, March 18, 2009

Dirk Wolfertz

Dr. Dirk Wolfertz
Chairman

2.2 Remuneration report

Following the recommendations of the German Corporate Governance Code the remuneration of each member of the Management Board and the Supervisory Board is disclosed for each individual person. This shall take place in a separate remuneration report, which takes into account the regulations of the German Commercial Code in the version which was amended by the Management Board Remuneration Disclosure Law (VorstOG) and the Acquisition Guideline/Implementation Law. The remuneration report is simultaneously an integral part of the combined management report.

The remuneration of the members of the Management Board is determined and regularly reviewed by the Presidium of the Supervisory Board. The current remuneration system guarantees a remuneration of the members of the Management Board, which is appropriate for their activity and responsibility. Apart from their personal performance the economic situation, the success and the future outlook of the Company is also taken into consideration.

The remuneration of the members of the Management Board in the fiscal year 2008 was broken down as follows:

€ 000	Fixed	Bonus	Gross remuneration	Payment in kind/ other remuneration*	Total
Siegfried Koepp	300	155	455	43	498
Edgar Michael Schäfer	200	94	294	39	333
Total	**500**	**249**	**749**	**82**	**831**

* Use of company car, insurance contributions

In the prior year the remuneration of the members of the Management Board was broken down as follows:

€ 000	Fixed	Bonus	Gross remuneration	Payment in kind/ other remuneration*	Total
Siegfried Koepp	300	172	472	43	515
Edgar Michael Schäfer	200	102	302	39	341
Total	**500**	**274**	**774**	**82**	**856**

* Use of company car, insurance contributions

The amounts shown are in respect of the remuneration for the activity as member of the Management Board of elexis AG as well as the activity in the management of the subsidiaries, which is simultaneously undertaken.

The contracts of the members of the Management Board include no additional components of remuneration such as, for example, pension plans, pension claims, payments from third parties and affiliated companies, indemnification and assumption of office fees, equity based remuneration models (e.g. share options), change of control clauses, other payments in kind etc.

The provision set up for a former member of the Management Board and his survivors for current pensions and pension claims amounted as at December 31, 2008 to € 273,000 (prior year: € 270,000).

The remuneration scheme for the Supervisory Board was determined by the general meeting of shareholders on June 25, 2004 and is specified in Section 15 of the articles of association of elexis AG. The basis for remuneration is divided into a fixed and a variable portion. For the fiscal year the fixed remuneration for each member of the Supervisory Board amounted to € 15,000 (prior year: € 15,000), whereby the Chairman receives € 30,000 (prior year: € 30,000) and his deputy € 23,000 (prior year: € 23,000). For activities in the Audit Committee and the Presidium amounts were paid to individual members ranging from € 8,000 (prior year: € 5,000) and € 15,000 (prior year: € 15,000). The variable remuneration is based on the corporate result.

For the fiscal year 2008 the remuneration of the members of the Supervisory Board was broken down as follows:

€ 000	Fixed	Variable remuneration	Total	Total prior year
Dr. Dirk Wolferz	45	30	75	75
Karl Heinz Gorgas	30	15	45	45
Georg Keppeler	33	22	55	55
Stefan Köster	23	15	38	35
Klaus Kramer	15	15	30	30
Willi B. Loose	15	15	30	30
Dieter Schulze	23	15	38	38
Klaus Schulze (as from 05/07)	15	15	30	23
Prof. Dr. Michael Wackenhuth	15	15	30	30
Heinz Peter Greven (until 05/07)				11
Total	**214**	**157**	**371**	**372**

The remuneration of the Supervisory Board is due for payment following the end of the general meeting of shareholders, which has to resolve on the appropriation of the net income available for the corresponding fiscal year.

2.3 Declarations of compliance with the German Corporate Governance Code

Management and corporate structure

In accordance with its legal form elexis AG has a dual responsibility structure consisting of the Management Board and the Supervisory Board. The general meeting of shareholders functions as a third statutory body. All three statutory bodies are obliged to act in the interests of the shareholders and the company.

Supervisory Board and Management Board

The Supervisory Board consists of nine members of whom six are elected by the general meeting of shareholders as representatives of the owners and three employee representatives appointed in accordance with the One Third Participation Law. The Supervisory Board monitors and advises the Management Board with regard to the management of the business. The business development, the planning, the strategy and its implementation is discussed regularly by the Supervisory Board. It examines quarterly reports, approves the annual budget, determines the financial statements and approves the consolidated financial statements. The tasks of the Supervisory Board include, furthermore, the supervision of the compliance with the legal requirements, regulations of the authorities as well as the internal company guidelines. In accordance with Section 84 of the German Stock Cooperation Law (AktG) the tasks of the Supervisory Board include the appointment and dismissal of the members of the Management Board as well as the determination of their responsibilities. The Supervisory Board has formed a Presidium as well as an Audit Committee and as from the fiscal year 2009 also an Appointments Committee.

The Management Board is the management body of the Group which is linked to the interests of the Company. It manages the business in accordance with the law, the articles of association as well as the internal regulations issued by the Supervisory Board. Within the framework of its responsibility the Management Board is responsible for the drawing up of the quarterly, annual and consolidated financial statements as well as for the appointment to key positions within the Company. Furthermore, the Management Board must ensure compliance with the legal requirements, regulations of the authorities as well as the internal company guidelines. It assures that these are also complied with at the level of the Group companies. The areas of responsibility and cooperation within the Management Board are determined by its internal regulations. Key resolutions of the Management Board require the approval of the Supervisory Board.

Shareholdings and reportable transactions

The ownership of shares of the Management Board (8,499 shares) and the Supervisory Board (148,996 shares) amounts to 1.7 % of the share capital and is explained in the supplementary notes to the consolidated financial statements. The acquisition and sale of shares of the company by members of the Management Board and the Supervisory Board must be reported immediately in accordance with the requirements of the German Securities Law (WpHG) and the German Corporate Governance Code. In the past year reportable transactions which took place were reported immediately to the Federal Office for Financial Services Supervision (BaFin) and published on the homepage in the internet.

General meeting of shareholders

The statutory body of the shareholders is the general meeting of shareholders. Through the general meeting of shareholders the owners of the Company are given the possibility of participating in the fundamental decisions concerning the Company. A catalogue of the matters to be decided by the general meeting of shareholders is included in the articles of association and Section 119 AktG. Changes in the articles of association require in particular a decision of the general meeting of shareholders in accordance with Section 119 Paragraph 1 No. 5 AktG. The ordinary general meeting of shareholders takes place regularly during the first six months of fiscal year. Each share gives the participating shareholders the right to one vote.

At the general meeting of shareholders of elexis AG on May 21, 2008 in Wenden 39.8 % of the share capital with voting rights was represented. All the proposals for resolutions of the Management Board and the Supervisory Board were accepted with the required majority.

Declaration of compliance with the German Corporate Governance Code

The German Federal Government issued the German Corporate Governance Code on February 26, 2002.

In its version of June 06, 2008 the Code represents the key legal regulations for the management and the monitoring of German stock market listed companies and includes internationally and nationally recognised standards of appropriate and responsible management.

The monitoring of the guidelines issued is to make the regulations which are valid in Germany transparent, so that the confidence of the international and national investors, customers, employees and the public is strengthened with regard to the management of German companies.

Declaration in accordance with Section 161 AktG:

The Management Board and the Supervisory Board of elexis AG declare herewith that they comply and have complied with the recommendations of the "Government Commission for the German Corporate Governance Code" in its version of June 06, 2008 which was announced on August 8, 2008 as well in its version of June 14, 2007 with the following exceptions listed below:

No. 5.4.1

The Supervisory Board has not fixed any determined age limit for its members.

The Supervisory Board is of the opinion that with regard to the review of suitable candidates proposed for election to the general meeting of shareholders the personal qualification of each member of the shareholders' representatives should be a prime selection criterion independent of his or her specific age. Any age-related factors shall be taken into consideration appropriately during the decision for the selection of the members to be proposed for election.

No. 5.4.7

The chairmanship in one of the committees of the Supervisory Board shall not be taken into consideration separately in respect of remuneration.

The Supervisory Board is of the opinion that the separate remuneration of its members for the assumption of additional tasks in the committees is appropriate and that the activity of the chairman of the committee therefore does not require an additional increase in remuneration.

The Corporate Governance Code is now fulfilled in respect of the following paragraphs:

No. 2.3.3

Appointment of a representative for voting rights.

No. 3.10

Publication of the declaration of compliance in the internet.

No. 5.3.3

Formation of an appointments committee.

Wenden, March 2009

For the Supervisory Board | For the Management Board

Dr. Dirk Wolfertz | Siegfried Koepp | Edgar M. Schäfer

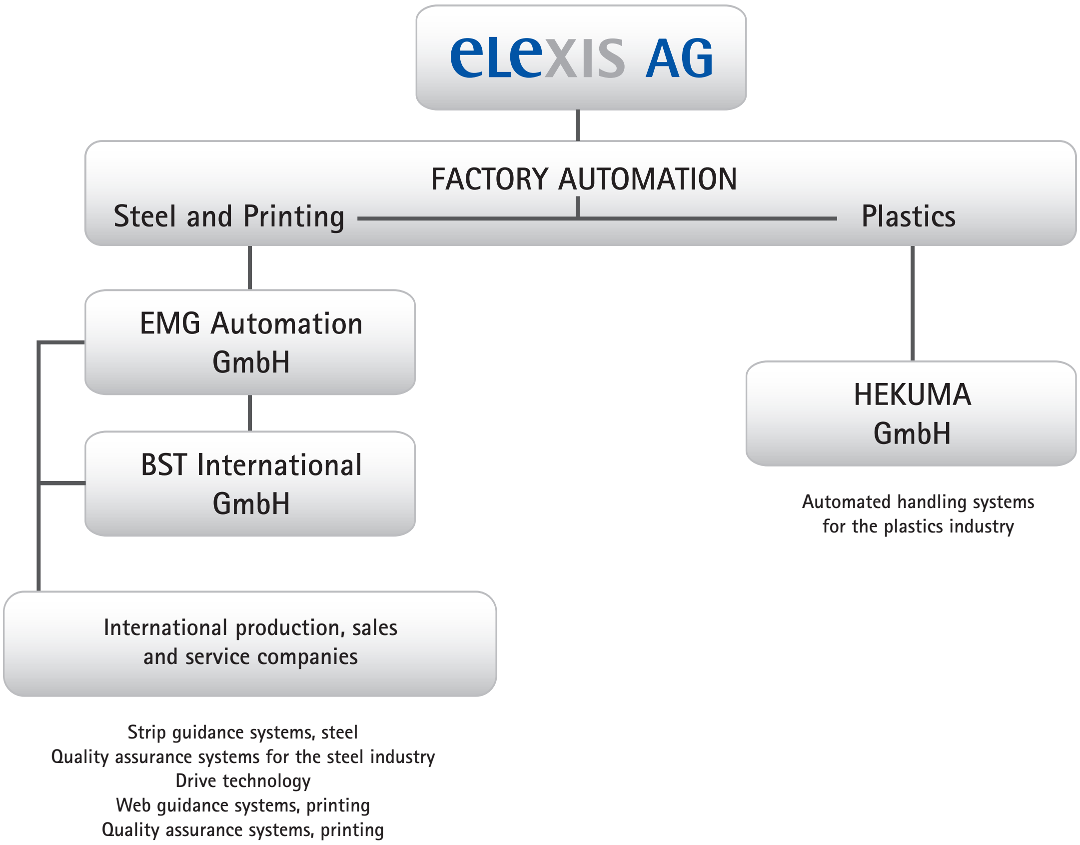
3 Combined management report

The management report and the Group management report of elexis AG have been drawn up in the following presentation in accordance with Section 315 Paragraph 3 HGB, since the situation of elexis AG as the management holding company can only be assessed in connection with the situation of the elexis Group.

3.1 Composition and structure of the Group

3.1.1 Group structure

elexis AG functions exclusively as a pure management holding company. The two members of the Management Board are personally also the general managers of the companies of the Steel and Printing division. The holding company employs an employee for investor relations as well as a controller. The operating business is managed exclusively by the corresponding participation companies.



EMG Automation GmbH, Wenden, and BST International GmbH, Bielefeld, constitute the Factory Automation, Steel and Printing division. This division combines the strip guidance systems, steel, the **quality assurance systems for the steel industry**, drive technology, the web guidance systems, printing as well as the **quality assurance systems for the printing industry**. HEKUMA GmbH, Eching on the other hand is active in the automation technology sector and manufactures production systems for the plastics sector. Since decades we have enjoyed an excellent position with our customers through our participation companies, EMG, BST and HEKUMA as well as with the brand names associated with them.

The scope of consolidation includes, apart from the companies presented, Elexis Beteiligungsgesellschaft mbH, Wenden, as well as five additional foreign participation companies. These companies are responsible mainly for sales and service, but also in part have production and assembly activities.

During the period under report there were no changes with regard to the scope of consolidation. Other non-consolidated participations belong to the elexis Group in addition to the consolidated participation companies. During the fiscal year 2008 the number of non-consolidated companies was expanded to eight with the establishment of EMG Automation India Private Ltd.

3.1.2 Capital structure and control in accordance with Section 289 Paragraph 4 and Section 315 Paragraph 4 HGB (German Commercial Code)

The share capital of elexis AG amounted as at December 31, 2008 to € 23,552,000 and was divided into 9,200,000 no par value bearer shares. A proportional share of € 2.56 in the share capital is attributable to each no par value share. Through a resolution of the general meeting of shareholders of May 24, 2008 the Management Board of elexis AG was authorised to acquire up to November 20, 2009 treasury shares up to a total amount of 10 % of the current share capital. Simultaneously, the same authorisation from the prior year was cancelled. Furthermore, the authorities of the Management Board depend on the legal stipulations as well as on the internal regulations issued by the Supervisory Board. Through the resolution of the general meeting of shareholders of June 24, 2005 the Management Board was also authorised to increase the share capital through the issue of new no-par value bearer shares against contribution in cash or in kind on one or several occasions up to a maximum, however, of € 11,776,000.00 (authorised capital). The authorisation is subject to the approval of the Supervisory Board and is valid until June 23, 2010.

Sections 84 and 85 of the German Stock Corporation Act (AktG) as well as Section 31 of the Employees' Participation Law (MitbestG) are applicable with regard to the appointment and dismissal of the Management Board. Sections 133, 179 AktG are applicable for changes in the articles of association. There are no holders of shares with special rights, which grant authority of control. Many employees participate directly in elexis AG as shareholders. There are no restrictions for exercising controlling rights in respect of these shares.

There are no major agreements of the parent company in respect of the condition of a change of control as a result of a take-over offer. There are also no agreements of the parent company in respect of compensation for the members of the Management Board or the employees in the event of an acquisition offer.

3.2 Business development and general conditions

3.2.1 Overall economic development, relevant markets, branches

Overall economic development

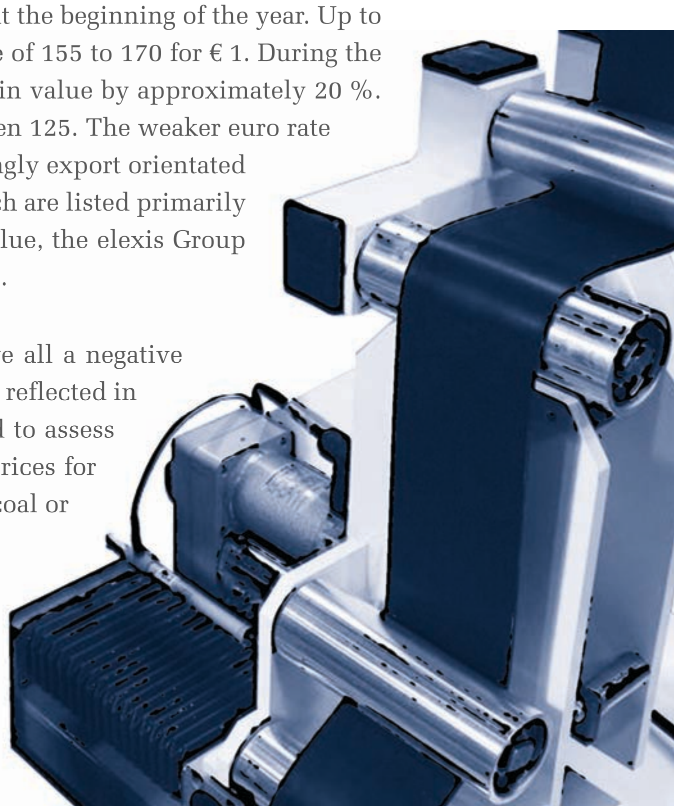
In 2008 the general economic conditions were extremely volatile. The first half year 2008 was first of all impacted by strongly rising raw material prices. This rendered difficult the purchase of materials and led to an increase in the materials ratio. Moreover, an incalculable development of the currency values of the US $ and the yen led to international competitive disadvantages for companies in the Eurozone. During the second half year there was a sudden slowdown of economic growth in the industrial nations and in the developing countries. Since the third quarter the leading national economies such as the USA, Japan and also Germany were in a recession. Also in the developing countries economic growth declined substantially within only a few months.

The total economic disruption constituted various challenges for the elexis Group. The extent of the extreme fluctuations can be seen in exemplary fashion in the price development of crude oil as well as the US$ and Yen currencies.

The price for crude oil rose during the first six months of 2008 by almost one half almost to US$ 150 per barrel. Subsequently the listed price fell by more than two thirds to a level of US$ 40. Similar fluctuations took place with regard to almost all raw materials. The fall in raw material prices as at the end of the year was based primarily on two developments. On the one hand purely speculative financial investors pulled enormous funds out of the commodity markets. On the other hand demand in volume declined strongly due to the economic downturn.

The US$ also had a roller-coaster performance as has not been seen for many years. From the beginning to the middle of the year the currency rate lost approximately 11 %. At the peak US$ 1.60 had to be paid for € 1. In the second half year the US currency recovered to about US$ 1.25 for € 1, before it declined again at year end to around US$ 1.40 for € 1. At the end of 2008 the US $ was thus traded at only a little less than at the beginning of the year. Up to the autumn the yen was traded versus the € in the range of 155 to 170 for € 1. During the fourth quarter the Japanese currency increased rapidly in value by approximately 20 %. At the end of the year € 1 corresponded only to about Yen 125. The weaker euro rate at the end of the year signified a certain relief for a strongly export orientated company like elexis. Since the raw material prices, which are listed primarily in US$, fell more sharply than the US$ increased in value, the elexis Group experienced moderate relief also on the purchasing side.

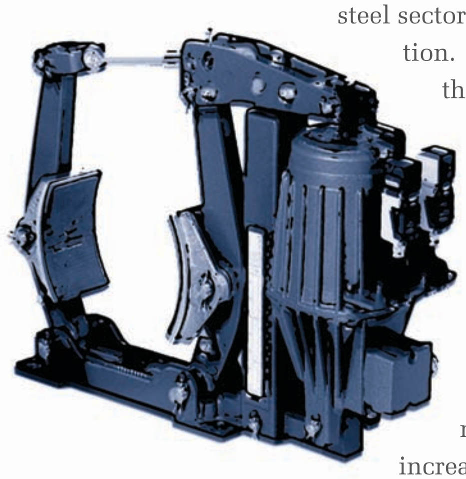
The drastic downturn of the world economy had above all a negative effect on global trade towards the end of the year. This is reflected in the development of the Baltic Dry Index, which is used to assess world trade. The Baltic Dry Index is composed of the prices for the shipping of the most important bulk goods such as coal or



iron ore on various standard routes. During the course of the year a high of 11,600 points was reached, before it imploded to less than 800 points. This represented a decline of 93 % within half a year.

Effects on branches and markets

The general worldwide economic downturn had very different effects in the individual branches which are relevant for the elexis Group. According to the branch statistics of the Verband Deutscher Maschinen- und Anlagenbau (VDMA) sales in the steel mill and rolling mill sector still rose by 1 % in 2008 (Germany: -22 %; abroad: +4 %). The sales in the steel industry on the other hand declined by 9.2 % (Germany: -10.4 %; abroad: -7.4 %). The sales markets for the strip guidance systems steel and the quality assurance systems for the steel industry thus stagnated or declined during the past fiscal year. In spite of these adverse general conditions the steel sector of the elexis Group managed to extend its worldwide leading market position. This was enabled above all by the high worldwide market share of more than 70 % in the case of strip guidance systems and the intensified focus on the market for quality assurance systems for the steel industry. Incoming orders could be increased by one quarter.



The sales for the relevant branch for the electro-hydraulic ELDRO® and ELHY® thruster systems as well as other drive systems shrank in 2008 according to VDMA by 4 % (Germany: +4 %; abroad: -8 %). We also have a worldwide market share of more than 60 % for this security system. On this basis the drive technology thrusters also managed to further confirm its market leadership against the general market trend through a further increase in incoming orders.

The general conditions turned out to be significantly more difficult for the web guidance systems, printing and for the quality assurance systems for the printing industry. Sales in the printing machinery sector declined by 22 % during the past year (Germany: -16 %; abroad: -23 %). This branch showed a substantial weakening above all at the end of the year. In Factory Automation, Printing the high prior year level could be held in spite of the declining trend in the branch.

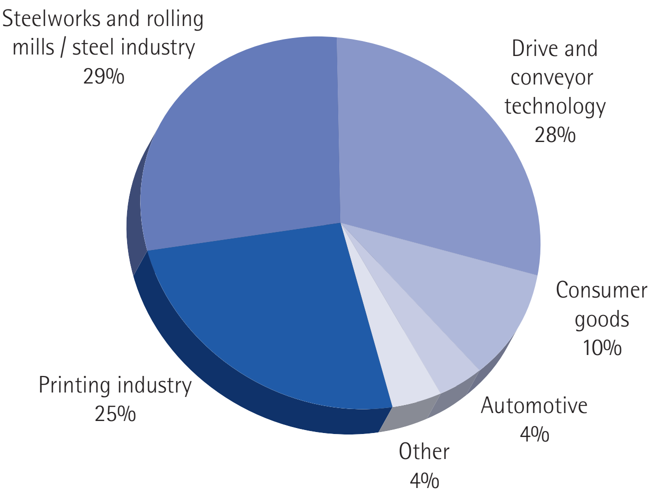
In spite of the difficult general conditions described the total Factory Automation, Steel and Printing division succeeded for the fifth year in a row to exceed expectations regarding sales and incoming orders with increases of about 10 %.

According to VDMA statistics the plastics and rubber machinery sector suffered declines in sales of 24 % (Germany: -7 %; abroad: -30 %). In comparison the decline in sales of Factory Automation, plastics was considerably lower, since the share of sales in 2008 was influenced mainly by the completion of large orders from 2007. However, there was a substantial reduction in incoming orders.

Branch and sales markets at a glance

The most important branches for elexis are the steel mill and rolling mill sectors and the steel and printing industry, drive and conveyor technology and consumer goods.

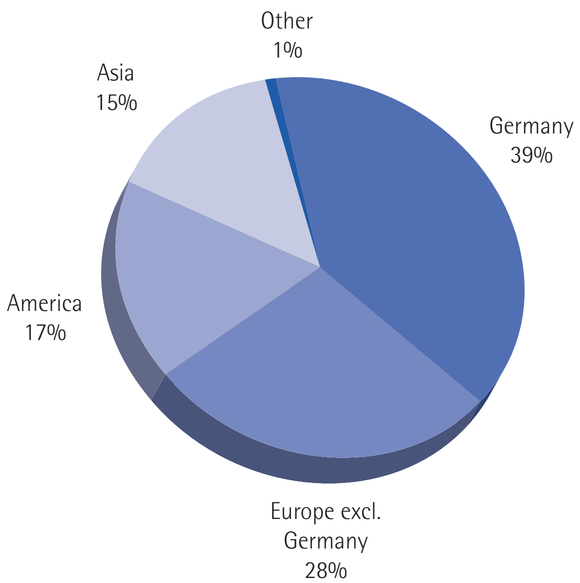
Branch structure 2008*



* Basis: consolidated sales (net) 2008 of € 170.6 million

The largest sales markets are Germany, Europe, the USA and Asia. In this respect it must be noted that a large portion of the products, which elexis delivers to domestic customers, are then exported by them. From this point of view the share of sales which is earned either directly or indirectly from abroad, amounts to more than 75 % of total sales.

Regional structure 2008*



* Basis: consolidated sales (net) 2008 of € 170.6 million

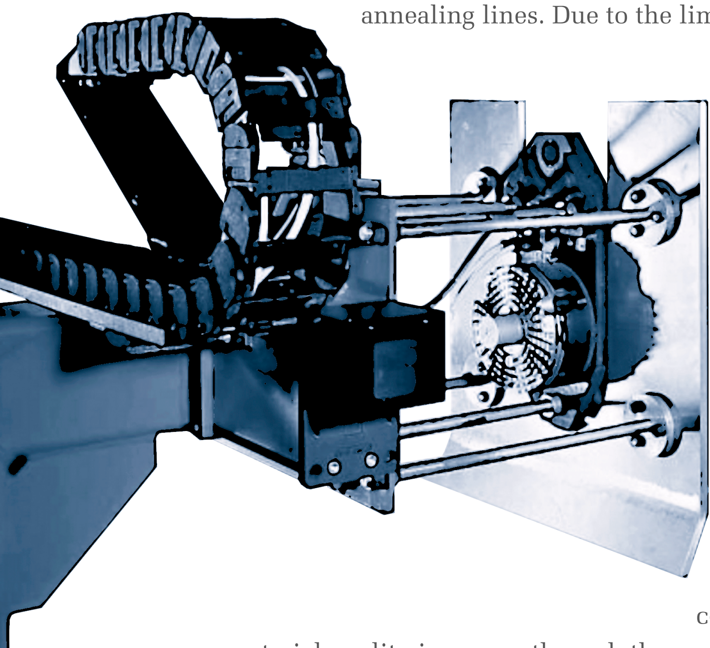
3.2.2 Products, product range, product policy and sales markets

The two divisions of the elexis Group each have new and technologically leading products. Many of these have unique characteristics.

Steel and Printing division

The strip guidance systems, steel serve to guide flat steel sheet during production in a determined position. In this respect the requirements for availability and quality are increasing constantly. At the same time steel mills and rolling mills are operated with increasingly less operating and maintenance personnel. elexis is meeting these increasing requirements with modern strip guidance systems tailor-made for the customers needs. New sensors and control boosters were also included in the product innovations in 2008.

The quality assurance systems for the steel industry control and assure the quality of steel sheet. The IMPOC measurement system determines the tensile strength and the yield point. With the IMPOCpro the next generation of this control system started during the second half year. The measurement speed is 7.5 times higher that with the predecessor model. Since IMPOCpro runs at strip speeds of up to 900 metres per minute, it can now also be used for continuous annealing lines. Due to the limitation with regard to strip speed this was not possible with the traditional system. For example, high quality light gauge metal is produced on continuous annealing lines for the packaging industry. Furthermore the IMPOCpro has completely new software for the evaluation of data. The new control equipment thus offers a much higher amount of detailed information concerning the tested steel sheet than the original IMPOC.



With the SORM 3plus quality control system the roughness can be determined; this is an important surface parameter particularly in the case of cold rolled steel. Both IMPOC as well as SORM 3plus work online and without contact. The steel sheet is thus controlled during the current production process over its total length without any damage. The material quality increases through the use of IMPOC and SORM 3plus. At the same time waste and costs are reduced.

The eMASS electro-magnetic strip stabilisation system reduces strip oscillation of the steel sheet after galvanising. Thereby it is possible to apply the zinc coating for corrosion protection more evenly and thinly. The eMASS system contributes to the increase in quality and leads to savings through a considerable lower use of zinc.

The product family of quality assurance systems steel is completed by the optic and inductive BREIMO strip width measurement. A measurement system for rolling mills is now also being offered with the VKI 3 product.

The two ELDRO® and ELHY® electro-hydraulic brake thruster systems from the drive technology are used in heavy crane and conveyor equipment. In this respect they assure the braking operations together with modern drum or disc brakes. Both security systems were technically upgraded and developed further in 2008. New developments for the hydraulic compact thruster (HKA) were introduced to the market successfully.

The web guidance systems of Factory Automation, Printing assure the precise operation of various webs. The guidance systems are used above all in the paper, foil, rubber and fleece material sectors.

The quality assurance systems printing search the whole width of material webs for printing errors. The product range extends in this respect from video web monitoring up to complex printing error recognition systems.

In 2008 the range of products with regard to web guidance systems and quality assurance systems printing was extended with a total of twelve new products. The new SHARK 4000 100 % real time print defect detection system controls webs with a width of up to 2,040 millimetres. A consistent further development was developed with the SHARK 4000 lex for the successfully established SHARK system. This is used for the monitoring of narrow webs. The line and contrast sensor CLS Pro 600 as well as the register control system AR 4000 also form part of the newly developed products. Furthermore, an inline colour tone measurement system for the control of colour zones in offset printing as well as numerous other product innovations were presented to the customers for the first time in the middle of the year at the drupa 2008. drupa is the most important specialised trade fair of the printing industry and is held every four years. In particular the equipment for new digital printing machinery with a package of control technology and quality assurance systems gained a high level of attention from visitors and investors.

Plastics division

Factory Automation, Plastics is a specialist for high speed automation. The division manufactures complete insertion and extraction systems for injection moulding machinery. The range of capabilities includes also the above-mentioned automation steps as well as the subsequent automation. An outstanding product innovation in 2008 was equipment for the manufacture of reclosable caps for beverage cans. Moreover, in the autumn of the past year the new generation of high performance robots (HEKU 3) was presented. With regard to the performance characteristics of speed, precision and possible pick-up weight this has now entered a new dimension.

The product strategy of the elexis Group is to achieve and maintain a leading position in niche markets through technological leadership. With new products which have unique characteristics it is possible to compete primarily not through price. Nevertheless, it is always our objective to be the leader not only with regard to technology but also with regard to price. For this reason the products and production processes are regularly and systematically reviewed with regard to savings potential. Employees participate in these projects from the areas of engineering, production, purchasing, calculation, and controlling as well as the team for the continuous improvement process (CIP).

elexis cooperates closely with its customers with regard to the development of product innovations. The Group achieves approximately 50 % of its sales with product s, which are younger than four years.

3.2.3 Purchasing and purchasing policy

Particularly in a year in which currencies and raw material prices were subject to such fluctuations it was extremely important to react quickly to changed market conditions in strategic purchasing. The elexis Group succeeded in assuring favourable purchasing conditions in each of the different market phases through its worldwide presence also on the purchasing side. In principle the purchasing activities were shifted towards Eastern Europe and Asia.

During the first half of 2008 the prices of many raw and preliminary materials continued to rise. The financial and economic crisis, however, led to a change in this trend, particularly during the fourth quarter. The prices for raw materials such as oil, copper, steel and aluminium again became substantially cheaper.

Within the framework of its purchasing policy the elexis Group generally assures the necessary preliminary materials on the acquisition of new orders. This procedure guarantees the Company's own delivery punctuality. The flexible and global purchasing policy together with various value analyses led to only a slight increase in the cost of materials in the elexis Group during 2008.

The strategic purchasing of the Group played a key role, not only at times of rising raw material costs. Furthermore, just at the time when the price level was declining as a result of the financial and economic crisis, purchasing had to ensure that the falling price level on the purchasing side would remain stable.

3.2.4 Production

The production capacities of the German facilities of the elexis Group ware completely utilised during the first nine months of the year. Only during the fourth quarter did a lower business volume in printing and above all in the plastics division lead to a lower level of utilisation. Factory Automation, Steel on the other hand operated at the limit of full capacity until the end of the year.

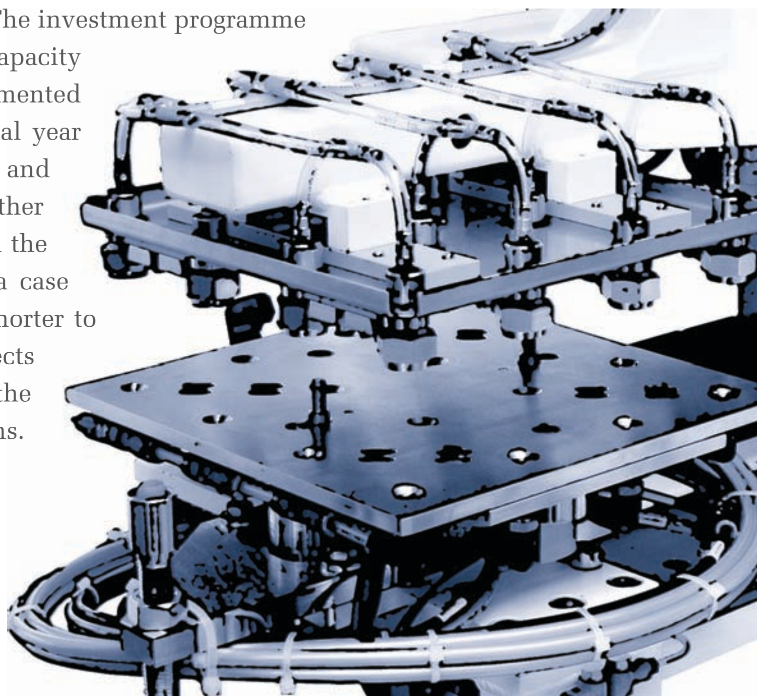
At the German facilities we continued our continuous improvement programme (CIP) throughout the whole value added chain. We initiated numerous projects, of which almost one half were concluded successfully in 2008. As a result of a large number of small improvements we succeeded in increasing the quality of our products and services through the sustainable optimisation of the production and assembly processes. The CIP will also be applied more intensively in the administration areas.

3.2.5 Investments

During the past two years the elexis Group carried out the largest investment programme in its existence in order to expand its capacities. In Wenden (Factory Automation, Steel) and in Bielefeld (Factory Automation, Printing) an additional assembly hall was completed and put into operation in each case. Furthermore, a new office building was constructed in Wenden, which since the autumn of 2008 has offered space for employees from sales and projecting. Apart from capacity expansion voluminous renewal investments ware made in machinery and technical equipment at the domestic production facilities (Wenden, Oschersleben, Bielefeld and Eching). The manufacturing capacities were modernised and expanded by these investments. At the same time production security increased. Additional funds were invested in the IT area. These also included a sales information system and a modern video conference system, which links together the domestic facilities.

In the full year 2008 the investments amounted to a total of € 8.1 million. In 2007 they had amounted to € 7.9 million. By far the greatest part of the investment total was financed by the current cash flow. Leasing agreements, which lead to a capitalisation of the assets involved on our balance sheet, are in this respect of little significance. They amounted in total to € 0.5 million.

Investments in long term assets inclusive leasing exceeded depreciation by 87 % (CAPEX 2008 = 187 %; CAPEX 2007 = 247 %). The investment programme of the past two years for the modernisation and capacity expansion is concluded with the measures implemented during the period under report. During the fiscal year 2009 the investments will be substantially lower and will be less than the level of depreciation. A further reduction in investment is also intended should the course of business require this. Also in such a case there would be no investment backlog in the shorter to medium term. All individual investment projects required will be evaluated and approved within the context of the overall economic general conditions.



3.2.6 Research and development

As a technologically driven company the elexis Group places traditionally very high importance on research and development (R & D). Since many years we have already invested substantial funds in this area, in order to maintain as well as to further expand our technologically leading position. During the past fiscal year the R & D expenses amounted to € 7.6 million. Due to the capitalisation criteria we have capitalised approximately € 0.8 million as company-produced intangible assets. A year earlier the R & D expenses had amounted to € 8.2 million. In view of the rising sales the investment ratio (R & D expenses in relation to sales) declined from 5.1 % to 4.5 %. The new and further development were the emphasis of the R & D activities. Our objective is to develop new products, which, like the quality assurance systems steel, will replace or improve manual process stages by automation. At the same time we intend to generate benefits for the customer through the cost optimisation of existing products. This means that our products are always tested for their economical efficiency. This evaluation takes place regularly in close and trusting cooperation with our customers. Details on the most important product innovations during 2008 are listed in the paragraph "3.2.2. products, product range, product policy and sales markets".

3.2.7 Financing

During the period under report shareholders' equity increased from € 62.9 million to € 71.6 million. The absolute increase of shareholders' equity combined with almost the same level of total assets led to an improvement of the equity ratio from 48 % as at December 31, 2007 to 53.1 % as at December 31, 2008. Shareholders' equity together with the long term liabilities less the deferred taxation exceeded fixed assets by 79.7 %. elexis financed part of the capacity extensions through new credits. Since scheduled repayments also took place at the same time, the loans to banks remained constant at € 7.4 million. As at December 31, 2008 the elexis Group had net liquidity of € 20.9 million. The high level of shareholders' equity, the large amount of liquid funds as well as the sustainable inflow of funds from operating activities guarantee a stable financial position for the elexis Group. elexis can undertake fully the operating business with its own funds which are available. In addition, there is a large volume of credit lines which have not been used to date. These are distributed over several banks, in order to avoid a cluster risk. Even in the currently strained environment the taking down of additional bank loans should be possible with interested banks. According to our current knowledge the financing of external growth would thus also be feasible. No changes in the financial structure are currently planned.

The monitoring and control of losses on receivables and interest and currency risks are the responsibility of the strategic units. We are currently not using any derivative financial instrument to hedge against interest and currency risks, which would be of importance in judging the situation of the Group. Additional presentations and explanations are included in the consolidated financial statements as well as in the notes.

3.2.8 Personnel

As at December 31, 2008 the number of employees amounted to 808. In addition, the Group employed 79 apprentices. The apprenticeship ratio amounted to 9 % and was thus substantially in excess of the average of about 6 % in the Federal Republic of Germany. A year earlier the personnel consisted of 763 employees and 70 apprentices. The increase in personnel resulted from the capacity extensions in Germany in connection with the strong growth during the first nine months of 2008. The Group increased its personnel in particular in the areas of production, engineering and sales. Internal and external training as well as seminars and workshops increased the qualifications of the employees.

The employees of the elexis Group also participated again in 2008 in the economic success of the Company through the achievement of determined targets. The special payments compensated in part for the extension of the working week which had been agreed earlier. With regard to company pensions a pension fund financed by the employers has existed since several years, which offers additional provision possibilities.

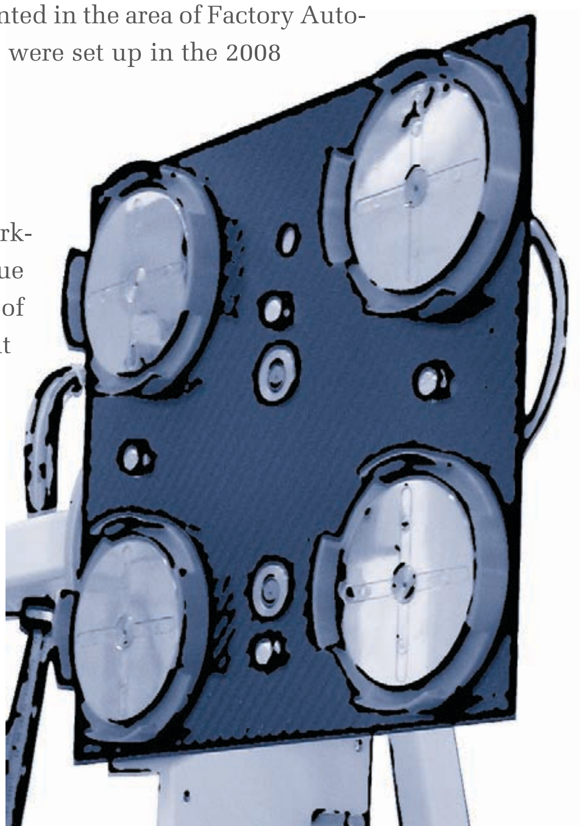
Particularly at times of difficult economic general conditions all employees are requested equally to make their contribution to the profitability of the Group. The proven working time flexibility is playing a major role in this respect.

Already since several years flexible working time and life working time models have been introduced in the Group. This enables the capacities to be adjusted to the corresponding order situation in a flexible manner and without any additional cost. In addition, depending on the order situation a reduction of personnel cannot be excluded in order to secure the sustainable profitability of the Group. Our employees were informed at the employee meetings in December 2008 of the coming challenges in 2009. We have already started a reduction of personnel with a social plan in the area of Factory Automation, Plastics.

Due to the personnel measures currently being implemented in the area of Factory Automation, Plastics corresponding restructuring provisions were set up in the 2008 financial statements.

3.2.9 Environmental protection

in all areas we ensure that safety is guaranteed at the workplace and that the environment is protected. We pursue the objective of minimising as far as possible the use of materials and energy both in research and development as well as in the engineering of new products. Through this we are protecting the environment and increasing our economic efficiency. Numerous products of the elexis Group support our customers in reducing waste. This also leads to a reduction of the use of



materials and contributes indirectly to the lowering of CO^2 emissions. In the organisation of the manufacturing processes we lay great importance on the safety of the workplace and the avoidance of any disruptions. This protects our employees and saves the use of resources, which again has a positive effect on the environment.

We consider legal regulations to be minimal requirements. In all areas the regulations for environmental protection are strictly followed with regard to waste disposal. The individual sites are independently responsible for the adherence to the environmental protection regulations. The implementation and the monitoring are the responsibility of the corresponding manager for strategic quality assurance. He ensures that new laws and regulations are immediately implemented.

3.3 Analyses of the business development on the basis key data

The fiscal year 2008 developed positively with regard to the key earnings data. The elexis Group achieved earnings before interest and taxes (EBIT) in the amount of € 24.0 million. It thus almost achieved the amount of the prior year of € 24.6 million. The EBIT margin amounted to 14.1 %. A year earlier it had amounted to 15.3 %. The consolidated net income after deduction of minority intsrests amounted € 13.5 million in the period under report and was thus lower than the amount of € 15.1 million in the prior year. This decline was also due to a provision set up for a subsequent tax payment. The tax claim results from an audit by the tax authorities for the period 2003 – 2006. The reason for this provision is primarily the tax revaluation for a participation company, which had its origin in the restructuring phase during the years 2000/2001.

In 2008 the elexis Group achieved earnings per share of € 1.47 versus € 1.64 in the prior year.

Incoming orders fell from € 183.1 million in 2007 to € 164.5 million. We could thus not fulfil our target for the fiscal year 2008 (€ 173 million to € 185 million).

The inflow of funds of the Group from operating activities declined from € 17.9 million to € 10.5 million. This development was attributable primarily to the strong increase in working capital. Inventories increased due to the higher business volume. Moreover, elexis built up inventory levels particularly during the first nine months in order to compensate for longer delivery periods and bottlenecks in purchasing. At the same time liabilities from long term construction contracts declined. The outflow of funds from investing activities amounting to € 6.2 million was lower than in 2007. In the prior year these amounted to € 7.0 million.

The return on capital employed (ROCE) amounted to 36.6 % versus 45.4 % in 2007. The return on shareholders' equity after taxes amounted to 19.4 %. In 2007 this had amounted to 24.7 %.

Summary of Factory Automation, Steel and printing

€ million	2008	2007	Change
Incoming orders	148.3	135.4	+ 10 %
Sales (net)	139.0	127.2	+ 9 %
EBITDA	26.4	24.7	+ 7 %
EBIT *EBIT margin (in %)*	22.9 *16.5*	22.3 *17.5*	+ 3 %
Employees *	640	604	+ 6 %

* Balance sheet date December 31, excluding apprentices

Factory Automation, Steel and Printing contributed a total of € 148.3 million (+10 %) to the incoming orders of the Group. In spite of a certain reticence to invest on the part of our customers during the fourth quarter the division thus increased incoming orders for the fifth year in a row. With a share in sales of € 139.0 million and contribution to earnings (EBIT) of € 22.9 million the Factory Automation, Steel and Printing division represented the major pillar of the Group even in view of the adverse economic environment. The results would have been better for 2008 without the economic downturn.

The quality of the pricing suffered in the printing sector and this had a direct effect on the sales and earnings ratios. Unlike than with transmission technology and strip guidance systems, steel we do not have world market leadership in this segment. An aggressive price war was opened by our competitors during the fourth quarter 2008, which led to a deterioration of the price quality.

The economic successes in the Factory Automation, Steel and Printing division are due to the constant product innovations as the close relationship to the customers. At an international sales meeting in Wenden elexis met in the spring with representatives from 29 countries, in order to explain to them the products and their use for the customer in greater detail. A few months later the new Indian sales and service company, EMG Automation India Private Ltd., started operations. Thereby the elexis Group is now also represented on site on the third most important market in Asia after Japan and China with its own company for Factory Automation, Steel. We have been active in India already since 1993 with our own production, sales and service company for Factory Automation, Printing. In parallel EMG Automation Beijing Ltd., China, expanded and opened a branch in Shanghai. At the beginning of 2009 elexis acquired the shares of the minority shareholder in EMH Eletromecânica e Hidraulica Ltda., Brazil, and now holds 100 % of the shares. Finally, a new sales portal was implemented. This enables in particular the international sales employees to have access to current information on products, experience reports and market developments directly from EMG Automation GmbH in Wenden.

The international sales team of BST International GmbH also addresses the challenges of sales within the context of a sales meeting in Potsdam. Employees and representatives from 44 countries participated. In this respect the preparations for drupa 2008 played a major role.

Above all the participation company, BST PRO MARK Inc., USA, had to struggle with difficult general economic conditions. A restructuring programme was introduced here which foresees in particular an optimisation of the structure and in connection with this also an adjustment in personnel. On the other hand the facilities in Brazil and Japan made positive contributions to earnings. This is also the case for the participations, which are not included in the scope of consolidation.

The product strategy constitutes a key success factor apart from the sales presence. We can increasingly offer control technology and quality assurance systems as a package solution and are thus able to distinguish ourselves from our competitors.

We are also setting standards within the international competition with regard to safety technology by means of continuous quality. We have thus assured for ourselves a leading market position in particular with the electro-hydraulic thruster systems.

Summary of Factory Automation, Plastics

€ million	2008	2007	Change
Incoming orders	16.2	47.7	- 66 %
Sales (net)	31.6	34.0	- 7 %
EBITDA	4.1	4.9	- 16 %
EBIT *EBIT margin (in %)*	3.2 *10.2*	4.1 *12.0*	- 22 %
Employees *	164	156	+ 5 %

* Balance sheet date December 31, excluding apprentices

The plastics segment remained substantially below expectations and was thus primarily responsible for the non-achievement of our planning for incoming orders. The division reported incoming orders of € 16.2 million (2007: € 47.7 million) and sales of € 31.6 million (2007: € 34.0 million). The quality of the results was good. With EBIT of € 3.2 million (2007: € 4.1 million) Factory Automation, Plastics made a significant contribution to the Group results.

The differences to the original planning are attributable to the postponement of large orders, which had been firmly planned, as well as a continuous aggravation of the economic crisis. For example, approximately 22 % of the sales come from the automotive branch, which literally collapsed particularly in the second half. Following a stop in investments for current projects already in the fiscal year 2008, the ambitious new projects for the coming automobile series are subject to particular price and competitive pressure. Also in most of the other branches our customers deferred almost all expansion projects for the time being due to the lack of demand. At the same time the capability of our customers to finance larger investments apparently declined as a result of the financial and economic crisis. We assume in this respect that an investment backlog is developing, which will again have clear positive effects for the business in the coming years.

Factory Automation, Plastics reacted to the downturn which started in the fourth quarter with a reduction in personnel, which had just been increased a few months earlier. At the same time temporary work contracts were reduced as well as flexible working time and holiday entitlements.

elexis AG

EBIT before result of participations of elexis AG, i.e. the holding company, amounted to € -2.1 million. In 2007 this had amounted to € -1.7 million. The deterioration is attributable exclusively to the allocations to the restructuring provisions. These were set up as a result of the financial and economic crisis for restructuring measures in the Factory Automation, Plastics division. The administrative expenses remained at the level of the prior year.

3.4 Situation of the Group

3.4.1 Asset situation

All the assets included in the balance sheet were subject to an impairment test. No value adjustments were made. Shareholders' equity as at December 31, 2008 rose by 13.8 % to € 71.6 million. The equity ratio increased from 48.0 % to 53.1 %. The investments (excluding leasing) were in 2008 110.5 % higher than the corresponding depreciation. The investment ratio thus amounted to 210.5 %. In comparison with the prior year the investment ratio declined due the significant rise in depreciation. In 2007 the investment ratio amounted to 279.7 %. The investments were above all attributable to the expansion of capacities and the renewal of machinery and equipment.

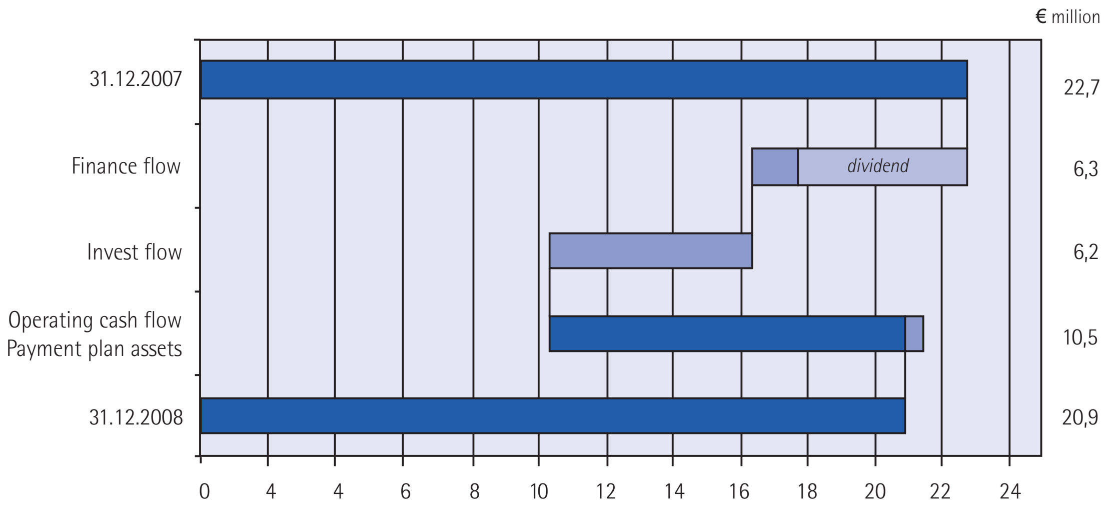
Shareholders' equity together with long term liabilities after deduction of deferred taxation exceeded fixed assets by 79.7 %. The fixed asset coverage amounted to 179.7 %. The liabilities from long term construction contracts declined following the completion and delivery of the corresponding equipment. The prepayments received declined by € 12.4 million in this connection. At the same time inventories increased by € 3.3 million. The increase in inventory levels is attributable on the one hand to the rise in business volume. On the other hand bottlenecks arose with suppliers during the first half. The guarantee of delivery schedules whilst simultaneously maintaining stable price quality was one of the predominant subjects during the first six months of the past fiscal year. During the second half the situation eased considerably. Nevertheless, inventory turnover increased in total from 47 to 51 days. Days receivable declined slightly by one day to 54 days. As in the previous years there were also no significant losses on receivables during 2008, the expense from the additions to provisions for specific bad debts and losses on receivables amounted to € 650,000. Moreover, 85 % of the receivables are insured against loss. In the case of customers with a high credit risk and those from critical markets, elexis only delivers against cash in advance. As a result significant losses on receivables which are not insured are not expected even in view of the economic pressures.

€ million	2008	2007
Balance sheet total	134.9	131.0
Equity ratio (in %)	53.1	48.0
Investments incl. financial leasing	8.1	7.9
Investment ratio (in %)	210.5	279.7
Cover of fixed assets (in %)	179.7	177.4
Working capital	14.9	5.3
Inventory turnover (in days)	51	47
Accounts receivables (in days)	54	55

3.4.2 Financial situation

The inflow of funds from operating activities declined from € 17.9 million to € 10.5 million. Above all the increase in working capital was responsible for this. The inventories increased due to the higher volume of business. Moreover, the liabilities from long term construction contracts declined. Payments of taxes on income and local taxes resulted in an outflow of funds in the amount of € 5.9 million. The outflow of funds from investing activities amounted in 2008 to a total of € 6.2 million. In addition, the Company distributed dividends in the amount of € 5.0 million. As at December 31, 2008 the elexis Group had available net liquidity in the amount of € 20.9 million.

Development of net liquidity



The equity ratio amounted to 53.1 % as at December 31, 2008 versus 48.0 % as at December 31, 2007. The short and long term loans to banks amounted to € 7.4 million as at December 31, 2008. Due to the solid balance sheet ratios the credit conditions have not changed for the elexis Group. However, the financial and economic crisis leads to a certain uncertainty about forecasts with regard to future credit conditions.

€ million	2008	2007
Cash flow from operating activities	10.5	17.9
Liabilities to banks	7.4	7.4
Net liquidity	20.9	22.7

3.4.3 Earnings situation

The financial and economic crisis had an adverse effect on the development of sales above all during the fourth quarter. In particular in the plastics segment a noticeable reticence on the part of the customers was observed with regard to new investment projects. Thanks to the positive development of business during the first nine months it was nevertheless possible to increase sales for the full year by 6 % to € 170.6 million. Since the sales changed over-proportionally versus the increase in the manufacturing costs, the gross profit rose by € 2.5 million to € 65.4 million. In particular the unfavourable development in the first half of raw material prices and foreign exchange rates as well as significant wage increases led to a reduction of the gross margin by just under one percentage point to 38.3 %. The selling and administrative expenses developed in relation to sales. The materials ratio increased from 35.2 % to 36.6 % due to higher raw material costs and in part poorer price quality. The personnel ratio increased slightly to 30.1 %.

Earnings before interest and taxes (EBIT) amounting to € 24.0 million almost reached the record amount of the prior year of € 24.6 million. The financial result remained nearly constant at € -1.3 million. Earnings after interest and taxes was encumbered by a provision for an expected subsequent tax payment. The consolidated net income after deduction of minority interest of elexis AG amounted in 2008 to € 13.5 million versus € 15.1 million in the prior year. Earnings per share amounted to € 1.47 versus € 1.64 in the year before.

€ million	2008	2007
Incoming orders	164.5	183.1
Sales (net)	170.6	161.2
Gross profit	65.4	62.9
EBITDA	27.6	27.9
EBIT	24.0	24.6
Financial result	-1.3	- 1.5
EBT	22.7	23.1
Consolidated net income after deduction of minority interests	13.5	15.1
Earnings per share (in €, EPS)	1.47	1.64
Selling expense ratio (in % of sales)	19.2	19.2
Administrative expense ratio (in % of sales)	5.1	5.2
Materials ratio (in % of sales)	36.6	35.2
Personnel ratio (in % of sales)	30.1	29.3

3.4.4 Asset, financial and earnings situation of elexis AG

elexis AG is responsible for the control and the strategic orientation of the elexis Group. As a holding company it has no own operating business. The net income achieved in 2008 in the amount of € 15.0 million resulted primarily from the revaluation of book values at participation companies. Through the cancellation of profit and loss transfer agreement with Elexis Beteiligungs mbH no income was earned in the fiscal year 2008 from profit and loss transfer agreements. As a result of this measure tax loss carry forwards could be utilised by Elexis Beteiligungs mbH. The net income of the prior year of € 12.6 million consisted primarily of income from the profit and loss transfer agreements with Elexis Beteiligungs mbH.

The general administrative expenses remained almost at the same level in comparison with the prior year. The interest result deteriorated in comparison with the prior year to € 0.6 million (prior year: € 0.9 million) due to lower interest income.

The balance sheet structure is characterised on the asset side by the long term financial assets, which constituted 75.0 % of the balance sheet total (prior year: 59.1 %). The equity ratio amounts to 89.2 % (prior year: 90.0 %). The working capital includes mainly receivables from affiliated companies, which constituted 23.8 % of the balance sheet total (prior year: 38.6 %). As at the balance sheet date elexis AG had liquid funds available in the amount of € 167,000.

3.5 Report on significant events subsequent to the balance sheet date

At the beginning of 2009 elexis acquired through Beteiligungsgesellschaft EMG Automation GmbH shares (48 %) of the minority shareholder in EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brazil, and now holds 100 % of the shares.

Up to the conclusion of the annual report no further significant changes occurred in the legal and economic situation since the balance sheet date.

3.6 Opportunities and risks of future development

Within the framework of their business activities the companies of the elexis Group are exposed to risks, which are inseparably linked to their entrepreneurial activity. Risk management is thus an integral part of our business processes and corporate decisions. The risk management system, which has been implemented in accordance with Section 91 Paragraph 2 of the German Stock Corporation Law (AktG) puts us in a position where we can identify, analyse and evaluate risks at an early stage and initiate suitable counter-measures. The principles of this are in particular the planning system, the reporting system and a special risk monitoring system in which all major risks, which could endanger the continuation of the Company, are identified and evaluated.

Within the context of the risk management system of the elexis Group the individual subsidiaries each report regularly every quarter on the existing and foreseeable risks. The identification of the risks takes place through systematic queries at the corporate and specialised department level.

With regard to the identification of risks primarily risks attributable to price changes, losses, foreign exchange rates and liquid funds are included as well as risks relating to fluctuations in funds flow. Furthermore, risks are evaluated with regard to the amount and the likelihood of their occurrence. The evaluation of the risks includes both qualitative as well as quantitative factors. The likelihood of the occurrence of existing and foreseeable risks is evaluated on an individual basis. The identification and evaluation of the risks is complemented by a continuous schedule and allocated responsibilities. Special action plans include the counter-measures resolved and also allocate the responsibilities clearly.

The risk monitoring system includes in particular the planning, the implementation and the control of the success of suitable counter-measures. Extraordinary events of a large scope are announced directly and immediately to the holding company. The risk management system of the elexis Group is designed to identify potential and existing risks as early as possible and calculate them through an evaluation. This process takes place continuously, systematically and completely in all strategic business units. This is also the case for the monitoring of the allocated counter-measures. The risk management system consists of specifically defined processes and is closely linked to the controlling system and to the strategic planning function.

Total economic opportunities and risks

The International Monetary Fund (IMF) expects that the worldwide leading industrial countries will report a declining gross domestic product (GDP) during all four quarters of 2009. A substantial slowdown of economic growth is forecasted for the emerging markets. This thus constitutes the worst recession since 1930. These is also the danger that the economic downturn might continue beyond the current year.

In contrast with the depression 80 years ago governments and central banks have taken firm action against the economic crisis. First among all the USA decided on drastic measures and have already implemented these in part. The American Central Bank lowered the key interest rate to 0.25 – 0.00 %. The state rescue packages and measures to reflate the economy amount to date to approximately US$ 1,500 billion. This corresponds to a good 10 % of the gross domestic product of the United States. But voluminous economic programmes have also been launched in the People’s Republic of China and other large national economies, such as the Federal Republic of Germany. As a result of this there is the opportunity that the world economy might recover considerably faster than is expected by the IMF. Optimistic experts assume that the world economy might stabilise itself again already during the second half year 2009.

The comprehensive state rescue packages are financed primarily through the taking down of new debt. The American Federal budget alone is expected to show in the current year a budget deficit of US$ 2,000 billion or more. The enormous takedown of the credit markets could lead to a sustained loss of confidence in the American currency. This would result in a corresponding fall in the value of he US$ and would increase the price pressure on several elexis products. Since the USA, however, after the Federal Republic of Germany is considered as the safest borrower in the world, a loss in the value of the US$ has not been registered to date. In contrast with the US Central Bank, the Federal Reserve, the European Central Bank (ECM) still has a leeway for reducing the key interest rates. A continuing aversion to risk of the investors and a high degree of requirement for security could strengthen the US$ further versus the European common currency in conjunction with declining interest rates in the Eurozone. elexis, as an export-orientated company; would benefit from a strong and rising US$. A favourable development of the foreign exchange rates would reduce the price pressure of competitors from the dollar zone. This is also valid with regard to competitors from China, whose currency is also pegged to the US$. There would be disadvantages on the purchasing side, since most of the raw materials required are traded in US$. However, the advantages of a strong US£ would outweigh the disadvantages.

Opportunities and risks for the acquisition of liquidity

Since the collapse of the investment bank, Lehman Brothers, the financial market has been impacted by a sustained crisis of confidence. Worldwide banks have to rely on the support measures of the governments and the central banks. Nevertheless, the flow of funds in the interbank circuit has still not recovered. This is reflected by the reticence to finance large projects and investments, which normally would be granted within the framework of consortium credits. As a result of the economic crisis new challenges are faced by the banks with regard to the valuation of their loan portfolios and possible loan losses.

The consolidation process in the financial markets has implemented the first steps with the merger of the Commerzbank and Dresdner Bank AG as well as that of Deutsche Bank with Postbank AG. Additional takeovers or mergers are being discussed in the cooperative banking sector as well as with the central savings banks. The merger of individual banks could lead to an accumulation of credit risks, which again could lead to a restrictive granting of credits or a non-prolongation of credits.

However, in particular regional banks such as commercial credit banks and savings banks are benefiting from the uncertainties on the financial market. To date they are replacing in part the restrictions on credit lines by the large banks. In principle, however, this also means that the procurement of credit is becoming significantly more difficult for companies with a poorer credit rating.

Opportunities and risk of the relevant branches

The Verband Deutscher Maschinen- und Anlagenbau (VDMA) expects in its forecast of February 2009 a decline in production of 7 % for the fiscal year 2009. Already in its autumn report the VDMA had reckoned with a stagnation of sales with regard to machinery construction. However, in the fourth quarter 2008 the incoming orders were in decline by 29 % in machinery construction. The sharp revision of the VDMA forecast illustrates the current forecast uncertainties. Within the individual branches the association expects literally major differences. It is, however, certain that all specialised branches will be affected to various degrees by the continuing economic crisis. It is, however, possible that in the case of a global economic recovery as from the second half 2009 demand might develop better in the individual branches than is assumed by VDMA.

Opportunities and risks of purchasing

The fiscal year should provide relief on the purchasing side. The raw material prices are expected to be listed at a substantially lower level as in the prior year as a result of the weak economic environment. The costs for energy should also be lower than in 2008. A stronger US$ would compensate in part for the positive effects on purchasing. Nevertheless, there is the risk that a continuing low price level would lead raw material producers and suppliers to withdraw from the market. In extreme cases this could lead to bottlenecks on the part of the suppliers. elexis determines in principle the level of its inventories in order to be able to assure its own strict delivery schedules also in the case of difficulties in purchasing. The Company has available numerous purchasing sources as well as a dense supplier network. This guarantees simultaneously that the purchases are undertaken on the most favourable procurement markets.

Personnel risks

The tariff agreements of the past year constituted a perceptible increase in personnel expenses. There is the risk that these could not be compensated fully by the corresponding increases in productivity.

The risks of a scarcity of qualified employees should be lower in 2009 than in 2008. On the one hand elexis has for many years trained more apprentices than it requires and on the other hand substantial cooperation is undertaken with various schools and universities. Through these measures the Company assures the next generation of highly qualified specialised workers and engineers. Furthermore, the weaker economy will tend to reduce the general demand for specialised workers and engineers.

elexis offers in all areas a performance related remuneration. The individual employees have a high degree of independence and responsibility. In addition, offers for further qualifications are submitted to the employees regularly. The workplaces thus have a high degree of attraction. Fluctuation of personnel in the past was very low.

Valuation risks

In 2000 the elexis Group undertook considerable investments in the acquisition of companies and operations. These included in particular the subsidiaries, HEKUMA GmbH, Eching and BST PRO MARK Inc., Elmhurst, USA. The remaining goodwill resulting from these acquisitions amounted to an unchanged amount of € 26.6 million in the consolidated financial statements as at December 31, 2008. The continuing value of this goodwill is subject to an annual impairment test. According to our medium term planning, which has been adjusted for the general economic conditions, continuing sustainable profits can be expected. The same is also true for the participation of currently 12.9 % (€ 1.9 million) held by elexis beta GmbH in the Israeli company, Optimet. The relative share in Optimet declined from the previous level of 19.5 % since elexis did not participate in a capital increase of the company. In 2008 this company had to suffer a small loss as a result of changes in valuation. The planning for the years 2009 to 2011 is also again based on a recovery of the result.

Legal risks

In 2005 the receiver of Elotherm GmbH, a former subsidiary, started proceedings against elexis AG as the still formal Group parent company for the return of an alleged payment from the capital stock in the amount of up to € 4.6 million plus the legal interest as from the date of the proceedings becoming sub judice.

The accusation is based on the assertion that the value of the former subsidiary of Elotherm GmbH in the USA, Robotron Inc., Detroit was not as high or at least did not correspond to the amount stated during the years 1999 and 2000, as was reported in the balance sheet of Elotherm GmbH. For that reason the net income of Elotherm GmbH for the fiscal year 1999 should not have been distributed to elexis AG up to the maximum specified in the action due to the lower effective value of the capital stock.

elexis AG rejected the claims made against it. After examining the arguments presented and on the basis of an external legal opinion, this case is devoid of any basis. Moreover, the financial statements of Elotherm GmbH and Robotron Inc., USA were each given an unqualified opinion for the years 1999 and 2000 by the auditors, PricewaterhouseCoopers. elexis AG has therefore defended itself against the unfounded charge. In December 2006 the accusation was fully rejected in the first proceedings at the district court of Wuppertal. The plaintiff has in the meantime appealed to the upper district court in Düsseldorf. An expert opinion of Ernst & Young Wirtschaftsprüfungsgesellschaft obtained by elexis comes to the result that at Elotherm GmbH there was no relevant requirement for downward revaluation for the fiscal year 1999. The profit distribution to elexis AG thus took place in accordance with the law. In the meantime it cannot be excluded that an expert report commissioned by the upper district court in Düsseldorf on the basis of a resolution for proof might, however, come to a different conclusion. Following the recommendations of our lawyers and our legal advisor we have set up a adequately provision in order to cover any possible court case risks as well as the legal and court expenses.

We expect that the provision set up is sufficient and that there will be no charges against the result in the following years.

With regard to the risks of losses, interest rate changes and currency please refer to our remarks in the notes.

Taxation risks

In December 2008 elexis AG received and analysed the report of the tax audit for the period 2003 to 2006. From this there results a subsequent tax payment, which can in part be compensated with regard to the tax ratio through changes in deferred taxes. The total effect on the result is expensed to amount to € 1.4 million. The reason is primarily a tax revaluation for a participation company, which had its origins in the restructuring phase of the years 2000 / 2001. The tax assessment notice is expected during the first quarter 2009. Corresponding provisions were set up in the 2008 financial statements in order to cover this risk.

Technical information risks

Technical information risks exist as a result of the increasing networking of our in part complex IT systems. We are counteracting these risks through regular reviews as well as through investments in hardware and software.

On the basis of the listing of the risks, the estimate of the likelihood of their occurrence and the analyses of the effectiveness of the counter-measures, the management is of the opinion that risks do not exist from today's point of view, which could endanger the continuation of the Company.

3.7 Outlook

The elexis Group is structured and active on an international basis. The Group achieves directly and indirectly almost four fifths of its sales from exports. The development of the business of the Company is therefore dependent primarily on the development of the worldwide economy and global trade. The International Monetary Fund (IMF) expects that the 30 largest industrial nations will be in recession during the full year 2009. The EU Commission expects for the Eurozone a decline of economic performance of 1.8 % during the current fiscal year. Due to its industrial and export performance the Federal Republic of Germany will suffer over-proportionally under the economic downturn. Furthermore, it appear to be increasingly clear that the emerging markets and above all India and China will not be able to avoid the crisis. For the People's Republic of China, which during the pat few years could be relied upon to grow at a double digit percentage rate, the economists of the IMF are only expecting an expansion of the gross domestic product in the amount of approximately 5 %. This growth rate, which would represent a boom for Germany, is clearly too low for China's requirements. The People's Republic requires according to expert estimations an economic growth of 7 to 8 % in order to provide sufficient work for the people streaming into the cities from the countryside. Russia on the other hand is suffering under the sharp drop in the oil price, the increase of which up to the middle of 2008 had contributed decisively to economic growth. Furthermore, the rouble fell considerably in value. The devaluation made imports more expensive from the Russian point of view. Economic growth in Brazil is expected to halve. For India forecasts assume a slowdown from 9 % in the past year to 6 % in 2009.

No support can thus be expected from the economy at least during the first half year 2009. Currently the question remains open with regard to how fast and to what extent the state rescue packages will support the individual economies. Before all the others the USA and the People's Republic of China decided on comprehensive measures in order to help the economy back to a growth path. Optimistic forecasts are indicating a change in the trend already for the second half of 2009. The leading economies should grow again at the latest by 2010. The development of the US$ is considered to be positive from our point of view. The US currency finally distanced itself by about 20 % from its low in the summer of 2008 until the end of the year. The yen increased even more strongly in value. The shift in currency rates means for the elexis Group a considerable relief from the price pressures of competitors.

We expect the outlook for the further business development of the individual strategic business units to be varied.

Outlook for Factory Automation, Steel and Printing

The strategic unit benefits from the fact that steel mills worldwide are being put into operation with the most modern technology. However, at the beginning of 2009 there was also widely spread uncertainty also on the steel market. Large manufacturers are running down production substantially through temporary shutdowns of old equipment in order to cope with the drop in demand. The world market leader, ArcelorMittal, is expecting even in the worst-case scenario with a reduction in steel production of up to 50 % in the current fiscal year.

This could also have a negative effect during the further course of 2009 on the business with strip guidance systems. Nevertheless, we have to date booked no cancellations of orders in the steel sector. At the same time older production sites are being modernised, which can lead to a higher degree of reconstruction, service and maintenance business. Apart from the strip guidance systems this development also concerns the quality assurance systems. With the IMPOCpro, the SORM 3plus, the eMASS and the BREIMO strip width measurement system this product range includes four units of the most modern technology, which can be used in many different ways. We also wish to identify and enter new fields of application for these outside of the steel industry. We have already been able to acquire the first new customers in this respect.

The question is currently open regarding in which period the Chinese steel industry will benefit from the comprehensive economic programme and when investment activity will rise again. With EMG Automation Beijing Ltd., China, we have a good position on site in order to participate in such a development.

In drive technology we also intend to develop new fields of application and penetrate additional markets with the two strongly positioned ELDRO® and ELHY® brands. Future growth could, however, be slowed down by the fact that the worldwide expansion of container ports is stagnating to a large extent. Furthermore, there is a certain reticence with regard to new investment projects in the steel and energy production sectors, where our safety technology is used.

In the Factory Automation, Steel segment we are expecting as from the second half year 2009 pressures due to the economy, which could have effects on sales and margins, since the economic developments in the steel sector will affect us subsequently.

The general economic conditions in the printing branch are more difficult than in the steel industry. As in the steel sector the strength of our product range at Factory Automation, Printing is also based on the quality assurance systems. In general we assume that the trend towards cheaper printing machinery will continue. We are taking this into account with our broad range of products. Since the manufacturers of large printing machines are expecting substantial declines in sales in 2009, we are focussing increasingly on end customers, i.e. on printing shops as well as outside the markets of the printing and packaging sectors. In total we are expecting a challenging year for Factory Automation, Printing. With its many product innovations from 2008 as well as new developments the strategic business unit considers itself to be well positioned for difficult times. The declared target is to maintain market shares in 2009, even if this should in part jeopardise the price quality.

In total, Factory Automation, Steel and Printing started the fiscal year 2009 with a considerable increase in order backlog. We intend to focus on and penetrate even more intensively the target markets for quality assurance systems. At the same time the business with reconstructions, maintenance contracts and spare parts should be expanded. In this respect we see growth opportunities, since equipment remains in operation for a longer period in a weak economic environment. In drive technology the focus will be set more strongly on new fields of application as well as complementary products.

Outlook for Factory Automation, Plastics

In contrast, Factory Automation, Plastics started at the beginning of 2009 with a low order backlog. As a result substantial reductions in sales and result can be expected versus the corresponding amounts of the prior year at least during the first six months of the current fiscal year. The division has introduced personnel and organisational measures in order to achieve a reduction of the break-even point.

2008 was impacted to a major extent by a project in the medical technology sector. In this respect we provided individual development services. Through this we gained important technological knowledge, which should enable us to acquire subsequent orders as well as an increasing market penetration. At Factory Automation, Plastics there is furthermore the expectation that we shall acquire a part of the orders in the current year, which were planned for 2008 but which were not placed. Furthermore, the restructuring programme for cost reductions, which was already introduced in the fiscal year 2008, will show effects during the further course of business. We expect that the situation regarding incoming orders will improve again, since Factory Automation, Plastics continues to have outstanding know-how in respect of high speed automation for injection moulding machinery.

Overall assessment

Overall we are expecting an increase in competitive pressure in all divisions, since the competitors are fighting for a lower number of orders. Nevertheless, such a situation also offers opportunities, since above all weaker and less competitive companies will not survive the crisis and will be eliminated from the market. This offers the healthy and competitive companies the opportunity to acquire additional market shares. The elexis Group is one of these companies. In addition, we are to a large extent free from bank loans and have available a significant volume of net liquidity and are earning a high sustainable inflow of funds. On this basis we are in principle prepared and in the situation to also take acquisition possibilities into consideration. These, however, must correspond to our strict criteria with regard to selling price, growth opportunities, profitability and innovation capability.

Due to the economic disruption from the global financial and economic crisis we are expecting overall a decline in the ratios for incoming orders, sales and results in all divisions. As a result of the constant change in the general conditions no serious forecast can currently be given regarding the course of business.

Nevertheless, we are convinced that the elexis Group continues to be well positioned in the overall difficult market environment and that profitability is secured.

Numerous elexis products give our customers the possibility of lowering their costs whilst assuring increasing quality of their products. Above all substantial rationalisation effects can be realised with the use of quality assurance systems. This is achieved through the reduction of waste, whereby at the same time the CO^2 emissions are also lowered. Our products are all at the leading edge of technology. In fact about 50 % are younger than four years. Many products have unique characteristics which our customers do not wish to renounce even in economically difficult times. Our market leadership in many niche markets allows us to achieve also a good quality of pricing. In principle our pricing policy dictates that profitability should be weighted higher than sales, even if in individual cases the maintenance of higher market shares may be viewed as more important than price quality.

The service activities should even benefit from the depressed economy. If equipment is operated for longer than in normal times, the requirements for maintenance and repair increase. The elexis Group considers itself to be not only a developer and manufacturer of technologically leading products, but also as a service provider. Apart from the putting into operation and the turnkey transfer of our equipment as well as training on site, our range of services include also professional inspections and preventive maintenance.

The elexis Group has a high degree of flexibility in respect of its personnel. In the past our employees have accumulated more than 100,000 hours on work and life work entitlements. In addition there are still vacation allowances from the year 2008. Furthermore, there is the possibility of reducing the weekly working time agreed within the Company. elexis thus has the possibility available to adjust the capacities to a temporary weakness in demand without resorting to far-reaching measures. The objective is to maintain the high level of qualified employees and to secure the investments in personnel. Insofar as may be appropriate a combination of short working time and personnel reduction may, however, be applied.

Due to the current lack of forecasting possibilities it is hardly possible to assess whether the opportunities and the risks resulting from the negative economic environment are more important. The elexis Group is prepared for all possibilities with elaborated measures and emergency plans. We shall recognise risks at an early stage and introduce the necessary counter-measures at the right time. The statutory bodies of the Company have comprehensive experience both with regard to restructuring tasks as well as to the realisation of profitable growth. We shall, however, also make use of the opportunities which may arise. We are expressly confident that elexis will emerge strengthened from the general economic crisis.

The Management Board and the Supervisory Board intend to propose the distribution of a dividend for the past fiscal year at the general meeting of shareholders on May 20, 2009.

The companies of the elexis Group are in regular business relationships also with the non-consolidated participation companies.

Please note that through the use of commercial rounded amounts and percentages, differences could arise in the tables and summaries shown as a result of such rounding for the purpose of presentation.

4 Consolidated financial statements as at December 31, 2008

4.1 Profit and loss account

	2008		2007		
	€ 000	%	€ 000	%	Notes
Sales	**170,575**	**100,0**	**161,237**	**100,0**	(1)
Cost of goods sold	-105,209	-61.7	-98,357	-61.0	(2)
Gross profit	**65,366**	**38.3**	**62,880**	**39.0**	
Selling expenses	-32,739	-19.2	-30,937	-19.2	(3)
Administrative expenses	-8,632	-5.1	-8,364	-5.2	(4)
Other operating income	2,146	1.3	4,639	2.9	(5)
Other operating expenses	-2,093	-1.2	-3,596	-2.2	(6)
Operating result (EBIT)	**24,048**	**14.1**	**24,622**	**15.3**	
Financial expenses	-1,980	-1.2	-2,212	-1.4	
Financial income	629	0.4	699	0.4	
Financial result	**-1,351**	**-0.8**	**-1,513**	**-1.0**	(7)
Earnings before taxes	**22,697**	**13.3**	**23,109**	**14.3**	
Taxes on income	-8,033	-4.7	-7,026	-4.4	(8)
Consolidated net income	**14,664**	**8.6**	**16,083**	**9.9**	
Share of the shareholders of elexis AG	13,489	7.9	15,053	9.3	
Minority interests	1,175	16.5	1,030	19.2	(9)
Earnings per share (€)					(13)
From ongoing operations					
Undiluted/diluted	1.47		1.64		
Dividend per share (€)			0.54		

4.2 Balance sheet

ASSETS	31.12.2008 € 000	31.12.2008 %	31.12.2007 € 000	31.12.2007 %	Notes
Long term assets	**56,122**	**41.6**	**53,149**	**40.6**	
Goodwill	26,202	19.4	26,202	20.0	(14)
Other intangible assets	2,838	2.1	1,048	0.8	(14)
Property, plant and equipment	19,796	14.7	17,974	13.7	(15)
Financial assets	3,231	2.4	3,180	2.4	(16)
Long term receivables and other assets	1,871	1.4	1,130	0.9	(17)
Deferred tax claims	2,184	1.6	3,615	2.8	(8)
Current assets	**78,771**	**58.4**	**77,811**	**59.4**	
Inventories	24,349	18.1	21,004	16.0	(18)
Receivables from long term construction contracts	2,148	1.6	3,068	2.3	(19)
Trade receivables	25,746	19.1	24,333	18.6	(20)
Receivables from taxes on income	857	0.6	619	0.5	(21)
Other short term receivables and assets	2,182	1.6	3,279	2.5	(22)
Short term cash deposits	-	0.0	2,000	1.5	(23)
Cash and cash equivalents	23,489	17.4	23,508	18.0	(24)
Total assets	**134,893**	**100.0**	**130,960**	**100.0**	

LIABILITIES	31.12.2008 € 000	%	31.12.2007 € 000	%	Notes
Shareholders' equity	**71,629**	**53.1**	**62,894**	**48.0**	
Share in shareholders' equity allocable to the shareholders	**69,228**	**51.3**	**60,869**	**46.5**	
Capital subscribed	23,552	17.5	23,552	18.0	(25)
Capital reserve	3,555	2.6	3,555	2.7	(25)
Retained earnings	41,245	30.6	32,410	24.8	(25)
Other reserves	876	0.6	1,352	1.0	(25)
Minority interests	**2,401**	**1.8**	**2,025**	**1.5**	(25)
Liabilities	**63,264**	**46.9**	**68,066**	**52.0**	
Long term liababilities	**22,658**	**16.8**	**25,166**	**19.3**	
Provisions for pensions and other obligations	7,803	5.8	8,464	6.5	(26)
Other long term provisions	2,095	1.6	2,307	1.8	(27)
Deferred taxes	702	0.5	2,170	1.7	(8)
Financial liabilities	12,058	8.9	12,225	9.3	(28)
Current liabilities	**40,606**	**30.1**	**42,900**	**32.7**	
Other short term provisions	5,939	4.4	6,313	4.8	(27)
Tax liabilities	3,523	2.6	971	0.7	(27)
Financial liabilities	5,215	3.9	3,105	2.4	(28)
Trade payables	12,276	9.1	13,770	10.5	(29)
Liabilities from long term construction contracts	726	0.5	5,844	4.5	(19)
Other liabilities	12,927	9.6	12,897	9.8	(30)
Total liabilities and shareholders' equity	**134,893**	**100.0**	**130,960**	**100.0**	

4.3 Schedule of income and expenses included

€ 000	2008	2007
Effects of foreign exchange rates	-331	150
Actuarial profit (losses) from performance-based plans and similar obligations	448	1,284
Changes stated in shareholders' equity from hedging transactions	-147	30
Deferred taxes on changes in value set off directly against shareholders equity	-101	-487
Changes in valuation included directly in shareholders equity	**-131**	**977**
Consolidated net income	**14,664**	**16,083**
Total result of the period	**14,533**	**17,060**
of which accruing to minorities	*1,206*	*976*
of which accruing to shareholders of the Group	*13,327*	*16,084*

4.4 Statement of cash flow

€ 000	2008	2007	Note
EBIT	+24.048	+24.622	
Amortisation of other intangible assets	+726	+541	
Depreciation of property, plant and equipment	+3.601	+2.737	
Decrease in long term provisions	-390	-765	
Increase (2008) / decrease (2007) in value adjustments	+582	-485	
Profit from disposal of fixed assets	-22	-69	
Other non cash effective items	+68	-1.857	(31)
Cash Earnings	**+28.613**	**+24.724**	
Increase in inventories	-3.146	-1.881	
Increase in short term receivables and other assets	-727	-9.435	
Decrease (2008) / increase (2007) in short term provisions	-369	+2.470	
Decrease (2008) / increase (2007) in short term liabilities	-7.542	+13.620	
Increase (2008) / decrease (2007) in net working capital	**-11.784**	**+4.774**	
Decrease of long term receivables and other assets	+42	+59	
Taxes on income paid	-5.856	-7.682	
Payments to the plan assets (long time working entitlements / pensions)	-503	-4.004	
Inflow of funds from operating activities	**+10,512**	**+17,871**	

€ 000	2008	2007	Note
Outflow of funds for investments in intangible assets	-2,525	-574	
Outflow of funds for investments in property, plant and equipment	-4,946	-5,783	
Outflow of funds for investments in financial assets	-823	-828	
Inflow of funds from the sale of short term cash deposits	+2,000	-	
Inflow of funds from disposal of fixed assets	+96	+187	
Outflow of funds from investing activities	**-6,198**	**-6,998**	
Raising of financial liabilities	+2,618	+1,813	
Repayment of financial liabilities	-2,533	-6,266	
Income from participations	+29	+19	
Interest income	+600	+680	
Interest expenses and other financial expenses	-1,227	-1,231	
Interest expense financial leasing	-284	-354	
Dividend payment	-4,968	-4,140	
Distributions to minority interests	-515	-	
Outflow of funds from financing activities	**-6,280**	**-9,479**	
Changes in liquid assets	**-1,966**	**+1,394**	
Liquid assets at the beginning of the period	+22,749	+21,293	
Changes in liquid assets due to foreign currency	+73	+62	
Liquid assets at the end of the period	+20,856	+22,749	
	-1,966	+1,394	
The liquid assets at the end of the period are composed as follows:			
Cash and cash equivalents	+23,489	+23,508	
Liabilities from overdrafts	-2,633	-759	
Liquid assets at the end of the period	**+20,856**	**+22,749**	

4.5 Notes to the consolidated financial statements

General explanations

The elexis Group, with headquarters in Germany, is an internationally based association of mechanical engineering companies, which are active in the Factory Automation, Steel and Printing as well as the Factory Automation, Plastics divisions. The legal seat of the parent company, elexis AG, is Wenden.

Accounting

The consolidated financial statements of elexis AG including the prior year data are drawn up in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as they are to be applied in the European Union (EU). In this respect all standards and interpretations of the IASB have been taken into consideration, which are obligatory as at December 31, 2008. In addition the regulations to be applied from a commercial point of view in accordance with Section 315 a Paragraph 1 German Commercial Code (HGB) are taken into consideration as well as the complementary conditions of the articles of association.

The consolidated financial statements are drawn up on the basis of the acquisition cost method with the exception of some valuations at market value in accordance with IFRS.

The consolidated financial statements are drawn up in euro. Insofar as not otherwise indicated all data is presented in thousands of euro (€ 000). For reasons of calculation rounding differences can occur in the amount of +/- one unit (€ 000, % etc.).

The financial statements of the companies included in the consolidated financial statements were drawn up on the basis of standard accounting and valuation principles in accordance with IAS 27. The fiscal year corresponds to the calendar year. The profit and loss account is drawn up on the basis of the cost of sales method. The financial statements have been drawn up in principle on a going concern basis.

The auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as well as other local auditing companies involved have audited the financial statements of the companies included in the consolidated financial statements.

The Management Board of elexis AG submitted the financial statements on March 10, 2009 to the Supervisory Board for examination. The Supervisory Board resolved on March 18, 2009 to release the financial statements for publication.

Summary of significant accounting and valuation methods

Standards, changes and interpretations to be applied obligatorily in the year under report 2008

On October 13, 2008 the IASB published changes to IAS 39 and to IFRS 7 in order to thus take into consideration the current development of the financial markets. Reclassifications within the valuation categories of IAS 39 are rendered possible under certain conditions in view of the current discussion about the reliability of market data in the financial market crisis. Both the changes of IAS 39 and those of IFRS 7 were adopted by the IASB in view of the current market situation and also recognised on the part of the EU without holding the usual due process. The changes can be applied retroactively as at July 1, 2008. The reclassifications permitted, which are undertaken on or after November 1, 2008, can on the other hand be carried out with effect at an earlier date, but not earlier, however, than July 1, 2008. elexis has undertaken no reclassifications.

IFRIC 12 "service franchising agreements" concerns the accounting and valuation of the obligations and rights for the franchisees resulting from so-called service franchises. The interpretations should actually be applied obligatorily for fiscal years which begin on or after January 1, 2008. However, no recognition has yet taken place within the framework of the endorsement process and for this reason there has been no application on the part of elexis. Independently of the EU recognition this rule has currently no relevance in the Group.

Premature application of standards, changes and interpretations, which are not yet to be applied

No premature application in the elexis Group.

Standards, changes and interpretations in respect of existing standards, which are not yet to be applied and which have not been applied prematurely by elexis,

IFRS 8 "business segments" was published at the end of 2006. In the meantime the standard was recognised within the framework of the endorsement process. Compulsory application is required for the first time for fiscal years beginning on or after January 1, 2009. The segment reporting will then be adjusted structurally and in content to the reports submitted regularly to the internal decision-makers. From the first time application there will be no major effects on the asset, financial and earnings situation of the elexis Group.

In 2007 changes to IAS 23 "third party capital costs" were adopted, for which compulsory application is required for the fiscal years which start either on or after January 1, 2009. In the meantime the standard was recognised within the framework of the endorsement process. The right of choice to either capitalise or to charge to expense third party capital costs, which have been incurred in connection with the financing of the purchase or manufacture of an asset, will be replaced by the obligation to capitalise. IAS 23 similarly has effects on the capitalisation of construction contracts in accordance with IAS 11, since third party capital costs directly allocable to a construction contract must now be included obligatorily in the contract costs. Depending on the type and scope of the financing, effects could arise as from 2009 for the asset, financial and earnings situation of the elexis Group, which at the present time cannot yet be estimated.

One of the key material changes to IAS 1 “presentation of the financial statements” versus the earlier version of the standard stipulates that all income and expenses, including the income and expenses included in the shareholders’ equity and not charged to the profit and loss account must now be stated within the framework of a total profit and loss account. A presentation which takes place exclusively together with changes in shareholders’ equity relating to the owners within the schedule of shareholders’ equity is thus no longer possible. The standard, which was published in 2007, has been recognised in the meantime within the framework of the endorsement process. The changed IAS 1 requires compulsory application for fiscal years beginning on or after January 1, 2009. The standard will have effects on the presentation of the financial statements but not on the asset, financial and earnings situation of the Group.

In 2008 the revised versions were published of IFRS 3 “corporate mergers” as well as IAS 27 “consolidated and separate individual financial statements”. IFRS 3R and IAS 27R will result in some considerable changes in current accounting practice with regard to corporate mergers and the sale of shares as well as the purchase of minority shareholdings.

The changes to IFRS 3 concern in particular the determination of the acquisition costs (directly allocable ancillary costs of the acquisition are as a general rule charged immediately to profit and loss), the accounting in respect of the residual value “goodwill” (right of choice for the application of the so-called “full goodwill model” or the present “partial goodwill model”), the presentation of gradual corporate acquisitions (new valuation of the “old” portions) as well as in certain areas the amount stated and the valuation of identifiable assets and liabilities. The changes to IAS 27 lead in particular to changes in respect of transactions with minority interests (compulsory application pf the “economic entity approach”, i.e. presentation as an equity transaction with no effect on profit and loss) as well as the losses allocable to the minority interests in the consolidated financial statements. Furthermore, in the future shares retained in transitional consolidations must in principle be revalued in the profit and loss account with the corresponding market value.

The revised versions of IFRS 3 and IAS 27 should essentially be applied prospectively for fiscal years beginning on or after July 1, 2009 or for corporate acquisitions where the date of acquisition concerns fiscal years which begin on or after July 1, 2009. In the meantime both changes have been recognised within the framework of the endorsement process. Depending on the type and scope of future transactions effects from these changes could result for the asset, financial and earnings situation of the elexis Group, which at the current date can not yet be estimated.

Standards, changes and interpretations of existing standards, which are not yet to be applied and which are not expected to have any relevance for elexis

IFRS 1 “first time change to IFRS“ was changed in November 2008 (to be applied as from July 1, 2009). This change, which has not yet been recognised by the EU, has no relevance for elexis, since IFRS 1 only concerns those companies applying IFRS for the first time.

The changes to IFRS 1 and IAS 27 "acquisition cost of a participation in a subsidiary, jointly managed company or associated company", which were published in November 2008, are to be applied for fiscal years which begin on or after July 1, 2009. Recognition by the EU is still outstanding. These changes also concern those companies applying IFRS for the first time and are thus not relevant for elexis.

The change "exercise conditions and cancellations" to IFRS 2 "share based remuneration" was similarly published in 2008. It has been recognised in the meantime within the framework of the endorsement process. The new regulations include conceptual clarifications as well as a precise definition of exercise conditions within the framework of share based remuneration agreements. The changes to IFRS 2 must be applied for fiscal years beginning on or after January 1, 2009. Since the Group currently uses no share based remuneration, these rules are not relevant.

The change to IAS 32 and IAS 1 published in 2008 in respect of "financial instruments with restitution right and obligations within the framework of a liquidation" allow in future under certain conditions a classification of financial instruments with restitution rights and certain conditions within the framework of a liquidation to be stated as equity instruments, whilst the existing rules of IAS 32 foresee statement of such financial instruments as third party capital. The new regulations can in future lead in Germany in particular in the case of partnerships to statements as shareholders' equity in accordance with IFRS. These changes require compulsory application for fiscal years starting on or after January 1, 2009. Recognition by the EU is still outstanding. Since there are no partnerships within the Group, this rule has no relevance for elexis.

Further additions to IAS 39 "statement and valuation – permissible underlying transactions within the framework of security relationships" were published in 2008. As a clarification it is explained that inflation risks within the framework of security transactions can only be secured if payments are directly linked to an inflation index. In addition, it is clarified that an effective hedging of unilateral risks through an option as a whole is not possible as a general rule. The changes are for fiscal years which begin on or after July 1, 2009. Recognition by the EU is still outstanding. The hedging transactions occurring at elexis do not include such instruments. For this reason this rule is expected to have no relevance for the Group.

The interpretations IFRIC 11 "IFRS 2 – Transactions with treasury shares and shares of Group companies" regulated in how far IFRS 2 is to be applied for share-based payment agreements, which include treasury shares or shares of other Group companies. IFRIC 11 actually had to be applied obligatorily for fiscal years starting on or after March 1, 2007. The interpretation has in the meantime been recognised within the framework of the endorsement process. For those applying IFRS in the EU the compulsory first time application in this respect changed to fiscal years which started on or after March 1, 2008. Since the Group uses no share-based remuneration and has concluded no share-based payment agreements, this rule is currently not relevant independent of this postponement.

Furthermore, IFRIC 13 "programmes for customer relationships" was adopted in 2007. In the meantime the interpretation was recognised within the framework of the endorsement process. Contrary to the date contained in the interpretation for the first time application this was changed by the EU and compulsory application or IFRIC 13 is now only required for fiscal years which begin on or after January 1, 2009. Since elexis has used no customer relationship programmes within the meaning of this rule, the regulation is thus of no significance for the Group.

The interpretation IFRIC 14 published in 2007 "IAS 19 – the upper ceiling of assets in performance-related plans, minimum requirements and their mutual effect" must be applied like the "asset ceiling" rule to plan assets, which exceeds the pension obligation. Interpretation IFRIC 14 has in the meantime been recognised within the framework of the endorsement process. For those companies applying accounting in accordance with IFRS in the EU the compulsory fist time application was changed to fiscal years which begin on or after January 1, 2009. It is expected that the interpretation will not be applicable for the Group during the next few accounting periods, since there will probably be no "asset ceiling".

In 2008 the interpretation IFRIC 15 "real estate construction contracts" was published. The interpretation must be applied for fiscal years which begin on or after January 1, 2009. Recognition by the EU is still outstanding. Since elexis does not have any real estate construction, this rule is not applicable for the Group.

IFRIC 16 "hedging of net investments in a foreign business operation" was published in 2008 and gives precise details on the accounting treatment of the so-called net investment hedge accounting. IFRIC 16 must be applied for fiscal years, which begin on or after October 1, 2008. Recognition by the EU is still outstanding. The interpretation is not expected to have any relevance for the Group.

IFRIC 17 " distributions in kind to shareholders" was published in 2008 and regulated the accounting treatment of distributions in kind to parties outside of the Group. IFRIC 17 is to be applied for fiscal years, which begin on or after July 1, 2009. Recognition by the EU is still outstanding. Since such transactions are not planned, it is expected that there will be no relevance for the Group.

IFRIC 18 "transfer of an asset through a customer" was published in 2009 and is in particular relevant for the supply sector. The interpretation is to be applied for fiscal years, which begin on or after July 1, 2009. Recognition by the EU is still outstanding. This interpretation will probably have no relevance for the Group.

The combined standard published in 2008 for the change of various IFRS "improvements to IFRSs" is the first standard issued by the IASB within the framework of the annual improvement process, which includes many smaller changes to various standards. The changes should specify the content of the regulations and eliminate unintended inconsistencies between different standards. Most of the changes must be applied for fiscal years which begin on or after January 1, 2009. Recognition by the EU is still outstanding. Due to the lack of any significant expected effects these changes are not explained in greater detail. The effects of the additions included in the combined standard are, however, currently being examined by elexis.

The elexis Group does not intend to apply any of the above-mentioned regulations prematurely.

Scope of consolidation

The scope of consolidation includes 10 companies (prior year; 10). With regard to the subsidiaries included in the scope of consolidation and those which are not consolidated, please refer to the information regarding shareholdings presented in note (36).

Principles of consolidation

Capital consolidation

The financial statements of the Company and the companies controlled by it are included in the consolidated financial statements of elexis AG. Control exists if elexis AG has the possibility of determining the financial and business policy of a company either directly or indirectly through a majority of voting shares or otherwise. Those subsidiaries whose influence on the asset, financial and earnings situation of the Group is of lesser importance either individually or together are not consolidated. The non-consolidated companies reported together sales of € 7,738,000 (prior year: 3,389,000) and have shareholders' equity of € 3,920,000 (prior year: 3,739,000).

The initial consolidation of the companies first included in the scope of consolidation prior to January 1, 2004 was carried out on the basis of the equity value method in accordance with Section 301, Paragraph 1 No. 1 of the HGB. In this respect the Group's share in the shareholders' equity of the consolidated subsidiaries was set off against the cost of acquisition / establishment. Goodwill arising was capitalised within the context of the previous accounting principles and was subject to straight line amortisation over a period of 20 years. The valuation of goodwill, which was previously capitalised in accordance with HGB accounting principles, was carried out for the fiscal years as from 2004 in accordance with the regulations of IAS 36. Goodwill was thus frozen in the amount of its carrying value at the date of transition from HGB to IFRS/IAS as at January 1, 2004 and is amortised only in the event of actual loss of value. Mergers taking place after January 1, 2004 take place under application of IFRS 3 (corporate acquisitions) in accordance with the acquisition method. In this respect the participation book values of the parent company are set off against the group share in the newly valued shareholders' equity of the subsidiary. The assets and liabilities acquired within the framework of a corporate acquisition as well as additionally identifiable intangible assets are valued at their accounting value. Any differential amount arising on the asset side of the balance sheet following the purchase price allocation shall be capitalised as goodwill. Should the acquisition costs be lower than the net assets valued at the underlying market value of the subsidiary acquired, the differential amount after a new assessment of the valuation is stated directly in the profit and loss account. A write-down of goodwill takes place in accordance with IAS 36 (Write-Down of Assets), but only if a corresponding requirement is determined.

Currency conversion

The conversion of the financial statements of the subsidiaries, which are drawn up in foreign currency, is carried out in accordance with IAS 21 following the concept of the functional currency. In the elexis Group foreign subsidiaries are considered as economically independent partial units. For this reason the conversion of the balance sheet items takes place in principle at the rates prevailing at the end of the relative period. An exception to this is the shareholders' equity of the subsidiaries included, which is converted at historical rates. Items of expense and income are converted at annual average rates. The conversion differences resulting from the application of different exchange rates for items of the balance sheet and the profit and loss account are booked to shareholders' equity without any effect on the profit and loss account.

Goodwill concerning foreign companies are in respect of subsidiaries, which were acquired and included in the scope of consolidation prior to January 1, 2004. The Company makes use of the exception regulation of IAS 21.59 (effects of changes in foreign exchange rates) and presents goodwill in € for accounting purposes.

In the individual financial statements of the companies transactions in foreign currency are converted at the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities, the value of which is indicated in a foreign currency, are valued as at the balance sheet date. Capital gains and losses are booked to the profit and loss account.

The following exchange rates were used for the conversion of currencies:

		2008	2007	**2008**	2007
Currency	ISO-Code	Average rate 1€		Rate at balance sheet date 1€	
US dollar	USD	1.4709	1.3703	1.3977	1.4716
Brazilian real	BRL	2.6880	2.6604	3.2843	2.6205
Japanese yen	JPY	152.3178	161.2023	126.4000	165.0000
Chinese renmimbi	CNY	10.2300	10.4424	9.6090	10.74000

Liabilities, expense and income as well as consolidated intergroup profit

Receivables and liabilities between the consolidated companies as well as intergroup sales, income and expenses and intergroup profits are in principle eliminated, unless the amounts are insignificant for the consolidated financial statements. In this respect the internal group sales are set off against the manufacturing costs of the work provided for the achievement of the sales.

Transactions with minority interests

Transactions with the owners of minority interests in Group companies are presented as transactions with owners of the consolidated shareholders' equity. In the case of the acquisition of existing minority interests, the difference between the purchase price of the shares and the proportional net assets (net liabilities) in the company acquired are stated directly in shareholders' equity. Profits and losses from the sale of shares to minority interests (sales without loss of control) are also stated directly in shareholders' equity.

Accounting and valuation principles

Recognition of income and expenses

The recognition of sales and other operating income is carried out in principle when the event occurs, the risk is transferred to the customer, the amount of the income can be established reliably and when the economic use will probably accrue to the Group. Sales are stated in principle net of value added tax, returns, rebates and price deductions and after elimination of intergroup sales. Operating expenses are charged to the profit and loss account when the expense occurs or at the date of its cause. Sales and expenses from long term construction contracts are recognised in relation to their degree of completion (percentage of completion method) in accordance with IAS 11 provided that the amount of the income can be reliably measured, and that it is probable that the economic use from the transaction will accrue to the Group, and provided that the costs incurred for the transaction and the costs to be expected up to its full completion can be established reliably.

Interest income is stated in accordance with the contractual agreements.

Payments for the transfer of usufruct rights are stated in accordance with the contractual agreements for the periods in question.

Dividend payments are stated at the date in which the right to payment arises.

Goodwill and other intangible assets

Goodwill is stated at its original acquisition cost less cumulative reductions of value. The carrying value of the goodwill is examined by an impairment test at least once a year or also during a year should there be indications of a reduction in value.

Intangible assets acquired through purchase with a limited period of use are stated at acquisition cost less cumulative amortisation and cumulative reductions of value. Amortisation is charged on the straight line method over the estimated economic life. Intangible assets with an unlimited economic life (excluding goodwill) do not exist in the Group.

The amortisation of intangible assets (with the exception of goodwill) is allocated to the individual items of the profit and loss accounts in accordance with the use of such assets.

The amortisation periods of individual types of intangible assets are shown in the following table:

	Period of use (in years)	Amortisation rate (in %)
Software	5.00	20.0
Patents, rights (or in accordance with contractual period)	8.00	12.5

The value, the economic life and the amortisation methods of the intangible assets with a fixed economic life are tested for impairment at least at the end of each year. Insofar as expectations may deviate from earlier estimates the changes are effected in accordance with IAS 8 as a change of estimations.

In the Group development costs as self produced intangible assets are capitalised as production costs under the conditions of IAS 38, insofar as the technical feasibility of the production is assured of a use or sale, that the future economic advantages from the use of the asset is probable and that the expenses can be reliably determined during the development. The production costs include all direct and indirect costs allocable to the development process as well as necessary parts of the overheads costs relating to the development. The intangible assets arising from the development are following their completion subject to straight line amortisation over the expected product cycle. Research costs on the other hand are charged to the profit and loss account and are not capitalised.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or manufacturing cost less scheduled and unscheduled depreciation. The acquisition costs include the acquisition prices plus the ancillary acquisition expenses less reductions on the acquisition price. Apart from individual specific costs the manufacturing costs include an appropriate share of the allocable material and production overheads. Third party capital costs are not included in the manufacturing costs. Scheduled depreciation is charged in principle in accordance with the straight line method. Items of minor (< € 150) (prior year: < € 410) are depreciated fully in the year of acquisition. As from 2008 assets with an acquisition value of € 151 to € 1,000 are combined in a joint item and are depreciated over 5 years. Property, plant and equipment are subject to unscheduled depreciation in the event that there are indications of a reduction in value and if the realisable market value is lower than the depreciated acquisition or manufacturing cost.

The depreciation periods per item of property, plant and equipment are shown in the following table:

	Period of use (in years)	Amortisation rate (in %)
Buildings	25.00	4.0
Building equipment	20.00	5.0
Production equipment	10.00	10.0
Other machinery and equipment	10.00	10.0
Tools, equipment, models	3.00	33.3
Test and measurement equipment	2.00	50.0
Vehicles	4.00	25.0
Fittings and office equipment	6.67	15.0
EDP equipment	4.00	25.0
Items of minor (151 – 1,000 €)	5.00	20.0

The residual book values, the economic life and the depreciation method are examined at least at the end of every year. Insofar as expectations may deviate from earlier estimations, the changes shall be effected in accordance with IAS 8 as a change of estimations.

Impairment

Intangible and tangible assets , which are subject to scheduled depreciation and amortisation, are tested for impairment if corresponding events or changes of circumstances indicate that the book value is possibly no longer realisable. A comparison is then made between the book value and the achievable value. The achievable value is the higher amount of the underlying market value of the asset less sales cost and the utility value. The impairment test takes place in general for the individual asset. Insofar as no separate cash inflow is allocable to the asset, the impairment test takes place at a higher level of the cash generating unit for which the cash inflows can be separately identified. The legal unit as a general rule constitutes the cash generating unit for the impairment test of the above-mentioned assets. In the case of intangible and tangible assets, which are subject to scheduled deprecation and amortisation, a revaluation takes place in the event of the elimination of the reasons for impairment effected in prior years up to a maximum of the underlying acquisition cost.

Goodwill is also tested for impairment regularly once per annum, and, if appropriate, eventually also during the year in accordance with IAS 36 and should there be reason for amortisation, this is then amortised to the lowest achievable value. A revaluation of goodwill is not effected on the elimination of the reasons for impairment carried out in prior years. Within the framework of the impairment test the book value of the cash generating unit including allocable goodwill is netted against the achievable value. The definition of the cash generating unit is based on the lowest level on which the goodwill is monitored for internal management purposes. This level is constituted by the strategic business units (SBUs).

Leasing

Leasing contracts, which are considered economically to be purchases of equipment with long term financing (financial leasing) are stated in accordance with IAS 17 a the date of addition in the amount of the underlying market value or the lower discounted cash value of the minimum leasing instalments. Scheduled depreciation is charged on a straight line method over the expected economic life or the shorter contract period if the transfer of ownership at the end of the period of the leasing relationship is not sufficiently clear. The depreciation methods and the economic lives correspond to those of similarly acquired assets. The capitalised items leased include software, real estate, machinery as well as operating and office equipment.

The payment obligations resulting from future leasing instalments are stated as liabilities under financial liabilities. Leasing payments are separated into an interest and a repayment portion so that a constant interest rate is applied to the remaining balance over the leasing period.

There are only transactions in which the elexis Group is the lessee.

Financial instruments

A financial instrument is a contractual agreement between two contractual partners, which at the same time results in a financial asset with one company and to a financial liability or an equity instrument with the other company.

These include original financial instruments such as trade receivables and trade payables and also financial receivables and financial liabilities as well as financial instruments.

The amounts of the original and derivative financial instruments are reported in the balance sheet and in the separate presentation in note (32). The risks of the financial instruments are also explained in detail in note (32).

Financial instruments on the asset side are included in accordance with IAS 39 in the categories “financial assets at underlying market value” (with the sub-categories “voluntarily allocated” or “held for trading purposes”), “financial investments held to maturity”, “credits and receivables” and ”financial assets available for sale” and are capitalised according to their categorisation at underlying acquisition or market values.

The category “financial assets at underlying market value” does not exist at the elexis Group and therefore no use is made of the fair value option. In the elexis Group there is only a small amount of derivative financial instruments in the category “held for trading purposes“. Also there are no financial instruments in the category ”financial assets available for sale” in the Group. Hedge accounting takes place only to a very small extent at one of the foreign companies.

In principle, financial assets are stated on their initial valuation in principle at the underlying market value. In the case of a financial asset which is not valued at the underlying market value, the transaction costs directly allocable to the acquisition of the financial assets at underlying market value instrument are included in the valuation. In the case of financial assets of the category "financial assets at underlying market value" the allocable transaction costs are charged to the profit and loss account. Financial instruments in all categories are included on the day of fulfilment.

The subsequent valuation is dependent on the classification of the financial assets in the following categories:

- "Financial assets valued at underlying market value" include the financial assets held for trading purposes. Changes in the underlying market value for financial assets of this category are stated in the profit and loss account at the date of the increase or decline in value.

- "Financial assets held to maturity" are non derivative financial assets with fixed and determinable payments over a fixed period over which they are held. Financial instruments of this category are valued at underlying acquisition cost in accordance with the effective interest method.

- "Credits and receivables" are non derivative financial instruments, which are not listed in an active market. Financial assets of this category are calculated at underlying acquisition cost. Interest income from items of this category are determined through application of the effective interest method insofar as these are not short term items and the effect of the accrued interest is immaterial.

- "Financial assets available for sale" include all non-derivative financial assets, which are not allocable to any of the above-mentioned categories. Changes in the underlying market value of financial assets available for sale are stated with no effect on profit or loss taking deferred taxation into consideration in shareholders' equity and shall be included in the profit and loss account only in the case of sale or impairment. In cases in which the market value of financial assets can be determined, this shall be stated as the market value. Should there be no listed market price and if no reliable estimation can be made of the underlying market value, these financial assets shall be stated at acquisition cost les impairment expense.

Charge-off of financial assets

Financial assets are charged off when the contractual rights to payment from the assets no longer exist or the financial assets are transferred with all major risks and opportunities.

Impairment of financial assets

On each balance sheet date it is determined whether there are objective indications that there is impairment in a financial asset. Requirement for impairment is then determined if the book value of the financial asset exceeds the amount expected to be achieved in the future. Impairment leads to a direct reduction of the book value of all financial assets in question with the exception of trade payables, the book value of which is reduced by an impairment account. On elimination of the reasons for impairment, revaluation shall be stated in the profit and loss account, and this is also the case for impairment on third party capital instruments. Impairment losses stated from equity instruments (e.g. GmbH participations) will not be retroactivated in the profit and loss account.

a) Financial participations

The financial participations are shares in participation companies which as a result of their secondary importance for the asset, financial and earnings situation were not included in the scope of consolidation. They were allocated to the category "financial assets available for sale". The initial valuation of these financial assets is at market value. At the date of the acquisition the market value corresponds as a general rule to the acquisition costs. Insofar as there is no listed price on an active market and the market value cannot be reliably determined these participations shall be valued at acquisition cost.

The financial assets are in addition tested at each balance sheet date to confirm whether there are any indications of impairment. Should this be the case the asset shall be examined for its valuation. Insofar as the book value exceeds the achievable value, it will be amortised to its achievable value. The achievable value is defined as the discounted cash value of the expected future cash flow. The impairment shall be stated in the profit and loss account, taking into consideration possible impairment changes included in the shareholders' equity. Losses from equity instruments, which have been included, shall not be written back.

b) Long term receivables and other assets

The long term receivables and assets listed as financial assets are included in the category "credits and receivables". The initial valuation of the long term receivables and other assets is stated at the underlying value. As a general rule this corresponds to the acquisition cost. Financial assets in this item are composed mainly of the long term portion of loans and receivables from counter-insurances for pension rights. The subsequent valuation of the other financial receivables and assets takes place according to the categorisation at acquisition cost in accordance with the effective interest method. Appropriate individual value adjustments are undertaken if there are objective indications that the receivable is not fully collectible. Impairment expenses or income from the revaluation are stated under other operating expense and income.

c) Trade receivables

Trade receivables are allocated to the category "credits and receivables" and form part of the current assets. The trade receivables are stated initially at their market value. As a general rule this corresponds to the acquisition cost. The subsequent valuation takes place according to the categorisation at the acquisition cost in accordance with the effective interest method.

Should there be doubt about the collectibility of receivables these will then be stated at nominal value less appropriate individual value adjustments. If a receivable is classified as being uncollectible this is taken into account in the value adjustment account. Subsequent collections of amounts for which value adjustments have been made are also booked to the value adjustment account. The set-up and release of the value adjustments is stated under other operating expenses and income. The trade receivables include invoiced deliveries and services to the customers.

d) Other short term financial receivables and assets

Financial instruments included under other receivables and assets are allocated mainly to the category "credits and receivables". Initially the other receivables and assets are stated at their underlying value. As a general rule this corresponds to acquisition cost. Financial assets in this item are composed primarily of receivables from participation companies as well as the short term portion of loans. The subsequent valuation of the other financial receivables and assets takes place according to the categorisation at acquisition cost in accordance with the effective interest method. Appropriate individual value adjustments are undertaken if there are objective indications that the receivable is not fully collectible. Write-off expense or income from the revaluation is stated in other operating expense and income.

e) Short term cash deposits

The short term cash deposits consist of short term cash deposits at banks. They are allocated to the "credit and receivables" category and valued at acquisition cost.

f) Liquid funds and cash equivalents

Liquid funds and cash equivalents (cash at banks, cash on hand and cash deposits with a maturity of less than 90 days) are allocated to the "credit and receivables" category and valued at acquisition cost.

g) Derivative financial instruments

Derivative financial instruments, which are not included in hedge accounting, are allocated to the sub-category "held for trading purposes" in the area of the financial assets stated at market value with effect on the profit and loss account. The initial amount stated is that of market value. Corresponding transaction costs are booked to expenses.

The subsequent valuation also takes place at market value. Profits and losses from financial assets, which are valued at market value with effect on the profit and loss account, are booked in the period when they accrue under other operating expenses and income. This category includes derivatives with positive market value. Short term derivatives are stated in the balance sheet under the item "other short term receivables and assets".

Financial liabilities and other financial liabilities

Financial liabilities can be allocated in accordance with IAS 39 to the category “financial debts valued at appropriate value with effect on profit and loss“ (with the sub-categories “voluntarily allocated” or “financial liabilities held for trading purposes”) or to the category “other financial debts”.

By option, the category “financial liabilities valued at appropriate value with effect on profit and loss“ does not exist in the Group and thus no use is made of the fair value option. Derivative financial instruments, which are allocable to the category “held for trading purposes“, only exist to a small extent in the elexis Group. All other financial liabilities are therefore allocated to the category “other financial liabilities”.

All items of the category "other financial liabilities“ are initially stated at market value with the inclusion of transaction costs, which are directly allocable to the issue of the financial liabilities. The subsequent valuation is undertaken at acquisition cost on the basis of the effective interest method. Each difference between the paid-out amount and the redemption amount is included in the profit and loss account over the period on the basis of the effective interest method.

Liabilities to banks, trade payables as well as other financial liabilities are accordingly stated at acquisition cost on the basis of the effective interest method.

Financial liabilities are charged off when the contractual obligations are settled or suspended or have expired.

Derivative financial instruments

Derivative financial instruments in the category “held for trading purposes”, which are not included in hedge accounting, are initially capitalised at market value. Corresponding transaction costs are booked to expenses. The subsequent valuation of this category is also undertaken at market value. Profits and losses from financial liabilities, which are valued at market value with effect on profit and loss, are stated in the profit and loss account in the period when they accrue in other operating income / expenses. This category includes derivatives with negative market value. Short term derivatives are included in the balance sheet under the item “other liabilities”.

Other receivables and assets

The non-financial other receivables and assets included in the item “other receivables and assets” are valued at acquisition cost.

Other provisions and other liabilities

The non-financial other provisions and other liabilities are stated at the value of their underlying obligation.

Taxes

Current taxes on income are determined on the basis of the valid tax regulations on the balance sheet date. In this case the tax regulations of the countries are applied in which the taxable income arises. The current taxes are stated in the amount in which they are expected to be paid. Liabilities are set up for amounts not yet paid.

Deferred taxes are accounted for in accordance with IAS 12 by applying the balance sheet based liability method with regard to the temporary differences, which may occur from the differing amounts between the book value of the assets and liabilities in the consolidated financial statements and with regard to the calculation of the corresponding tax value to be used for the taxable result. In general deferred tax liabilities are set up for all temporary tax differences and deferred tax assets (for temporary differences and tax loss carry forwards), insofar as their realisation / use is expected. Should there be a temporary difference from goodwill or the first statement (apart from corporate mergers) of other assets and liabilities which are based on events which are related neither to the taxable income nor to the net income, no deferred taxes are stated. Deferred taxes are taken into consideration both at the level of the individual companies as well as through consolidations. The establishment of the deferred taxes is based on the application of the interest rates to be expected at the time of realisation. Deferred tax claims and tax liabilities are not discounted. The book values of deferred tax claims are tested and adjusted on each balance sheet date.

Deferred tax claims and liabilities are netted if a an enforceable right exists, if actual tax refunds are set off against actual tax liabilities and if the deferred taxes are attributable to the same tax subject and the same tax authority.

Deferred tax liabilities are set up for temporary taxable differences, which arise in shares in subsidiaries if the parent company can control the reversal of the temporary differences and if the temporary differences are not expected to be reversed in the near future.

Deferred tax claims for tax loss carry forwards are only stated on the amount of the tax loss carry forwards for which it is expected that in the future there will be a positive taxable income available for their use.

Deferred taxes which are attributable to items included directly in shareholders' equity, are stated in shareholders' equity and not in the profit and loss account.

Inventories

In principle, the inventories are valued at the lower of acquisition or manufacturing cost and net disposal value. The net disposal value represents the estimated sales price less all estimated costs up to completion as well as the costs for marketing, sales and distribution. The average method is applied to determine the acquisition costs. The manufacturing costs include, apart from specific individual costs, appropriate shares of the allocable material and production overheads. General administrative and financing expenses are not included in the manufacturing costs.

Long term construction contracts

The receivables and liabilities from long term construction contracts are determined in accordance with the percentage of completion method.

The degree of completion corresponds to the partial performance provided as at the balance sheet date and is correspondingly determined with regard to the expenses incurred up to the balance sheet date in relation to the expected total expense. Insofar as the cumulative performance (incurred contract costs and proportional profits) exceed the prepayments received on an individual case basis, the positive balance between the cumulative performance and the prepayments received are stated under receivables from long term construction contracts. If there is a negative balance after deduction of payments received for a construction contract this amount is included under liabilities from long term construction contracts. Losses on contracts are taken into consideration with regard to the valuation of the long term construction contracts.

Pensions and similar obligations

The valuation of provisions for pensions is carried out in accordance with the actuarial projected unit credit method for performance-related plans as stipulated in IAS 19. In this respect the benefits to be paid after the start of the benefits period are distributed over the service time of the employees from a dynamic point of view. In this respect future income and pension adjustments are also taken into consideration in addition to the pension rights known at the balance sheet date. Furthermore, these calculations are based mainly on assumptions relating to the discount rate as well as the expected income from the plan assets. The valuation of these obligations is undertaken by independent experts.

The expected future outflow of funds is discounted in order to state the pension obligations and similar obligations at their discounted cash value as at the balance sheet date. The discount rate which is used for the discounting of the pension obligations is based on the rates as at the balance sheet date of triple A fixed interest industrial bonds with a remaining maturity which approximately corresponds to the duration of the obligation.

The capitalised obligation in the balance sheet corresponds to the discounted cash value of the performance-related benefits less the market value of the plan assets, taking into consideration the service time expense to be subsequently calculated. elexis AG makes use of the choice stipulated in IAS 19,93a (employee benefits) to state immediately the actuarial profits and losses from performance-related plans. Thereby the actuarial profits and losses are not amortised gradually and charged to the profit and loss account in accordance with the so-called corridor method, but charged fully against the shareholders' equity. No amortisation of the actuarial profits and losses are included in the result. Deferred taxes are calculated on the changes in the value of the provision for pensions included in the shareholders' equity, which are also charged against the corresponding item of shareholders' equity. Service time expenses to be subsequently calculated are normally charged to the profit and loss account insofar as the reversionary interest become unexpirable immediately after the introduction or the change. Otherwise there is a straight line distribution over the average period up to the date of unexpirability.

Insofar as contribution-based plans exist, the amounts to be paid in exchange for work are included in the period in which the relevant work was performed (IAS 19.44).

Apart from the plan assets counter-insurances have also been concluded to cover the pension obligations. These are stated, insofar as they have not been pledged to the plan beneficiary, as an asset under the other long term assets. The valuation is based on the current value of the policy, up to a limit, however, of the obligation amount of the pension commitment.

Other provisions

Other provisions have been set up insofar as an obligation towards a third party resulting from a past event may exist, which might indicate an outflow of assets which can be reliably established. These represent uncertain obligations, which are stated at the best possible estimated amount. Provisions with a maturity of more than one year are stated at their discounted value, if the interest effect is significant.

Assumptions and estimates as well as exercise of assessment

The drawing up of the consolidated financial statements in accordance with IFRS requires in the case of some items that assumptions and estimates be made, which may have effects on the amount and the presentation of assets, liabilities, income and expenses as well as with regard to the disclosure of contingent liabilities. The actual values can deviate from these assumptions and estimates.

The exercise of assessment at the balance sheet date concerns in particular:

a) Impairment of goodwill

The elexis Group reviews at least once per annum the carrying value of goodwill. This review requires the calculation of the utilisation value of the cash generating units to which the goodwill is allocated. For this the expected future cash flows of the cash generating unit must be estimated and appropriate discount rates selected for the determination of the discounted cash value. As at December 31, 2008 goodwill amounted to € 26,202,000 (prior year: € 26,202,000). For further information please refer to note (14).

b) Pensions and similar obligations

The amount of the provisions for pensions depends on many actuarial assumptions. The assumptions concern the discount rates, the expected income of the plan assets, the future development of wages and salaries, the mortality and the future increases in pensions. Due to the long term nature of these provisions such assumptions are subject to significant uncertainties. As at December 31, 2008 the provision for pension obligations amounted to € 7,803,000 (prior year: € 8,464,000). For further information please refer to note (26).

c) Taxes

The elexis Group is a tax subject in various legal spheres. The determination of the taxable profit is based on the analysis of the facts in accordance with the valid legal regulations and interpretations. The amounts stated in respect of tax expense, tax liabilities and tax receivables is based on the assumptions made. In particular the capitalisation of deferred tax claims for tax loss carry forwards requires estimates of the profit available for offsetting these tax loss carry forwards in the future. Differences arising at a later date with the estimates and assumptions made are included in the period in which they occur. The expenses and income from such differences are included in the period in which the Company learns about them. As at December 31, 2008 the total tax claims amounted to € 3,041,000 (prior year: € 4,234,000). The tax liabilities amounted to € 4,225,000 (prior year: 3,141,000).

d) Development costs

Estimates are necessary in order to determine whether individual development projects should be capitalised, to what extent the Group will benefit from the projects and whether the projects can be realised. As at December 31, 2008 the capitalised development costs amounted to € 782,000 (prior year: € 0).

e) Long term construction contracts

The elexis Group capitalises long term construction contracts on the basis of the percentage of completion method. This method depends in particular of the careful assessment of the degree of completion. The major relevant factors to be estimated are in this respect the total contract costs, the costs to be incurred up to completion, the total revenue from the contract and the contract risks. The receivables from long term construction contracts amounted on December 31, 2008 to € 2,148,000 (prior year: € 3,068,000). The liabilities from long term construction contracts amounted on December 31, 2008 to € 726,000 (prior year: € 5,844,000). For further information please refer to note (19).

f) Other provisions

Provisions are liabilities where there is an uncertainty in respect of the amount or date of occurrence. The inclusion of provisions in the balance sheet requires the estimation of the amount or the liability and the probability of it occurring as well as the date of occurrence. The result of the estimation decides on the inclusion of the liability in the balance sheet or its presentation as a contingent liability. If the uncertainty concerns the amount of the liability an estimation of the future outflow of funds is necessary. In particular the provisions for risks from restructuring and litigation are subject to such uncertainties. As at December 31, 2008 there were other long and short term provisions in the amount of € 8,034,000 (prior year: € 8,620,000) which were included as liabilities, of which € 3,427,000 (prior year: 3,429,000) were in respect of restructuring and litigation. At the balance sheet date there were contingent liabilities in the amount of € 5,983,000 (prior year: 5,722,000).

Apart from the exercise of assessment, assumptions and estimates are required in particular for the inclusion in the balance sheet and the valuation of provisions on doubtful accounts, the determination of the economic life of property, plant and equipment as well as for the valuation of contingent liabilities and provisions.

Segment information

The elexis Group is active in the **Factory Automation, Steel and Printing** and **Factory Automation, Plastics divisions**. The divisions are structured in such a way that they correspond to the internal organisation and management structure of the elexis Group.

Transactions between the business units take place at market conditions. No sales were transacted between the segments.

Factory Automation, Steel and Printing

The business activity of this segment concentrates on the manufacture and the sale of the following strategic products:

- Complete web and strip guiding systems which control automatically the exact strip running of fast moving materials (metal, paper, foil, rubber);
- Systems ensuring the material quality of the webs (for example, tear resistance, roughness and optimisation of the thickness of the zinc coating of the metal strips);
- Web observation systems and video web guiding systems and also machine vision systems for print defect detection and active fault control of printed strips;
- Electro-hydraulic thrusters for material conveyor systems (drive technology).

The consolidated subsidiaries operating in this segment are:

- EMG Automation GmbH, Wenden
- BST International GmbH, Bielefeld
- BST PRO MARK Inc., Elmhurst, USA
- EMG USA Inc., Warren, USA
- EMH Electromecânica e Hidraulica Ltda, Belo Horizonte, Brazil
- BST Japan Ltd., Osaka, Japan
- EMG Automation (Beijing) Ltd., PR China

Factory Automation, Plastics

HEKUMA GmbH, Eching is active in this segment, which produces automated handling systems for fast moving production processes with very short production cycles and which ensures the materials flow of moulded plastic components. Moreover, these can be integrated in further automated production steps.

Segment information

€ 000	Factory Automation Steel and Printing 2008	Factory Automation Steel and Printing 2007	Factory Automation Plastics 2008	Factory Automation Plastics 2007	Non-operating units / consolidation 2008	Non-operating units / consolidation 2007	elexis Group 2008	elexis Group 2007
Sales	139,043	127,273	31,532	33,964	-	-	170,575	161,237
Segment result (EBIT)								
Operating result (EBIT)	22,900	22,301	3,232	4,073	-2,084	-1,752	24,048	24,622
Return on sales (EBIT)	16.5%	17.5%	10.2%	12.0%			14.1%	15.3%
Depreciation of property, plant and equipment and amortisation of other intangible assets	3,497	2,436	830	842	-	-	4,327	3,278
Key non cash effective expenses	194	-	161	-	450	2,617	805	2.617
Assets								
Segment assets	97,123	87,374	32,986	38,452	1,553	1,954	131,662	127,780
Other participations	994	944	-	-	2,237	2,236	3,231	3,180
Total assets	98,117	88,318	32,986	38,452	3,790	4,190	134,893	130,960
Investments in long term assets	7,718	5,974	353	1,882	-	-	8,071	7,856
Liabilities								
Segment liabilities	42,518	41,191	12,254	19,587	8,492	7,288	63,264	68,066
Inter-segment liabilities	18,430	14,447	2,731	3,632	-21,161	-18,079	-	-
Total liabilities	60,948	55,638	14,985	23,219	-12,669	-10,791	63,264	68,066
Employees (balance sheet date excl. apprentices)	640	604	164	156	4	3	808	763

The regional segmentation of external sales, assets and investments is presented as follows:

€ 000	elexis Group 2008	2007
Sales		
Germany	66,723	60,184
Other European countries	47,641	45,170
America	28,607	29,792
Asia / Australia	26,418	25,043
Africa	1,186	1,048
	170,575	**161,237**
Assets		
Germany	117,574	115,395
America	9,146	9,583
Asia / Australia	8,173	5,982
	134,893	**130,960**
Investments in long term assets (incl. financial leasing)		
Germany	7,914	7,382
America	85	467
Asia / Australia	72	7
	8,071	**7,856**

Notes to the consolidated financial statements

(1) Sales

With regard to the composition of sales as per division and geographic region please refer to the segment information. The sales include revenues from the delivery of goods in the amount of € 133,222,000 (prior year: € 121,534,000), from services in the amount of € 8,640,000 (prior year: € 8,039,000) and from long term construction contracts in the amount of € 28,713,000 (prior year: € 31,664,000).

(2) Cost of goods sold

The cost of goods sold includes the costs of the products and services sold as well as the purchase costs of the merchandise sold. They include the directly allocable material and personnel expenses as well as their share of the material and manufacturing overhead costs. The cost of goods sold includes the total expenses for research and development in the amount of € 7,647,000 in 2008 and € 8,237,000 in 2007. Valuation allowances on inventories in the amount of € 345,000 in 2008 were charged to the profit and loss account. In the fiscal year 2007 value adjustments in respect of inventories in the amount of € 51,000 were charged to the profit and loss account.

(3) Selling expenses

The selling expenses are composed as follows:

€ 000	2008	2007
Personnel expenses	13,804	12,685
Commissions	7,781	7,581
Travel expenses	1,541	1,648
Freight dispatches	1,406	1,112
Advertising	1,211	1,092
Depreciation of fixed assets	321	373
Other operating expenses	6,675	6,446
Total	**32,739**	**30,937**

(4) Administrative expenses

The administrative expenses are composed as follows:

€ 000	2008	2007
Personnel expenses	4,532	4,502
Third party services	1,016	941
Legal and consulting expenses	823	771
Insurance	667	522
Travel expenses	327	349
Depreciation of fixed assets	157	171
Rents and leases	145	111
Other operating expenses	965	997
Total	**8,632**	**8,364**

(5) Other operating income

The other operating income of the Group was composed as follows:

€ 000	2008	2007
Income from release of financial liabilities	-	1,971
Income from release of provisions not utilised	507	818
Income from release of follow-up provisions not utilised	387	74
Capital gains	174	116
Income from release of provisions on receivables	68	761
Cost rebates, transfer of costs	53	155
Other	957	744
Total	**2,146**	**4,639**

(6) Other operating expenses

The other operating expenses of the Group include:

€ 000	2008	2007
Allocations to individual write-downs on receivables and losses on receivables	650	253
Expenses for restructuring and litigation	511	2.617
Capital losses	455	120
Additions to other provisions	295	470
Other	182	136
Total	**2,093**	**3,596**

The expenses for restructuring and litigation concern additions to provisions.

During the year under report expenses in the amount of € 76,000 were incurred from derivative financial instruments. These expenses were stated as price losses under other operating expenses.

(7) Financial result

The financial result is composed as follows:

€ 000	2008	2007
Result of associated companies		
Income from associated companies	29	19
	29	**19**
Interest result		
Interest income	600	680
Interest expense on bank loans	-1,216	-1,225
Interest expense on financial leasing	-284	-354
Interest expense on pension provisions	-469	-627
Bank and guarantee fees	-11	-6
	-1,380	**-1,532**
Financial result	**-1,351**	**-1,513**

The income from participations is attributable to distributions from companies, which are not included within the scope of consolidation.

(8) Taxes on income

€ 000	2008	2007
Current taxes		
Domestic	-5,282	-5,538
Abroad	-169	-216
Taxes on income not relating to the period	-2,700	143
	-8,151	-5,611
Deferred taxes	**118**	**-1,415**
Taxes on income	**-8,033**	**-7,026**

The domestic taxes on income were calculated at 29.83 % (2007: 38.72 %) of the estimated taxable profit. Taxation abroad was calculated at the corresponding applicable tax rates [(USA: 41.3 % (prior year: 41.3 %), Brazil: 31.3 % (prior year: 31.3 %), Japan: 29.7 % (prior year: 29.7 %); China 25.0 % (prior year: 25.0 %)]. Taxes on income not relating to the period resulted mainly from a tax audit at the domestic companies of the Group.

The deferred tax expense of the current fiscal year resulted primarily from the availment of tax loss carry forwards € -2,221,000 (prior year: € -1,219,000) and the new calculation of the tax advantages which can be used in the future € + 1,471,000 (prior year: € + 1,966,000). The new calculation of tax advantages which can be used in the future from tax loss carry forwards was undertaken on the basis of the tax audit which was carried out. As a result deferred tax claims could be stated for hitherto uncertain tax loss carry forwards in the amount of € + 993,000. The utilisation and the new set up of deferred tax claims resulted in expenses of € 750,000 (prior year: income € 747,000). Income from the reversal of temporary differences resulted from deferred taxation in the amount of € 868,000 (prior year: expense € 2,162,000). The effects together resulted in income from deferred taxation in the amount of € 118,000 (prior year: expense € 1,415,000).

During the fiscal year 2008 deferred taxes in the amount of € 134,000 (prior year: € 487,000) from actuarial profits and losses on pensions and currency conversion were included in shareholders' equity without any effect on the profit and loss account. As at December 31, 2008 deferred tax liabilities in the amount of € 182,000 (prior year: € 48,000) existed from the deferred taxes set up without effect on the profit and loss account.

No deferred taxes were set up in the balances sheet for the differences between the net assets and the tax book value of subsidiaries (so-called "outside basic differences"). As at the balance sheet date the total of temporary differences amounted to € 407,000 (prior year: € 814,000). Deferred tax liabilities were not set up for subsidiaries insofar as the Company can control the reversal effect and insofar as it is expected that the temporary difference will not be reversed in the near future.

The tax deferments result from the following balance sheet items and tax loss carry forwards:

€ 000	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	Deferred tax assets	Deferred tax assets	**Deferred tax liabilities**	Deferred tax liabilities
Goodwill	-	-	1,582	1,185
Other intangible assets	-	1	239	-
Property, plant and equipment	106	102	17	16
Inventories	-	-	478	652
Long term construction contracts	-	-	103	1,343
Other receivables and other assets	94	93	123	118
Special tax items	-	-	192	193
Provisions for pensions and similar obligations	932	943	192	69
Other provisions	160	63	94	106
Liabilities	400	364	26	25
Tax loss carry forwards	2,836	3,586	-	-
	4,528	**5,152**	**3,046**	**3,707**
Netting	-2,344	-1,537	-2,344	-1,537
Total	**2,184**	**3,615**	**702**	**2,170**
Of which utilisable after 12 months	2,069	3,550	43	41
Of which utilisable within 12 months	115	65	659	2,129

As at December 31, 2008 the Group had corporate tax loss carry forwards in the amount of € 12,767,000 (prior year: € 22,733,000) and local trade tax loss carry forwards in the amount of € 6,456,000 (prior year: € 8,829,000). Deferred tax claims have been set up for all tax loss carry forwards.

Deferred tax liabilities on goodwill result from the amortisation for tax purposes of the capitalised goodwill of HEKUMA GmbH. In accordance with the impairment only approach as per IFRS 3 (corporate mergers) / IAS 36 (impairment of assets) there is no current impairment of the goodwill in contrast with the tax regulations. Deferred tax liabilities were set up on the difference arising between the tax balance sheet and the IFRS valuation.

During the year under report deferred taxes were netted, subject to the existence of the netting prerequisites of IFRS 12. The corresponding statement of the prior year was adjusted.

As from the year 2008 new tax rates are valid in Germany. Due to their effect in the future the deferred taxes were also valued in the financial statements as at 31.12.2007 at the new expected tax rate of 29.83 %. The new valuation of the deferred taxes at the lower tax rate led in 2007 to a devaluation of the deferred tax claims by € 1,297,000 (of which € 1,276,000 were attributable to deferred tax claims set up with an effect on the profit and loss account) and deferred tax liabilities by € 1,061,000 (of which € 1,041,000 were attributable to deferred tax liabilities set up with an effect on the profit and loss account). The profit and loss account for 2007 thus reported a one-time expense in the amount of € 235,000 from the devaluation of the deferred tax claims and liabilities as a result of the corporate tax reform.

The reconciliation from the expected to the effective tax expense is as follows:

€ 000	2008	2007
Result before taxes on income	22,697	23,109
Income tax rate of elexis AG	29.83 %	38.72 %
Expected tax expense (-) / income (+)	**-6,771**	**-8,948**
Effect of different tax rates abroad	160	695
Tax effect of non tax-deductible expenses / tax -free income	-41	-
Tax expense / income from prior periods	-2,700	143
Change in valuation of deferred tax assets for tax loss carry forwards	1,110	747
Other tax expense / income	209	572
Devaluation of deferred tax assets and liabilities due to corporate tax reform 2008	-	-235
Taxes on income	**-8,033**	**-7,026**
Effective tax rate	**35.39 %**	**30.40 %**

The income tax rate of 29.83 % for 2008 (prior year: 38.72 %) is based on the German corporation tax rate of 15.0 %, the solidarity surcharge relating thereto in the amount of 5.5 % and an average local trade tax of 15.0 %. As a result of the above-mentioned effects the effective tax rate amounted to 35.39 % (prior year: 30.40 %).

(9) Minority interests

These are the share in the profits accruing to other shareholders in the subsidiaries in China and Brazil.

(10) Cost of materials

The cost of materials was composed as follows:

€ 000	2008	2007
Expenses for raw materials, supplies and merchandise	54,564	50,282
Purchased services	7,789	6,550
Total	**62,353**	**56,832**

(11) Personnel expenses

Personnel expenses are composed as follows:

€ 000	2008	2007
Wages and salaries	45,226	41,294
Social security and benefit expenses	5,965	5,768
Pension expenses	162	215
Total	**51,353**	**47,277**

Expenses for defined benefit plans are included in the pension expenses. Financial items, which are shown in the financial result, are not included (interest expense for provisions for pensions).

(12) Employees

The average number of personnel employed (excluding apprentices and trainees) in accordance with Section 267 Paragraph 5 HGB amounted to:

Number of employees	2008	2007
Production / development / engineering	500	470
Sales	190	176
Purchasing / materials procurement	29	28
Administration	76	74
Total	**795**	**748**

(13) Earnings per share

The undiluted earnings per share is calculated by dividing the net income for the period allocable to the shareholders in the amount of € 13,489,000 (prior year: 15,063,000) by the weighted average number of shares issued in the period under report. Elexis AG has issued 9,200,000 ordinary shares. This results in earnings per share of € 1.47 (= € 13,489,000 / 9,200,000 shares) [prior year: € 1,64 (= € 15,053,000 / 9,200,000 shares)].

There are no dilution effects.

A dividend was distributed in Mai 2008 for the year 2007 in the amount of € 4,968,000 (corresponds to € 0.54 / share). The dividend distributed in 2007 for the year 2006 amounted to € 4,140 (corresponds to € 0.45 / share).

Notes to the consolidated balance sheet

(14) Goodwill and other intangible assets

The development of goodwill and the other intangible assets is presented as follows:

€ 000	Goodwill	Capitalised development expenses	Patents, licences and other intangible assets	*Of which from financial leasing*	Total
Acquisition costs					
Status as at 01.01.2007	**36,011**	**-**	**6,818**	*378*	**42,829**
Additions	-	-	574	-	574
Disposals	-	-	-24	-	-24
Changes in foreign currency	-	-	-	-	-
Status as at 31.12.2007	**36,011**	**-**	**7,368**	*378*	**43,379**
Additions	-	784	1,741	-	2,525
Disposals	-	-	-22	-	-22
Changes in foreign currency	-	-	13	-	13
Status as at 31.12.2008	**36,011**	**784**	**9,100**	*378*	**45,895**
Accumulated amortisation / valuation adjustments					
Status as at 01.01.2007	**9,809**	**-**	**5,802**	*341*	**15,611**
Amortisation, additions	-	-	541	*31*	541
Write-downs, additions	-	-	-	-	-
Amortisation, disposals	-	-	-23	-	-23
Write-downs, disposals	-	-	-	-	-
Changes in foreign currency	-	-	-	-	-
Status as at 31.12.2007	**9,809**	**-**	**6,320**	*372*	**16,129**
Additions / amortisation	-	2	724	*6*	726
Additions / write-downs	-	-	-	-	-
Amortisation, disposals	-	-	-1	-	-1
Write-downs, disposals	-	-	-	-	-
Changes in foreign currency	-	-	1	-	1
Status as at 31.12.2008	**9,809**	2	7,044	*378*	16,855
Book values					
Status as at 31.12.2007	**26,202**	**-**	**1,048**	*6*	**27,250**
Status as at 31.12.2008	**26,202**	**782**	**2,056**	-	**29,040**

In detail goodwill is allocated to the following cash generating units (legal units) or groups of cash generating units as follows:

€ 000	2008	2007
	Remaining book value	Remaining book value
Strategic business unit, Plastics	22,941	22,941
Strategic business unit, Printing	2,885	2,885
EMH Brazil as part of strategic business unit, Steel	376	376
Total	**26,202**	**26,202**

The fair market value less sales costs and the utility value are determined on the basis of a discounted cash flow model, whereby the underlying market value is determined from an external and the utility value from an internal company point of view. In this respect elexis determines primarily the utility value. Market transactions or valuations of third parties for similar assets were, if available, taken into consideration for the determination of the market value less sales costs.

The determination of the fair market value and the utility value is based on cash flow plans, which themselves are based on the planning for the detailed period of three years which was approved by the Management Board and the Supervisory Board and which were valid at the date of the implementation of the impairment test. These plans include experience as well as expectations regarding the future market development. Various scenarios are reviewed during the course of the determination process. Growth rates are determined for the cash flow assumptions going beyond the detailed planning period on the basis of analyses of the past and future forecasts. The growth rate applied in the impairment test amounts to 0.5 %. The amount used does not exceed the long term average growth rate for the markets in which the individual units are active.

The capital costs used for discounting are calculated at elexis as the weighted average of the equity and third party costs, whereby the underlying capital structure is determined on the basis of comparable companies from the same branch (peer group). Both components are derived from available capital market information. In order to take into consideration the various return / risk profiles of the strategic business units of the elexis Group, individual capital costs are determined. The pre-tax interest rates applied for the discounting amount in the strategic business unit, Plastics to 13.6 % (prior year: 14.7 %), in the strategic business unit, Printing to 14.0% (prior year: 15.0%) and in the strategic business unit, Steel to 16.7% (prior year: 15.0%).

The impairment test implemented for the goodwill confirmed the stated book values. The utility value exceeded the book values substantially at the balance sheet date. Within the framework of a sensitivity analysis to be carried out possible effects are in addition analysed with regard to changes in the future cash flow or a change in the weighted capital costs. In this respect the analyses are carried out with regard to realistic changes. With a 0.5% lower growth rate the achievable amount would be still considerably in excess of the book value in all strategic business units and there would be no requirement for impairment. Should average weighted capital costs used within the context of the impairment test increase by one percentage point in each of the strategic business units, the achievable amount in all strategic business units would still be substantially in excess of the book value and there would be no requirement for impairment. Also in the event of a simultaneous change of both parameters the achievable amount in all strategic business units would still be substantially in excess of the book value and there would be no requirement for impairment.

Intangible assets arising from development projects are attributable in particular to new products as well as specific software solutions. As at December 31, 2008 intangible assets resulting from development projects were capitalised in the amount of € 782,000 (prior year: € 0). During the year under report expenses from current research and development projects amounted to € 7,467,000 (prior year: € 8,237,000), which were stated immediately in the profit and loss account under cost of goods sold.

(15) Property, plant and equipment

Property, plant and equipment developed as follows:

€ 000	Land, land rights and buildings	*Of which from financial leasing*	Technical equipment and machinery	*Of which from financial leasing*	Other plant, operating and other equipment	*Of which from financial leasing*	Prepayments and plant under construction	Total
Acquisition costs								
Status as at 01.01.2007	**19,120**	*6,543*	**11,403**	*170*	**10,952**	*2,423*	**249**	**41,724**
Additions	1,848	*537*	1,856	-	2,216	*427*	827	6,747
Disposals	-96	-	-248	-	-319	-	-	-663
Reclassifications	115	-	33	-	-	-	-148	-
Changes in foreign currency	-1	-	-20	-	-65	-	-	-86
Status as at 31.12.2007	**20,986**	*7,080*	**13,024**	*170*	**12,784**	*2,850*	**928**	**47,722**
Additions	2,469	*457*	786	-	1,969	*85*	271	5,495
Disposals	-49	-	-456	-	-553	-	-	-1,058
Reclassifications	837	*235*	-	-	38	-	-875	-
Changes in foreign currency	-36	-	-55	-	56	-	-	-35
Status as at 31.12.2008	**24,207**	*7,772*	**13,299**	*170*	**14,294**	*2,935*	**324**	**52,124**
Accumulated depreciation								
Status as at 01.01.2007	**9,630**	*1,517*	**9,888**	*126*	**8,098**	*1,303*	**-**	**27,616**
Additions	653	*266*	392	*24*	1,692	*684*	-	2,737
Disposals	-96	-	-230	-	-220	-	-	-546
Changes in foreign currency	-7	-	-6	-	-46	-	-	-59
Status as at 31.12.2007	**10,180**	*1,783*	**10,044**	*150*	**9,524**	*1,987*	**-**	**29,748**
Additions	814	*315*	551	*18*	2,236	*436*	-	3,601
Disposals	-21	-	-456	-	-528	-	-	-1,005
Changes in foreign currency	-17	-	-30	-	31	-	-	-16
Status as at 31.12.2008	**10,956**	*2,098*	**10,109**	*168*	**11,263**	*2,423*	**-**	**32,328**
Book values								
Status as at 31.12.2007	**10,806**	*5,297*	**2,980**	*20*	**3,260**	*863*	928	**17,974**
Status as at 31.12.2008	**13,251**	*5,674*	**3,190**	*2*	**3,031**	*512*	324	**19,796**

The financial leasing contract for land and buildings concerns the factory building of BST International GmbH, Bielefeld; the contract has a remaining maturity until 2020. A purchase option for the building was agreed at the end of the contractual period. EMG Automation GmbH, Wnden, has issued a rental commitment for this. The financial leasing contracts for technical equipment and machinery as well as for other plant, operating and office equipment have an average remaining maturity of between 2 and 4 years. A premature cancellation of these contracts is in principle not possible. The agreed interest rates of the leasing contracts amount to between 1.8 % and 5.5 % (prior year: 2.8 % to 5.7 %).

As at December 31, 2008 there was an order liability for items of property, plant and equipment in the amount of € 552,000 (prior year: € 553,000).

(16) Financial assets

The financial assets have developed as follow:

€ 000	Associated companies	Total
Acquisition costs		
Status as at 01.01.2007	5,145	5,145
Additions	535	535
Disposals	-	-
Status as at 31.12.2007	5,680	5,680
Additions	51	51
Disposals	-	-
Status as at 31.12.2008	5,731	5,731
Accumulated depreciation		
Status as at 01.01.2007	2,500	2,500
Additions	-	-
Disposals	-	-
Status as at 31.12.2007	2,500	2,500
Additions	-	-
Disposals	-	-
Status as at 31.12.2008	2,500	2,500
Book values		
Status as at 31.12.2007	3,180	3,180
Status as at 31.12.2008	3,231	3,231

The financial assets are attributable primarily to elexis beta GmbH, Wenden, with a book value of € 2,236,000 (prior year € 2,236,000). The additions in the fiscal year 2008 are attributable to the capital contribution implemented in November 2008 for EMG Automation India Private Ltd., Mumbai/India. The value correction shown under cumulative amortisation results from the amortisation of the book value of the participation in elexis beta GmbH in 2002.

(17) Long term receivables and other assets

The long term receivables and other assets in the amount of € 1,871,000 (prior year: € 1,130,000) are attributable to receivables from counter-insurances for pension commitments in the amount of € 389,000 (prior year: € 482,000), loans in the amount of € 1,282,000 (prior year: € 510,000) and other assets in the amount of € 200,000 (prior year: € 138,000). Of the loans € 235,000 (prior year: € 36,000) reached maturity within 12 months, € 288,000 (prior year: € 279,000) between 13 and 60 months and € 759,000 (prior year: 195,000) after 60 months.

The long term financial assets included in this item are neither impaired nor overdue.

(18) Inventories

The inventories are broken down as follows:

€ 000	31.12.2008	31.12.2007
Raw materials and supplies	13,130	11,154
Work in process	9,705	8,549
Finished goods	1,403	1,176
Prepayments on inventories	111	125
Total	**24,349**	**21,004**

As at 31.12.2008 inventories with a book value of € 932,000 (prior year: € 210,000) were written down by € 526,000 (prior year: € 181,000). The level of inventories had to be increased due to longer purchasing times and bottlenecks, in order to be able to guarantee a high degree of delivery punctuality for our customers.

(19) Long term construction contracts

Specific customer construction contracts, which are not partially or finally invoiced, are taken into consideration with effect on the profit and loss account in accordance with the percentage of completion method in accordance with IAS 11.

€ 000	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	Balance stated as assets	Balance stated as assets	**Balance stated as liabilities**	Balance stated as liabilities
Costs incurred for long term construction contracts	3,491	4,326	17	3,069
Shares in profit /(shares in loss)	347	1,495	10	3,165
Subtotal	3,838	5,821	27	6,234
Less prepayments received	-1,690	-2,753	-753	-12,078
Total	**2,148**	**3,068**	**-726**	**-5,844**

The receivables and liabilities from long term construction contracts stated as at December 31, 2008 have a remaining maturity of less than one year as in the prior year.

(20) Trade receivables

As at December 31, 2008 an amount of € 55,000 (prior year: € 2,000) of the trade receivables had a maturity in excess of one year.

The trade receivables stated are overdue in the following time periods:

Trade receivables	Book value € 000	Of which neither written down nor overdue at date of financial statements	Of which not written down at date of financial statements and overdue in the following periods			
			up to 3 months	from 3 to 6 months	from 6 to 12 months	over 12 months
31.12.2008	25,746	20,197	4,696	783	66	4
31.12.2007	24,333	21,785	2,464	35	27	22

The write-downs of trade receivables have developed as follows:

€ 000	**2008**	2007
Status write-downs as at 01.01.	**139**	**624**
Exchange differences	5	-9
Additions	451	65
Use	-9	-111
Release	-68	-430
Status write-downs as at 31.12.	**518**	**139**

Expenses in the amount of € 58,000 (prior year: € 154,000) were incurred due to the full write-down of trade receivables. These were offset by income arising from the collection of written-off receivables in the amount of € 9,000 (prior year: € 53,000).

All expenses and income from value adjustments and write-offs as well as the collection of receivables, which had been written off, were included in the other operating income and expenses.

(21) Receivables form taxes on income

The receivables from taxes on income amounted to € 857,000 (prior year: € 619,000).

During the year under report receivables are stated separately for the first time in the balance sheet, since this presents a more transparent view of the asset situation. The corresponding figures for the prior year were adjusted.

(22) Other short term receivables and assets

The other short term receivables and assets are composed as follows:

€ 000	31.12.2008	31.12.2007
Receivables from associated companies	892	1.295
Prepaid expenses	512	163
Receivables from taxes	329	706
Receivables from employees	58	32
Other	391	1.083
Total	**2,182**	**3,279**

No value adjustments were made in respect of receivables from associated companies (prior year: € 0). All financial and also other receivables and assets in this item are not overdue.

(23) Short term cash deposits

As at December 31, 2008 there were no short term cash deposits. In the prior year these were fixed deposits in the amount of € 2,000,000 at domestic banks with a maturity of more than 90 days.

(24) Cash and cash equivalents

The cash and cash equivalents include demand deposits at banks as well as cash deposits with a maturity of less than 90 days.

(25) Shareholders' equity

The development of shareholders' equity is presented in the following schedule of shareholders' equity.

€ 000	Capital subscribed	Capital reserve	Retained earnings	Other reserves: Differences arising from currency conversion	Other reserves: Cash flow hedges	Share of shareholders' equity allocable to shareholders	Minority interests	**Consolidated shareholders' equity**
Status as at 01.01.2007	**23,552**	**3,555**	**20,700**	**1,118**	**-**	**48,925**	**1,049**	**49,974**
Non cash efective changes in shareholders' equity								
Changes in foreign currency	-	-	-	204	-	204	-54	150
Changes in actuarial gains / losses from performance based benefit plans and other obligations	-	-	1,284	-	-	1,284	-	1,284
Deferred taxes on valuation changes stated directly in shareholders' equity	-	-	-487	-	-	-487	-	-487
Statement / settlement of cash flow hedging	-	-	-	-	30	30	-	30
Dividend payment	-	-	-4,140		-	-4,140	-	-4,140
Cash effective changes in shareholders' equity								
Consolidated net income 2007	-	-	15,053		-	15,053	1,030	16,083
Changes 2007	-	-	*11,710*	*204*	*30*	*11,944*	*976*	*12,920*
Status as at 31.12.2007	**23,552**	**3,555**	**32,410**	**1,322**	**30**	**60,869**	**2,025**	**62,894**
Non cash efective changes in shareholders' equity								
Changes in foreign currency	-	-	-	-371	9	-362	31	-331
Changes in actuarial gains / losses from performance based benefit plans and other obligations	-	-	448	-	-	448	-	448
Deferred taxes on valuation changes stated directly in shareholders' equity	-	-	-134	-	33	-101	-	-101
Statement / settlement of cash flow hedging	-	-	-	-	-147	-147	-	-147
Dividend payment	-	-	-4,968	-	-	-4,968	-	-4,968
Disributions to minority shareholders	-	-	-	-	-	-	-830	-830
Non cash efective changes in shareholders' equity								
Consolidated net income 2008	-	-	13,489	-	-	13,489	1,175	14,664
Changes 2008	-	-	*8,835*	*-371*	*-105*	*8,359*	*376*	*8,735*
Status as at 31.12.2008	**23,552**	**3,555**	**41,245**	**951**	**-75**	**69,228**	**2,401**	**71,629**

As at December 31, 2008 the share capital of elexis AG amounted to € 23,552,000 and is divided into 9,200,000 no par value bearer shares. Each no par value share has a notional share in the share capital of € 2.56.

	2008	2007
Number of shares as at 01.01.	9,200,000	9,200,000
Number of shares as at 31.12.	9,200,000	9,200.000

With the resolution of the general meeting of shareholders of May 21, 2008 the Management Board of elexis AG was authorised to acquire up to November 20, 2009 treasury shares totalling up to ten percent of the current share capital. Simultaneously, the similar authorisation of the prior year was cancelled.

Through the resolution of the general meeting of shareholders of June 24, 2005 the Management Board is authorised to increase the share capital through the issue of new no par value bearer shares against contribution in cash or in kind at one or on several occasions to a maximum of up to € 11,776,000 (authorised capital). The authorisation is subject to the approval of the Supervisory Board and is valid until June 23, 2010.

The capital reserve of € 3,555,000 is attributable to the premium from the capital increase of elexis AG implemented in the fiscal year 1999.

The item "cumulative results" includes the reinvested results, the profit carry forward, the result of the current year as well as the actuarial profits and losses stated directly in shareholders' equity without any effect on the profit and loss account in connection with the valuation of the provisions for pensions and of the corresponding plan assets. These are stated directly in the item "cumulative results" after deduction of the corresponding deferred taxation (please refer to the corresponding explanation in note (26) "provisions for pensions and similar obligations").

The item other reserves include the adjustment item from currency conversion as well as a reserve for the settlement of hedging transactions.

The cumulative amounts of the shareholders' equity items "other reserves" and "cumulative results" are composed as follows:

€ 000	**31.12.2008**	31.12.2007
Differences arising from foreign currency conversion	951	1,322
Actuarial gains / losses from performance based pension benefits and similar obligations	622	174
Other changes stated directly in shareholders' equity	-108	30
Deferred taxes on valuation changes offset directly with shareholders' equity	-149	-48
Total	**1,316**	**1,478**

Additional information on capital management

The elexis Group has a solid capital structure. This financial flexibility enables the achievement of the growth targets. The shareholders' equity belonging to the shareholders of elexis AG increased during the fiscal year 2008 by 13.7 %. This increase was attributable primarily to the result less the dividend distribution. In total the equity ratio (excluding minority interests) rose thereby from 46.5 % as at December 31, 2007 to 51.3 % as at December 31, 2008.

For the elexis Group it is important to retain various financing options and to assure the servicing of the financial liabilities. This is assured through the active management of the defined total capital in the following table:

€ 000	31.12.2008	31.12.2007
Share in shareholders' equity allocable to the shareholders	**69,228**	**60,869**
Share in total capital (in %)	80.0	79.9
- Long term liabilities to banks	12,058	12,225
- Short term liabilities to banks	5,215	3,105
Liabilities to banks	**17,273**	**15,330**
Share in total capital (in %)	20.0	20.1
Total capital (shareholders' equity excl. minority interests + liabilities to banks)	**86,501**	**76,199**

The share of the shareholders' equity (excluding minority interests) in the total capital increased during the fiscal year 2008 from 79.9 % to 80.0 %.

elexis AG is subject to no obligations in accordance with the articles of association with regard to the formation of capital reserves.

The solid capital structure together with the profitability, the cash flow generation and the competitive position influences the positive rating of the Company. This again secures favourable possibilities for the acquisition of capital.

(26) Provisions for pensions and similar obligations

The elexis Group administers performance-related plans for entitled employees of their subsidiaries located in Germany. According to these plans the employees have a claim to the benefits on becoming qualified for a social security pension. There are also claims for benefits in the event of invalidity or dependent's pension.

The provisions for pensions and other obligations are calculated in accordance with the projected unit credit method. In this process future pension trends are also included. For a pension plan there is a reinsurance policy which is pledged to the entitled person. Following the approval of the Supervisory Board the elexis Pension Trust e.V., Wenden, was established for the foundation of a contractual trust agreement (CTA) on July 4, 2007. The purpose of this trust is the administration by a trustee of the assets for the financing of future pension payment obligations to employees of certain domestic companies. During the fiscal year 2007 the CTA was provided with cash assets in the amount of € 4,000,000. All other pension plans are not directly covered. The existing pension plan is closed for newly hired employees since 1997. The beneficiary status has been frozen since 1999 for the beneficiaries of the pension plan.

The valuation of the performance-related pension plans is undertaken each year by independent experts. The valuation was based on the 2005 G guidelines of Dr. Klaus Heubeck.

The calculation of the obligations from performance-related pension plans is based on the following assumptions:

in %	**2008**	2007	2006	2005	2004
Discount rate	5.75	5.50	4.60	4.60	4.90
Future pension increases	2.00	2.00	1.75	1.75	1.75
Expected yield of the fund assets	5.00	5.00	3.00	-	-

The provisions for pensions and similar obligations is composed as follows:

€ 000	31.12. 2008	31.12. 2007	31.12. 2006	31.12. 2005	31.12. 2004
Cash value of the performance based obligation	12,112	12,523	13,975	13,868	13,445
Underlying market value of the plan assets	-4,309	-4,059	-53	-	-
Provisions for pensions and similar obligations	**7,803**	**8,464**	**13,922**	**13,868**	**13,445**
Adjustment based on experience					
– Liability (pension obligation)	-69	276	87	*	*
– Plan assets (assets for coverage of pension obligations)	-46	-	-	*	*

* Values not available

The changes in the cash value of the performance related obligations of the current fiscal year are presented as follows:

€ 000	2008	2007
Discounted cash value of performance based obligations as at 01.01	**12,523**	**13,975**
Service time expenses	80	110
Service time expenses to be subsequently offset	-	-
Interest expense	669	627
Total expenses for pensions and obligations similar to pensions	**749**	**737**
Actuarial (gains) and losses	-402	-1,301
Benefits paid	-758	-888
Change of discounted cash value of the performance based obligations	**-411**	**-1,452**
Discounted cash value of the performance based obligation as at 31.12	**12,112**	**12,523**
*of which obligations financed partially through funds **	*10,861*	*11,295*
of which obligations not financed through funds	*1,251*	*1,228*

* For the coverage of obligations financed was provided with plan assets of € 4,000,000.

The changes in the book value of the plan assets during the current fiscal year are presented as follows:

€ 000	2008	2007
Underlying value of plan assets as at 01.01	**4,059**	**53**
Expected income of plan assets	201	2
Actuarial gains / (losses)	46	-
Employer contributions	3	4,004
Underlying value of plan assets as at 31.12	**4,309**	**4,059**

The current service time expense is set-off within the operating result. The interest expenses as well as the income from the plan assets are included in the financial result. The actuarial profit and losses are booked directly to shareholders' equity in the item "cumulative results". Current actuarial profits and losses from the plan assets are also booked directly to shareholders' equity in the item "cumulative results".

The expected income from the plan assets are based on the analysis of historic and expected returns and volatility of individual parts of the portfolio of the plan assets.

For the fiscal years contributions to the plan assets in the amount of € 3,000 are expected.

Apart from the performance-related plans there are also defined contribution plans. In this case the company pays contributions on the basis of legal conditions to state administered pension funds as well as contributions to direct insurances within the framework of remuneration conversion. There are no further performance obligations for the company apart from the payment of the contributions. The current payments in the amount of € 2,794,000 million (2007: € 2,559,000) are attributable primarily to the state administered pension scheme and are included as expense of the current year in the functional areas and thus also in operating profit.

A change in the discount rate used for the calculation by +0.25 % / -0.25 % leads to a change in the obligation value by € -317,000 / +332,000. Changes in the expected return of the fund assets by +/- 1 % lead to a change in the underlying market value of € 43,000.

(27) Other provisions / tax liabilities

The main items in the other provisions developed as follows during the fiscal year:

€ 000	01.01.2008	Use	Release	Additions	Foreign currency changes	31.12.2008
Long term provisions						
Provisions from obligations to employees	2,004	-509	-	325	-	1,820
Provisions for archiving expenses	303	-	-35	7	-	275
	2,307	**-509**	**-35**	**332**	**-**	**2,095**
Short term provisions						
Risks from restructuring and litigation	3,429	-527	-142	667	-	3,427
Guarantee obligations	1,280	-423	-134	505	-11	1,217
Rebates, bonuses, third party commissions	828	-122	-166	79	-4	615
Others	776	-670	-30	625	-21	680
	6,313	**-1,742**	**-472**	**1,876**	**-36**	**5,939**
Other provisions	**8,620**	**-2,251**	**-507**	**2,208**	**-36**	**8,034**

The obligations to employees included under long term obligations are attributable to long time work entitlements and pension obligations. The amount of the obligations of € 2,230,000 (prior year: € 2,004,000) was offset in an amount of € 500,000 with plan assets at elexis-Pension-Trust e. V., Wenden, which was set up and paid in during 2008. For obligations from pension obligations we expect an outflow of funds in the amount of € 388,000 (prior year: € 368,000) during the next 2 years. No definite estimation is possible in respect of the outflow of funds from long time working entitlements in the amount of € 1,932,000 (prior year: € 1,636,000). We expect that utilisation will take place within a period of 5 and 10 years. Due to the long term nature of these obligations recognition was changed versus the prior year.

The risks form restructuring and litigation have been set up in particular to cover future costs, above all in connection with the divisions sold in the past. They cover 50 % of the maximum risk. The result of pending or future court cases cannot be estimated with certainty. The provisions for guarantee obligations were set up to cover recognisable individual risks.

The other provisions are attributable mainly to the remuneration for the Supervisory Board in the amount of € 371,000 (prior year: € 370,000), and provisions for fees and dues of our foreign companies in the amount of € 102,000 (prior year: € 186,000).

Expenses could be incurred as a result of decisions by the court or the authorities or from composition agreements. Such expenses could have substantial effects on the business of the elexis Group. The provisions classified as short term will probably be used within the following fiscal year.

€ 000	01.01.2008	Use	Release	Additions	Foreign currency changes	31.12.2008
Tax liabilities from taxes on income	971	-592	-	3,144	-	3,523

The liabilities for taxes on income were calculated on the basis of the net income of 2008 as well as the tax audit concluded during the fiscal year for the period 2003 – 2006.

(28) Financial liabilities

The financial liabilities were composed as follows as at December 31, 2008:

	Maturity			31.12.2008
€ 000	**Up to 1 year**	**from 1 to 5 years**	**More than 5 years**	**Total**
Loans to banks	1,957	5,479	-	7,436
Current overdraft accounts	2,633	-	-	2,633
Liabilities from financial leasing	625	1,788	4,791	7,204
Total	5,215	7,267	4,791	17,273

The maturities of the financial liabilities as at December 31, 2007 are presented as follows:

	Maturity			31.12.2007
€ 000	Up to 1 year	from 1 to 5 years	More than 5 years	Total
Loans to banks	1,599	5,790	-	7,389
Current overdraft accounts	759	-	-	759
Liabilities from financial leasing	747	1,673	4,762	7,182
Total	**3,105**	**7,463**	**4,762**	**15,330**

Bank loans

The Group uses mainly loans in euro at its domestic companies. The agreed fixed rates lie between 4.5 % and 6.3 %. For the low level of foreign currency loans of the foreign subsidiaries fixed interest rates were agreed between 1.6 % (Japan) and 8.8 % USA. In the prior year the corresponding interest rates were between 1.7 % and 8.3 %. The domestic companies used no foreign currency loans. Loans at the foreign companies are converted at the balance sheet date. A loan with a book value in the amount of € 4,372,000 (prior year: € 5,275,000) is valued at acquisition cost on the basis of the effective interest method. The discount was distributed over the maturity of the loan. The other loans are stated at the repayment amount. As at December 31, 2008 there were credit lines in the amount of € 34,298,000 (prior year: € 36,213,000) of which € 10,069,000 (prior year: € 8,143,000) were taken down through loans and overdrafts and € 5,412,000 (prior year: € 4,944,000) through guarantees / sureties.

Collateral

The liabilities to banks are secured as follows::

€ 000	31.12.2008	31.12.2007
Overdraft loans secured through pledge of assets (of which financial instruments € 396, 000 (prior year: € 322,000))	639	666
Loans secured through pledge of shares in HEKUMA GmbH, Eching	4,372	5,275
Total	**5,011**	**5,941**

Receivables with a book value of € 386,000 (prior year: € 189,000) were given as collateral for the securing of loans of a US subsidiary. The collateral can in the event of default in repayment be used for the servicing of the liabilities.

Financial leasing

In future the following minimum leasing payments will be due from the financial leasing contracts:

€ 000	31.12.2008	31.12.2007
Due within 1 year	881	1.038
Due within 1 to 5 years	2,584	2.565
Due after 5 years	7,159	7.327
Total of minimum lease payments	**10,624**	**10.930**
Less interest portion	-3,420	-3.748
Discounted cash value of liabilities from financial leasing	**7,204**	**7.182**

The interest paid on the liabilities from financial leasing amounted to between 1.8 % and 5.5 % p.a. (prior year: 2.8 % to 5.7 %).

(29) Trade payables

This item includes liabilities for goods and deliveries to third parties, Of the liabilities € 565,000 (prior year: € 0) is due after one year.

(30) Other liabilities

The other liabilities are composed as follows:

€ 000	31.12.2008	31.12.2007
Liablities to the personnel	5,252	5,517
Liablities from commission obligations	2,707	2,448
Prepayments received	1,705	2,158
Liabilities from taxes	908	854
Obligations from lack of cost price	772	756
Liablities in connection with social security	272	269
Audit fees	206	262
Liabilities to associated companies	188	200
Interest	-	20
Other	917	413
Total	**12,927**	**12,897**

The other liabilities are all due within one year.

Explanations to the consolidated statement of cash flow

(31) Other non-cash effective effects

The balance of additions to and releases from provisions in the amount of € 68,000 is included under the other non-cash effects. Other non-cash effects in the prior year in the amount of € 1,857,000 are attributable mainly to income from the release of financial assets.

The composition of the liquid funds includes only short term cash and cash equivalents, which as extremely liquid financial investments can be transformed at any time into certain cash amounts and are subject to insignificant fluctuation risks. The payments to the plan assets were allocated retroactively. The prior year figures were adjusted correspondingly.

(32) Financial instruments

The book values, valuations and stated values of the financial assets and liabilities are presented as follows:

2008 € 000	Valuation category in accordance with IAS 39 *	Book value 31.12.2008	Financial instruments valuation At acquisition cost	Fair value without effect on profit and loss	As per IAS 17 (financial leasing) / hedging as own category	No financial instruments as per IAS 32/39
Assets						
Financial participations	AfS	3,231	3,231	-	-	-
Long term receivables and other assets	LaR	1,871	1,871	-	-	-
Receivables from long term construction contracts	LaR	2,148	2,148	-	-	-
Trade receivables	LaR	25,746	25,746	-	-	-
Other short term receivables and other assets		2,182	-	-	-	-
	- LaR	-	1,283	-	-	-
	- n.a.	-	-	-	-	899
Short term cash deposits	LaR	-	-	-	-	-
Cash and cash equivalents	LaR	23,489	23,489	-	-	-
		58,667	**57,768**	**-**	**-**	**899**
Liabilities						
Financial liabilities (banks)	FLAC	10,069	10,069	-	-	-
Financial liabilities (financial leasing)	n. a.	7,204	-	-	7,204	-
Liabilities from long term construction contracts	FLAC	726	726	-	-	-
Trade payables	FLAC	12,276	12,276	-	-	-
Other liabilities		12,927	-	-	-	-
	- FLAC	-	4,945	-	-	-
	- n. a.	-	-	-	117	-
	- n. a.	-	-	-	-	7,865
		43,202	**28,016**	**-**	**7,321**	**7,865**

2007 € 000	Valuation category in accordance with IAS 39 *	Book value 31.12.2007	Financial instruments valuation: At acquisition cost	Financial instruments valuation: Fair value without effect on profit and loss	Financial instruments valuation: As per IAS 17 (financial leasing) / hedging as own category	No financial instruments as per IAS 32/39
Assets						
Financial participations	AfS	3,180	3,180	-	-	-
Long term receivables and other assets	LaR	1,130	1,130	-	-	-
Receivables from long term construction contracts	LaR	3,068	3,068	-	-	-
Trade receivables	LaR	24,333	24,333	-	-	-
Other short term receivables and other assets		3,279	-	-	-	-
	-LaR	-	2,348	-	-	-
	- n.a.	-	-	-	30	-
	- n. a.	-	-	-	-	901
Short term cash deposits	LaR	2,000	2,000	-	-	-
Cash and cash equivalents	LaR	23,508	23,508	-	-	-
		60,498	**59,567**	**-**	**30**	**901**
Liabilities						
Financial liabilities (banks)	FLAC	8,148	8,148	-	-	-
Financial liabilities (financial leasing)	n. a.	7,182	-	-	7,182	-
Liabilities from long term construction contracts	FLAC	5,844	5,844	-	-	-
Trade payables	FLAC	13,770	13,770	-	-	-
Other liabilities		12,897				
	- FLAC	-	4,368	-	-	-
	- n. a.	-	-	-	-	8,529
		47,841	**32,130**	**-**	**7,182**	**8,529**

* Categories of the financial instruments: AFS (available for sale), LAR (loans and receivables), FLAC (financial liabilities measured at amortised cost), HFT (held for trading), N.A. (no financial instruments, valuation carried out in accordance with other regulations)

The book values of the cash and cash equivalents, trade receivables, receivables and liabilities from long term construction contracts, other receivables, trade payables as well as other liabilities correspond to their stated values due to their predominantly short term nature.

The market values of financial liabilities to banks as at December 31, 2008 amounted to € 10,818,000 (prior year: € 8.148,000). As at December 31, 2008 there was a market value of € 6,747,000 (prior year: € 7,182,000) for the financial liabilities from financial leasing contracts. The market values were determined as the discounted cash value of the future outflow of funds, discounted at a current interest rate on the balance sheet date taking into account the corresponding remaining maturities of the liability and the credit rating of elexis AG.

The following net results are attributable to the individual valuation categories of the financial instruments:

2008 € 000	From interest	Income from partici-pations	From subsequent valuation: At fair value	From subsequent valuation: Foreign currency conversion	From subsequent valuation: Valuation adjustments	From disposals	Net result 2008
Credits and receivables	600	-	-	-205	-383	-49	-37
Assets held for sale	-	29	-	-	-	-	29
Financial liabilities valued at acquisition cost	-1.216	-	-	-	-	-	-1.216
Financial receivables / liabilities valued at under-lying market value with effect on profit and loss	-	-	-76	-	-	-	-76
Total	**-616**	**29**	**-76**	**-205**	**-383**	**-49**	**-1.300**

2007 € 000	From interest	Income from partici-pations	From subsequent valuation: At fair value	From subsequent valuation: Foreign currency conversion	From subsequent valuation: Valuation adjustments	From disposals	Net result 2007
Credits and receivables	680	-	-	-4	365	-101	940
Assets held for sale	-	19	-	-	-	-	19
Financial liabilities valued at acquisition cost	-1.225	-	-	-	-	1.976	751
Financial receivables / liabilities valued at under-lying market value with effect on profit and loss	-	-	-	-	-	-	-
Total	**-545**	**19**	**-**	**-4**	**365**	**1.875**	**1.710**

The income from participations is attributable to distributions from companies, which are not included in the scope of consolidation. They are included in the category of financial assets available for sale.

From financial liabilities from the category “other financial liabilities” interest expense was incurred in the amount of € 1,216,000 (prior year: € 1,225,000). These are compensated by income from financial assets of the category “credits and receivables” in the amount of € 600,000 (prior year: € 680,000). Expenses in the amount of € 76,000 were incurred from derivative financial instruments from the category “held for trading purposes“. These expenses were included as price losses under the other operating expenses.

The valuation of the shares in non-consolidated subsidiaries takes place at stated acquisition cost, since there is no active market for these participations.

The financial instruments of the elexis Group are subject to the risks of losses, interest changes and currency, which could have an influence on the asset, financial and earnings situation. Due to the broad distribution of the sales realised there is no concentration of risk with regard to regions, customers and currencies.

Risk of losses

There is a risk of good standing and losses from the danger that business partners do not meet their obligations from a transaction through financial instruments and that a loss of assets therefore occurs. The maximum risk of losses from trade receivables is limited to the excess from the credit insurance in the amount of 30 %. In order to minimise the risk of losses we subject our customers to a test of good standing and operate an active debtor management.

In the case of the other financial assets the risk of loss corresponds roughly to the book values.

The Group has issued no guarantees in favour of third parties.

Interest rate risk

In principle, interest risks do not exist for long term liabilities to banks, since these have been agreed 100 % at fixed interest rates. Only bank overdrafts are subject to variable interest.

An interest risk also exists with regard to other receivables and liabilities with maturities in excess of one year. In the operating sector such longer maturities are, however, of little significance.

According to IFRS 7 interest rate risks are presented by means of a sensitivity analysis. This analysis shows the effects of a change of the market interest rate on interest payments, interest income and expenses a well as other items of profit and possibly also on the shareholders' equity. In this respect it is assumed that a hypothetical change in the interest rate can only have an effect insofar as the valuations of the financial instruments are subject to variable rates of interest. As a result, all financial instruments, which are valued at acquisition cost with fixed rates of interest, are not exposed to the risk of changes in the interest rate in accordance with IFRS 7.

If the interest rate on the balance sheet date of the financial statements had been 0.1 % higher or lower the result would have been € -2,000 (prior year: € 3,000) higher or lower. Sensitivities do not exist in shareholders' equity.

Currency risk

Due to its international activity the elexis Group is exposed to currency risks. The currency risks result from investments and operating activities. These risks are systematically analysed in accordance with a Group-wide guideline. This analysis includes the existing as well as the expected foreign currency exposure during the next twelve months. Cash flow neutral foreign currency risks, which result from the conversion of the financial statements of the foreign companies, are not included in the foreign currency exposure. On the basis of this analysis the hedging requirements are determined with the Management Board.

The individual companies carry out their activities mainly in their corresponding functional currency. For that reason the currency risk of elexis from the current operating business is considered to be low. Some Group companies, however, are exposed to foreign currency risks from deliveries in which settlement has been agreed in a currency which differs from that of the functional currency of the company. These risks are monitored and, if appropriate, hedged.

Use of forward exchange transactions

The Group uses to a very small extent financial derivatives in order to minimise the effects of exchange rate fluctuations on payment streams. Price changes in connection with these transactions have effects on the result of the elexis Group and on the fair market value of these derivative financial instruments. In the event that the transaction partner does not fulfil his obligations from these financial instruments, the elexis Group bears the risk of replacement cost. All financial derivatives are limited to the economic hedging of the operating business. They are subject to constant monitoring, which is specified in a guideline of the Board of Management.

As at the end of the year there were no forward exchange transactions outstanding.

Hedge accounting

The risk of price changes in purchasing transactions of the Japanese subsidiary are in part limited through the conclusion of cash flow hedges. The nominal value amounts to € 1,150,000 (prior year: € 1,400,000). The other reserves in the shareholders' equity declined by € 177,000 due to the negative change of the underlying market value (without taking deferred taxation into account) of the derivatives which were designed as a cash flow hedge (prior year: increase of € 30,000). During the year under report there were no ineffective parts of the hedging relationships which had an effect on profit and loss (prior year: € 0).

IFRS 7 requires an analysis of the currency risks, which result from financial instruments of a monetary nature, which are dominated in a currency which is not the functional currency. Differences from the conversion of financial statements in the Group currency are not taken into account.

All monetary instruments are thus taken into account in the sensitivity analysis which are not dominated in the functional currency of the corresponding company (liquid assets, receivables, interest-bearing certificates, interest-bearing debts, liabilities from financial leasing, non-interest-bearing liabilities). The foreign currency exposure thus determined is the basis for the calculations. The amount of the financial instruments as at December 31 is assumed to be representative for the full year.

A devaluation / revaluation of the euro versus the US$ by 1 % would have resulted in an increase / decrease of the result by € 27,000 (prior year: € 18,000). There are no sensitivities in shareholders' equity.

Maturity analysis

The liquidity risk to which the Group is exposed through the financial instruments is composed of obligations from future interest and redemption payments for financial liabilities and the liquidity risk from derivative financial instruments together. The liquidity risk is controlled and monitored by the corporate management. Apart from the monthly cash flow reporting a cash flow planning is also regularly drawn up, which is complemented by monthly liquidity plans.

The following table presents the undiscounted interest and redemption payments of the original financial liabilities as well as the derivative financial liabilities:

	31.12.2008			31.12.2007		
€ 000	Financial liabilities	Trade payables / liablities from long term construction contracts	Other financial liabilities	Financial liabilities	Trade payables / liablities from long term construction contracts	Other financial liabilities
Outflow of funds within						
3 months	**2,995**	**10,605**	**3,723**	**918**	**13,815**	**3,033**
- from repayment	2,833	10,605	3,723	724	13,815	3,033
- from interest	162	-	-	194	-	-
More than 3 up to 6 months	**829**	**1,667**	**689**	**931**	**2,189**	**300**
- from repayment	680	1,667	689	754	2,189	300
- from interest	149	-	-	177	-	-
More than 6 up to 12 months	**2,275**	**165**	**60**	**2,318**	**3,610**	**649**
- from repayment	1,989	165	60	2,000	3,610	649
- from interest	286	-	-	318	-	-
More than 12 up to 60 months	**8,989**	**565**	**428**	**9,706**	**-**	**335**
- from repayment	7,722	565	428	8,114	-	335
- from interest	1,267	-	-	1,592	-	-
More than 60 months	**7,160**	**-**	**45**	**7,403**	**-**	**51**
- from repayment	4,791	-	45	4,837	-	51
- from interest	2,369	-	-	2,566	-	-
Total	**22,248**	**13,002**	**4,945**	**21,276**	**19,614**	**4,368**
- from repayment	18,015	13,002	4,945	16,429	19,614	4,368
- from interest	4,233	-	-	4,847	-	-

The amount stated under outflow of funds from redemption of financial liabilities within 3 months includes also the theoretical outflow of overdraft liabilities with immediate maturity, for which, however, no immediate outflow is expected.

(33) Related party transactions

In accordance with IAS 24 (details on relationships with closely related companies and persons) related parties are considered as being members of the Management Board, the Supervisory Board, their close family members as well as non-consolidated companies. Furthermore, the elexis-Pension-Trust e. V., Wenden, is considered as a related party. Its purpose is to act as the trustee administrator of asset for the financing of the obligations for pension payments, benefits and long time working entitlements to employees of certain domestic companies. With regard to the transactions undertaken during the fiscal years please refer to note (26) “provisions for pensions and similar obligations”.

Apart from the remuneration mentioned no transactions were carried out with members of the statutory bodies or their relatives.

During the fiscal year 2008 sales in the amount of € 1,599,000 (prior year: € 2,578,000) were realized with non-consolidated associated companies of the Group. The transactions are carried out on an arm’s length basis. The associated companies are mainly engaged in sales and service activities and are paid in part through commission payments.

The relationship of the elexis Group with the non-consolidated associated companies is summarised as follows:

	Receivables of the Group from associated companies as at		Liabilities of the Group to associated companies as at		Sales of the Group with associated companies	
€ 000	**31.12.2008**	31.12.2007	**31.12.2008**	31.12.2007	**2008**	2007
elexis beta GmbH	297	285	-	-	-	-
BST France S.A.R.L., France	61	19	140	67	29	29
BST Italia S. r. l., Italy	179	57	2	-	172	139
BST Sayona Automations Private Ltd., India	208	92	35	133	467	497
BST International Shanghai Ltd., PR China	147	842	3	-	930	1,913
EMG Automation India Private Ltd., India	-	-	8	-	1	-
EMG AUTOMATION Ltd., United Kingdom	-	-	-	-	-	-
Total	**892**	**1,295**	**188**	**200**	**1,599**	**2,578**

Remuneration of the Management Board and the Supervisory Board

The remuneration of the members of the Management Board and the Supervisory Board are presented as follows:

€ 000	Fixed	Bonus	Gross remuneration	Payment in kind / other remuneration*	Total
2008	500	249	**749**	82	**831**
2007	500	274	774	82	856

* Use of company car, insurance contributions

The amounts indicated are attributable to the compensation for the activity as members of the Management Board of elexis AG as well as their activities carried out on a management sharing basis in the general management of the subsidiaries.

The contracts of the Management Board include moreover no further remuneration components such as, for example, pension schemes, pension claims, payments from third parties and affiliated companies of the Group, indemnifications and assumption of office payments, equity-based compensation models (e.g. share options), change of control clauses, other payment in kind etc.

The provision set up for a former member of the Management Board and his survivors for pensions and rights to pensions amounted as at December 31, 2008 to € 273,000 (prior year: € 270,000).

The compensation of the Supervisory Board was fixed by the general meeting of shareholders and is defined in Section 15 of the articles of association of elexis AG. In accordance with this regulation the Supervisory Board is paid a total remuneration of € 371,000 (prior year: 372,000). Of this € 214,000 (prior year: € 211,000) was attributable to the fixed portion and € 157,000 (prior year: € 161,000) to the variable portion.

The remuneration of the Supervisory Board is due following the end of the general meeting of shareholders, which has to resolve the appropriation of the net income for the corresponding fiscal year.

An explanation of the remuneration system is printed in the remuneration report in the Corporate Governance report. The remuneration report is at the same time an integral part of the management report.

(34) Other financial obligations / contingent liabilities

The following payment obligations are due under operating lease contracts:

€ 000	31.12.2008	31.12.2007
Within one year	1,226	1,227
Between two and five years	954	1,139
After five years	-	277
Total	**2,180**	**2,643**

(35) Major events following the balance sheet date

With effect as at January 5, 2009 EMG Automation GmbH, Wenden acquired the shares in EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brazil, which had hitherto been held by a minority shareholder. As a result EMG Automation GmbH, Wenden, holds 100 % of the shares in the company. The transaction has no effect on the scope of consolidation, since EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brazil was already included 100 % in the Group. The acquisition of the shares does not constitute any application event in accordance with IFRS 3 "corporate mergers" but is presented as a transaction among shareholders in the shareholders' equity. No further significant events took place following the balance sheet date.

Supplementary information according to regulations of the HGB and the AktG as well as voluntary information

Supplementary information according to regulations of the HGB and the AktG as well as voluntary information

(36) Shareholdings

elexis AG, Wenden
Presentation of the shareholdings in accordance with Section 313 No. 2 HGB as at December 31, 2008

elexis Group, Wenden
Presentation of scope of consolidation as at December 31, 2008 (IFRS values)

	Name, legal seat	Share in capital %	Held by	Share-holders' equity (€ 000)	Result (T€)1)
Parent company					
	elexis AG, Wenden				
Consolidated companies					
	Germany				
1.	BST International GmbH, Bielefeld	100	2.		
2.	EMG Automation GmbH, Wenden	100	3. (94 %)		
3.	Elexis Beteiligungsgesellschaft mbH, Wenden	100			
4.	HEKUMA GmbH, Eching	100			
	Abroad				
5.	BST Japan Ltd., Osaka/Japan	100	1. (67 %), 2. (33 %)		
6.	BST PRO MARK Inc., Elmhurst/USA	100	1. (51 %), 8. (49 %)		
7.	EMG Automation (Beijing) Ltd., Beijing/PR China	51	2.		
8.	EMG USA Inc., Warren/USA	100	2.		
9.	EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brazil	52	2.		
Participations					
	Germany				
10.	elexis beta GmbH, Wenden	100		1,905	-117
11.	ELOTHERM GmbH, Remscheid (in liquidation)				
	Abroad				
12.	BST France S.A.R.L., Verrieres Le Buisson/France	100	1.	228	6
13.	BST International Shanghai Co., Ltd., Shanghai/PR China	100	1.	427	167
14.	BST Italia S.r.l., Saronno/Italy	100	1.	127	13
15.	BST Sayona Automations Private Ltd., Mumbai/India 2)	51	1.	1,127	124
16.	EMG AUTOMATION Ltd., Buckinghamshire/United Kingdom	100	2.	33	0
17.	EMG Automation India Private Ltd., Mumbai/India 3)	76	2. (51 %), 15. (49 %)	73	7

1) Before profit and loss transfer
2) Financial statements as at March 31, 2008
3) Since start of activity 10/2008 – 12/2008

The data for the affiliated companies are attributable to the fiscal year as at December 31, 2008. The data for the foreign companies are converted to euro at the rate prevailing on the balance sheet date (shareholders' equity) and at the annual average rate (result).

(37) Shareholdings of the Management Board and the Supervisory Board

The number of shares held by the members of the Management Board and the Supervisory Board as at December 31, 2008 amounted to:

	2008 Number	2007 Number
Management Board	8,499	6,239
Supervisory Board	148,996	131,096
Total	**157,495**	**137,335**

The shareholdings of the Supervisory Board include 126,319 shares (prior year: 126,319) of Intec Beteiligungsgesellschaft mbH, Bad Homburg, the voting rights of which are attributable to Dr. Dirk Wolfertz, Bad Homburg, as the sole shareholder of Intec Beteiligungsgesellschaft.

(38) Shareholdings in the share capital of elexis AG

In accordance with Section 21 Paragraph 1 Sentence 1 of the Securities Trading Law (WpHG) the following shareholding thresholds are obliged to be disclosed: 3, 5, 10, 15, 20, 25, 30, 50 and 75 %. The following announcements were made to us during the fiscal year 2008 regarding the attainment or exceeding of or falling below these shareholding thresholds:

- Mr. **Tito Tettamanti**, United Kingdom, announced to us on March 18, 2008 in a accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that his share of the voting rights in elexis AG had exceeded on March 13, 2008 the threshold of 10 % and amounted on that day to 10.02 % (921,550 voting rights). Of these 10.02 % (951,550 voting rights) are allocable to him in accordance with Section 22 paragraph 1 No. 1 WpHG through the following companies controlled by him, the share of which of the voting rights in elexis AG amount in each case to 3 % or more:

  – Gritlot Limited, Douglas, Isle of Man

  – Sterling Strategic Value Limited, Tortola, British Virgin Islands

  – Serlick S.A., Montevideo, Uruguay

  – IED International Equity Development S.L., Barcelona, Spain

  – IED Beteiligungs-GmbH, Frankfurt am Main, Germany

  – IED International Equity Development GmbH & Co. KG, Frankfurt am Main, Germany

- Die **Polar Capital LLP**, London, United Kingdom, announced to us on May 8, 2008 in accordance with Section 21, Paragraph 1 WphG that their share of the voting rights in elexis AG had exceeded on May 6, 2008 the threshold of 3 % and amounted on that day to 3.23 % (297,607 voting rights). Of these 3.23 % (297,607 voting rights) are allocable to them in accordance with Section 22 paragraph 1 No. 6 WpHG.

  The voting rights allocable to them are held in this respect through the following company controlled by them, the share of which in the voting rights of elexis AG amount to 3 % or more:

  Polar Capital European Forager Fund Limited, Grand Cayman, Cayman Islands, British West Indies.

- **DWS Investment GmbH**, Frankfurt, Germany, announced to us in accordance with Section 21 Paragraph 1 and Section 24 WpHG in connection with Section 32 Paragraph 2 InvG (Investment Law) on 31.10.2008 that their share in the voting rights of elexis AG had exceeded on 29.10.2008 the threshold of 3 % and now amounted to 3 % (this corresponds to 276,253 voting rights).

- **DWS Investment GmbH**, Frankfurt, Germany, announced to us in accordance with Section 21 Paragraph 1 and Section 24 WpHG in connection with Section 32 Paragraph 2 InvG (Investment Law) on 04.11.2008 that their share in the voting rights of elexis AG had exceeded on 31.10.2008 the threshold of 5 % and now amounted to 5.46 % (502,753 voting rights).

- **Polar Capital LLP**, London, UK, announced to us on 27.01.2009 in accordance with Section 21, Paragraph 1 WphG that their share of the voting rights in elexis AG had fallen below the threshold of 3 % on 22.01.2009 and now amounted to 2.96 % (that corresponds to 272,377 voting rights). 2.96 % of the voting rights (that corresponds to 272,377 voting rights) are allocable to the company in accordance with Section 22 Paragraph 1 No. 1 WpHG. through Polar Capital European Forager Fund Limited, Grand Cayman, Cayman Islands, British West Indies.

- **Polar Capital LLP,** London, UK, announced to us on 27.01.2009 in accordance with Section 21, Paragraph 1 WphG that their share of the voting rights in elexis AG had fallen in terms of shares on 22.01.2009 below the threshold of 3 % and now amounted to 2.96 % (that corresponds to 272,377 voting rights). 2.96 % of the voting rights (that corresponds to 272,377 voting rights) are allocable to the company in accordance with Section 22 paragraph 1 No. 6 WpHG. through Polar Capital European Forager Fund Limited, Grand Cayman, Cayman Islands, British West Indies.

- **Polar Capital European Forager Fund Limited**, Grand Cayman, Cayman Islands, British West Indies, announced to us on 27.01.2009 in accordance with Section 21, Paragraph 1 WphG that their share of the voting rights in elexis AG had fallen in terms of shares on 22.01.2009 below the threshold of 3 % and now amounted to 2.96 % (that corresponds to 272,377 voting rights).

- **Possehl-Stiftung**, Lübeck, Germany, announced to us on February 10, 2009 in accordance with Section 21 Paragraph 1 WpHG that their share in the voting rights of elexis AG exceeded the threshold of 3 % of the voting rights on 06.02.2009 and amounted on that day to 3.05 % (280,868 voting rights). Of these 3.05 % of the voting rights (280,868 voting rights) are allocable to them in accordance with Section 22 Paragraph 1, Sentence 1 No. 1 WpHG. Their allocable voting rights are held by the following company controlled by them, whose share of voting rights in elexis AG amounts to 3 % or more:

  – L. Possehl & Co. mbH, Lübeck, Germany

- **L. Possehl & Co. mbH**, Lübeck, Germany, announced to us on February 10, 2009 in accordance with Section 21 Paragraph 1 WpHG that their share in the voting rights of elexis AG exceeded the threshold of 3 % on 06.02.2009 and amounted on that day to 3.05 % (280,868 voting rights).

- **Possehl-Stiftung**, Lübeck, Germany, announced to us on 23.02.2009 in accordance with Section 21 Paragraph 1 WpHG that their share in the voting rights of elexis AG exceeded the threshold of 5 % of the voting rights on 20.02.2009 and amounted on that day to 6.21 % of the voting rights (that corresponds to 571,663 voting rights). 6.21 % of the voting rights (that corresponds to 571,663 voting rights) are allocable to them in accordance with Section 22 Paragraph 1, Sentence 1 No. 1 WpHG. through L. Possehl & Co. mbH, Lübeck, Germany.

- **L. Possehl & Co. mbH**, Lübeck, Germany, announced to us on 23.02.2009 in accordance with Section 21 Paragraph 1 WpHG that their share in the voting rights of elexis AG exceeded the threshold of 5 % on 20.02.2009 and now amounted to 6.21 % (that corresponds to 571,663 voting rights).

- **Possehl-Stiftung**, Lübeck, Germany, announced to us on 09.03.2009 in accordance with Section 21 Paragraph 1 WpHG that their share in the voting rights of elexis AG exceeded the threshold of 10 % of the voting rights on 06.03.2009 and now amounted to 11.53 % of the voting rights (that corresponds to 1,060,684 voting rights). 11.53 % of the voting rights (that corresponds to 1,060,684 voting rights) are allocable to them in accordance with Section 22 Paragraph 1, Sentence 1 No. 1 WpHG. through L. Possehl & Co. mbH, Lübeck, Germany.

- **L. Possehl & Co. mbH**, Lübeck, Germany, announced to us on 09.03.2009 in accordance with Section 21 Paragraph 1 WpHG that their share in the voting rights of elexis AG exceeded the threshold of 5 % of the voting shares on 06.03.2009 and now amounted to 11.53 % (that corresponds to 1,060,684 voting rights).

The individual details of the announcements of the above-mentioned shareholders and / or the companies controlled by them with additional announcements on allocation levels of voting rights in elexis AG are published in the corporate register and may be inspected there in accordance with the Securities Trading law (WpHG).

As at the balance sheet date of December 31, 2008 or up to the drawing up of these financial statements the following announcements were made in accordance with the Securities Trading Law (WpHG) concerning shareholdings which must be disclosed in the share capital of elexis AG:

Investor	Shareholding at date of announcement:	Announcement of:
Possehl-Stiftung, Lübeck, Germany (through L. Possehl & Co. mbH, Lübeck)	11.53	09.03.2009
DWS Investment GmbH, Frankfurt am Main	5.46	30.10./ 04.11.2008
Tito Tettamanti, London, UK (through Sterling Strategic Value Limited, Tortola, BVI; International Equity Development S.L., Barcelona, Spain/IED International Equity Development GmbH, Frankfurt am Main, Germany)	10.02	18.03.2008
Baden-Württembergische Investmentgesellschaft mbH	7.598	10.01.2007
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen	8.610	08.05.2002

(39) Board of Management

Composition of the Management Board in the year under report:

- Siegfried Koepp (Dipl. Ing.), Mühltal (Chairman)
- Edgar Michael Schäfer (Industrial Manager), Wilnsdorf

(40) Supervisory Board

The Supervisory Board of elexis AG was composed as follows during the fiscal year 2008:

- Dr. Dirk Wolfertz, Bad Homburg (Chairman) – Managing shareholder of Intec Beteiligungsgesellschaft mbH, Bad Homburg
- Karl Heinz Gorgas, Tettnang – Management consultant
- Georg Keppeler, Olpe (Deputy Chairman) – Trade union secretary (employees' representative)
- Stefan Köster, Olpe – Chairman of the Employees' Council (employees' representative)
- Klaus Kramer, Bielefeld – Electrician (employees' representative)
- Willi B. Loose, Tervuren/Belgium – Investment banker
- Dieter Schulze, Pfaffing – Management consultant
- Klaus Schulze, Eschborn – Portfolio manager
- Prof. Dr. Michael Wackenhuth, Weilheim/Teck – Lawyer

The following members of the Supervisory Board of elexis AG are also members of the Supervisory Boards or other supervisory bodies of the following companies within the meaning of Section 125 Paragraph 1 Sentence 3 (AktG):

Member of the Supervisory Board	Other supervisory board appointments
Dr. Dirk Wolfertz	Nucletron Electronic AG (Chairman)
Karl Heinz Gorgas	Harms & Wende Beteiligungs GmbH Harms & Wende QST GmbH PROCON PAS Elektronik GmbH
Georg Keppeler	Treuhandverwaltung IGEMET GmbH Mitglied des Verwaltungsrates der AOK Westfalen Lippe
Dieter Schulze	MS "ER Amsterdam" Schiffahrtsgesellschaft mbH & Co. KG
Prof. Dr. Michael Wackenhuth	MOSOLF GmbH & Co. KG, Internationale Spedition MAI MOSOLF Automotive Industries AG (Chairman)

(41) Declaration in accordance with Section 161 AktG

The required declarations of compliance with the Corporate Governance Code for elexis AG have been given in accordance with Section 161 AktG and been made available to the shareholders.

(42) Audit fees

In accordance with IDW HFA 1.006 fees paid to the auditors during the fiscal year 2008 are included in the operating expenses in the amount of € 170,000 (prior year: € 213,000).

€ 000	2008	2007
Audit fees	165	185
Fees for other services	5	28
Total	**170**	**213**

Wenden, March 9, 2009

elexis AG, The Management Board

Siegfried Koepp Edgar M. Schäfer

5 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 profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Wenden, March 9, 2009

elexis AG, The Mangement Board


Siegfried Koepp   Edgar M. Schäfer

6 Auditors' report

We have audited the consolidated financial statements drawn up by elexis AG , consisting of the balance sheet, profit and loss account, the schedule of income and expenses included, the statement of cash flow and the notes as well as the Group management report of elexis AG, which is combined with the management report of the Company, for the fiscal year from January 1 to December 31, 2008. The presentation of the consolidated financial statements and the combined management report in accordance with the standards IFRS, as they are to be applied in the EU, as well as the supplementary regulations of commercial law to be applied in accordance with Section 315 a Paragraph 1 HGB and the supplementary conditions of the articles of association are the responsibility of the Management Board of the Company. It is our responsibility to issue an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the generally accepted standards for the audit of financial statements issued by the Institute of German Auditors (IDW). Those standards require that the audit be planned and performed in such a manner that it can be assessed with reasonable assurance whether the consolidated financial statements, prepared in accordance with the generally accepted accounting principles and the combined management report, are free from errors and misstatements materially affecting the presentation of the assets, financial position and results. Knowledge of the company's business activities and its economic and legal environment, together with an evaluation of the incidence of possible misstatements, are taken into account in the determination of the audit procedures. The scope of the audit includes assessing the effectiveness of the internal control system based on the accounting records and the evidence relevant to the amounts and disclosures in the consolidated financial statements and the combined management report, which are mainly examined on a test basis. The audit includes the assessment of the financial statements of the companies included in the consolidated financial statements, the scope of the consolidation, the adequacy of the consolidation and accounting policies used as well as the significant estimates made by the Management Board, together with assessing the overall adequacy of the presentation of the consolidated financial statements and the combined management report. We believe that our audit provides an adequate basis for reaching our opinion.

Our audit did not result in the necessity for any qualification of our opinion.

In our opinion and on the basis of our knowledge gained during the audit, the consolidated financial statements correspond to the standards of IFRS, as they are to be applied in the EU, as well as the supplementary commercial regulations of commercial law to be applied in accordance with Section 315 a Paragraph 1 of the HGB and the supplementary conditions of the articles of association and present within the meaning of these regulations a true and fair view of the assets, financial position and results of the Group. The combined management report corresponds to the consolidated financial statements and gives in total an adequate description of the position of the Group and states suitably the opportunities and risks arising from future developments.

Siegen, March 16, 2009

PricewaterhouseCoopers AG	**(Markus Dittmann)**	**(ppa. Maic Kunz)**
Wirtschaftsprüfungsgesellschaft	Auditor	Auditor

7 elexis AG: financial statements as at December 31, 2008

(drawn up in accordance with HGB)

Profit and loss account of elexis AG for the periods 01.01.2008 to 31.12.2008 and 01.01.2007 to 31.12.2007

€000	2008	2007
1. General administrative expenses	2.386	2.256
2. Other operating income	20.143	3.184
3. Other operating expenses	648	2.526
4. Income from profit and loss transfer agreements	-	18.754
5. Other interest and similar income, of which from associated companies: (€ 1,000,000) (prior year: T€ 1,170,000)	1.000	1.170
6. Interest and other expenses of which from associated companies: (€ 259,000) (prior year: € 251,000)	361	295
7. Result from operating activities	**17.748**	**18.031**
8. Taxes on income	2.707	5.450
9. Net income (= retained earnings)	**15.041**	**12.581**

Balance sheet of elexis AG as at 31.12.2008 and 31.12.2007

Assets	31.12.2008 € 000	31.12.2007 € 000	Liabilities	31.12.2008 € 000	31.12.2007 € 000
A. Fixed assets	**57,427**	**38,227**	**A. Shareholders' equity**	**68,257**	**58,184**
I. Financial assets			I. Capital subscribed	23,552	23,552
Shares in associated companies	57,427	38,227	II. Capital reserve	3,555	3,555
			III. Other earnings reserves	26,109	18,496
B. Current assets	**19,081**	**26,402**	IV. Net income for the fiscal year	15,041	12,581
I. Receivables and other assets	18,914	26,046			
1. Receivables from associated companies	18,182	24,928	**B. Provisions**	**7,569**	**5,515**
2. Other assets	732	1,118	1. Provisions for pensions	214	202
			2. Provisions for taxes	3,087	971
II. Cash on hand and in banks	167	356	3. Other provisions	4,268	4,342
C. Prepaid expenses	31	18	**C. Liabilities**	**713**	**948**
			1. Liabilities to banks	147	440
Total assets	**76,539**	**64,647**	2. Trade payables	173	204
			3. Liabilities to associated companies	83	71
			4. Other liabilities	310	233
			Total liabilities	**76,539**	**64,647**

Wenden, March 6, 2008 **The Management Board**

The full financial statements of elexis AG (including notes to the financial statements) as well as the management report, which has been given an unqualified opinion by Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, is published in the electronic Bundesanzeiger. elexis AG is included in the Commercial Register at the District Court of Siegen under HRB 7549. These financial statements can be requested from elexis AG, Industriestrasse 1, D-57482-Wenden.

Please note that through the use of commercial rounded amounts and percentages, differences could arise in the tables and summaries.

8 Definition of key data used / financial glossary

Accounts receivables (in days)
Trade receivables / sales X 360

Administrative expense ratio
Administrative expenses / sales

Average capital invested
(Fixed assets + working capital beginning of year + fixed assets + working capital end of year) / 2

CAPEX (CapitalExpenditure)
Expenditures for investments incl. financial leasing / depreciation and amortisation on tangible and intangible assets

Costs of material ratio
Cost of materials / sales

Cover of fixed assets
(Shareholders' equity + long term liabilities excl. deferred taxes) / fixed assets

Equity ratio
Shareholders' equity / balance sheet total

Gross margin
Gross profit / sales

Investment ratio
Investments excluding leasing / depreciation on tangible and intangible assets

Inventory turnover
Inventories / sales x 360

Net liquidity
Liquid funds + securities – short term liabilities to banks

Personnel expense ratio
Personnel expense / sales

Return on capital employed (ROCE)
EBIT / average invested capital

Return on equity
Net income / shareholders' equity
(Net income and shareholders' equity after deduction of minority interests)

Selling expense ratio
Selling expenses / sales

Working capital
Current assets (excl. liquid funds) – non-interest bearing liabilities

9 Corporate calendar

MCC (Munich Capital Market Conference)	April 27, 2009
Interim financial report 1-3/2009	May 2009
General meeting of shareholders	May 20, 2009
Half year financial report 1-6/2009	August 2009
Interim financial report 1-9/2009	November 2009
Analysts' conference	November 2009
Annual report 2009	March 2010

Imprint

Apart from the employees of elexis AG the following have cooperated in the drawing up of this annual report:

Text and concept
BÖHM CONSULT AG, Berlin

Layout and Design
SatzWERK, Siegen

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elexis AG
Industriestraße 1
57482 Wenden
Deutschland
Tel. + 49 (0)2762 612 - 130
Fax + 49 (0)2762 612 - 135

www.elexis.de