Future through innovation

Annual report 2009

elexis

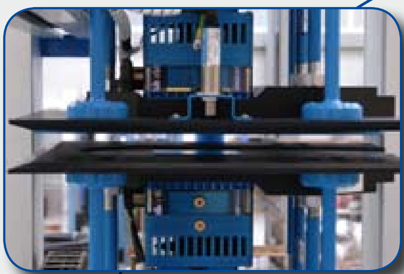
elexis at a glance

euro million	**2009**	2008
Incoming orders	117.8	164.5
Sales (net) *of which international in %*	126.0 *50.5*	170.6 *61.0*
Gross profit	42.4	65.4
EBITDA	8.8	27.6
EBIT *EBIT margin (in %)*	5.2 *4.2*	24.0 *14.1*
EBT	4.4	22.7
Consolidated net income after deduction of minorities	1.6	13.5
Earnings per share in euro (EPS)	0.17	1.47
Number of shares in circulation (in million)	9.2	9.2
Cash flow from operating activities	5.6	10.5
Investments	2.7	8.1
Key data as at 31.12.		
Working capital	5.5	14.9
Long term liabilities to banks	5.6	7.4
Net liquidity	12.4	20.9
Shareholders' equity	66.6	71.6
Total of statement of financial position *Equity ratio (in %)*	128.9 *51.7*	134.9 *53.1*
Employees (as at date of statement of financial position excluding apprentices)	739	808
Profitability data		
Return on shareholders' equity after tax (in %)	*2.4*	*19.4*
Return on capital employed (ROCE in %)	*8.5*	*36.6*

Future through innovation

Innovations of the elexis AG 2009

Further development
IMPOC to IMPOCpro



Production plant for
pipette tips

Electro-mechanical
linear actutors

eBACS -
Baffle blade
control system

Further development
eMASS to eMASS 2.0

eWIPE -
Automatic
air knife cleaning

ISM 4000
Colour measuring system

IDM 4000 -
Inline colour density measurement

AR 4000 -
Register control

Annual report 2009

Letter of the Management Board to the Shareholders

Siegfried Koepp
(CEO)

Edgar Michael Schäfer
(Member of the Management Board)

Dear Shareholders,

2009 was one of the most difficult years in the history of the international financial economy, resulting in serious subsequent damage for the worldwide economic growth. The severe turbulences also left clear marks on the elexis Group. Hardly any company could escape from the downward trend. Declines were very difficult to avoid, even with forward-looking and skilful control of the business processes. The most recent development of your Company is the result of the dramatic collapse in the worldwide machinery construction market. We should like to explain this situation to you briefly. It is the key to understanding the developments during the year under report.

The market crash for investment goods was and is the result of the global financial crisis. It deteriorated as from September 2008 with the collapse of the US investment bank, Lehman Brothers, and then spilled over increasingly into the whole economy. The German machinery and equipment manufacturing sector was also impacted by the economic turbulences. Following a five year phase of growth the branch had to withstand the largest decline of the post-war period.

The specialised sectors of machinery manufacturing which are relevant for the elexis Group reported during the fiscal year 2009 substantial declines in incoming orders, which according to the branch amounted to between 19 and 62 percent versus the prior year. The incoming orders of your Company developed also in a correspondingly weak manner. With euro 117.8 million they lay approximately 28 percent lower than the amount of euro 164.5 million in the prior year. The elexis Group was thus less affected than the average for the branch. The sales declined by 26 percent to euro 126.0 million (prior year: euro 170.6 million) due to the sharp drop in the development of the market and the branch.

Management strength and decisive action was particularly required in this difficult market environment. Our positive operating result (EBIT) in 2009 amounting to euro 5.2 million (prior year: euro 24.0 million) shows that we are on the right path. This corresponds to an EBIT margin of 4.2 percent. Earnings before taxes (EBT) amounted to euro 4.4 million following euro 22.7 million in the prior year. The equity ratio could be maintained at an almost stable level versus the prior year and amounted to 51.7 percent. Strict cost management with specific cost reduction programmes had a decisive influence on the earnings situation.

Dear Shareholders, we should like to explain these measures to you in detail.

We considered that the swift adjustment of our production capacities and costs to the declining demand was one of our major tasks in the fiscal year 2009. We had to assume that a positive change in the trend would not take place in the market in the foreseeable future. The current situation confirms this assumption, since machinery manufacturing always follows the general development in the economy with a significant time lag.

In view of this situation we did not limit ourselves to reducing only individual cost items. The Management Board also put examined value added processes and restructured organisational units and structures.

Painful interventions were also necessary for this. In parallel with the short working time introduced at the sites in Eching and Bielefeld, the Group had to unfortunately reduce the number of employees at several production facilities. This concerned permanent and temporary employees in the same manner. In total 147 employees have left the elexis Group. In addition, savings were realised in overheads and investments.

Even though we introduced substantial measures already at an early stage, in order to counteract the negative market conditions, success manifests itself only after a time lag. Cost optimisation programmes in the amount of approximately euro 11 million were implemented for the full year. The full annual effect of these measures will amount to approximately euro 14.7 million in the Group in 2010.

Cost reductions are, however, not our only cure for escaping the crisis. In particular in economically turbulent times it is important to continue consistently our clear strategic direction, with which we have attained market leadership in many fields. The elexis Group continues to have a solid base.

Cost leadership, market leadership, technology leadership and diversification are not only catchwords which outline our business model. From these we also define specific tasks and targets. These include, for example, the assurance of a high degree of benefit of our products and services for the customer. The elexis Group is not only a supplier, but also a solver of problems. We optimise processes for our customers, supply solutions for their economic effectiveness, quality assurance and factory automation and naturally also taking energy efficiency and current environmental questions into consideration.

The focus of our business activity was and shall be in the future the growth markets and the mega trends of demand. There are trends which are unstoppable in spite of the economic crisis and which require new solutions and a change. Our emphases have been placed correctly with our focus on industrial manufacturing, consumer change, mobility, environment and health. During the past fiscal year the elexis Group decided on an innovation offensive, in order to develop at the right time new products for the future growth markets. In the past elexis could position itself very well in the market and achieve a high ranking in comparative performance with its focus on the mega trends of worldwide demand and innovative niche markets.

In the area of factory automation your Company will, as a technology leader, also enrich in the future the technological processes through innovations and a broad range of products and services.

Our strategy of diversification has cushioned the effects of the crisis. As a result declines in the Printing sector and in the Plastics division, which were at an early stage in the cycle, were able to be compensated by the Steel sector, which is late in the cycle.

Let us cast a glance on the markets. According to analysts the recession of 2009 has been overcome. Senior analysts are forecasting for 2010 a positive global growth of around 3.9 percent. The growth will, however, turn out to be extremely varied. Whilst there is a self-propelling upturn in the developing countries, the situation in the industrial countries is completely different. The International Monetary Fund (IMF) expects for 2010 an increase of about 6.0 percent in the developing countries but only 2.1 percent growth for the industrial nations.

The international focus of the elexis Group sets in this respect stabilising impulses for the business development. China, India and Brazil continue to be considered as the future growth markets. elexis has already been represented successfully for many years in these regions with its own manufacturing and sales subsidiaries. elexis thus guarantees the market closeness to the customer and the realisation of specific country requirements. Our communications and activities beyond frontiers in various branches are a motor for technological progress and decisive for our success as market leader in many areas.

During the past year we have set the course for this business philosophy of your Company. Our markets have the potential to go into motion again and to grow. After the structures were created in 2009 for sustainable stable growth, 2010 will be a transitional year. We have used this phase in the economy for more innovation activity and the optimisation of our sales structures. Nevertheless, we expect for 2010 that a recovery will take place initially at a low level.

At a time in which the financing of companies remains difficult the liquidity is the decisive factor for corporate control. We are in a good position and have a solid statement of financial position. Within the framework of the regular audit of our accounting and bookkeeping principles by he German Audit Office for Accounting (DPR) the audit office came to the conclusion that there was no evidence of incorrect accounting for the year 2008. As at December 31, 2009 our net liquidity amounted to euro 12.4 million (prior year: euro 20.9 million). This is sufficient to maintain and to expand further. In this respect it is necessary to use the existing resources efficiently and to reduce constantly inventories and processing times and to use the employees flexibly in accordance with requirements.

Ladies and Gentlemen, in contrast with the public opinions of leading analysts we are of the opinion that the consequences of the financial crisis have by far not yet been overcome. The ancillary effects of the state interventions are visible. The state deficits are increasing as a result of the economic programmes. There is a threat of rising interest rates and inflation. The restrictive granting of credit by the banks also has a braking effect on the recovery. In summary, we can state that in the event of a quick recovery of the economy in the near term there will be an equal number of opportunities and risks.

As a result of the financial crisis there was an acceleration of the necessary global change of corporate structures, which last but not least led to capacity reductions and measures for the increase in productivity. We are convinced that your Company will reach a high level of competitivity in the current fiscal year with optimised corporate structures and cost positions adjusted to demand.

elexis will continue to grow and expand its worldwide range of products. We are in the starting blocks in order to exploit new market opportunities and will in this respect extend the sales structures to new market areas and additional market niches.

The elexis Group reacted quickly and consistently to the market situation in 2009 and created the prerequisites for a successful future. The opportunity develops in every crisis for a start with new changed conditions and we have exploited these opportunities. Above all we should like to thank you for your confidence during the fiscal year as well as all the others who support our Company and ensure that the success story of the elexis Group will also continue in the future. We would be very pleased if you would also give us your confidence in 2010.

With best regards,

The Management Board

Siegfried Koepp   Edgar Michael Schäfer

elexis products and the mega trends

Climate change / environment

Climate change: renewable forms of energy, coal power stations and atomic power stations are fields of application of thruster technology.

Environmental protection: careful use of raw materials and quality assurance systems reduce waste and thus the emission of CO_2.

Energy efficiency: thinner steel sheet and a higher proportion of plastics are being used increasingly in the area of the automobile industry.

Health

Automated handling systems in the plastics sector are necessary for the technological progress of gene and biotech technology. Furthermore, in view of a booming health consciousness, technological solutions for the packaging industry are increasingly gaining in importance.

Mobility

New developments in the steel industry are resulting in new types of steel lines. Moreover, thruster technology is contributing to global mobility through the equipment of international container ports.

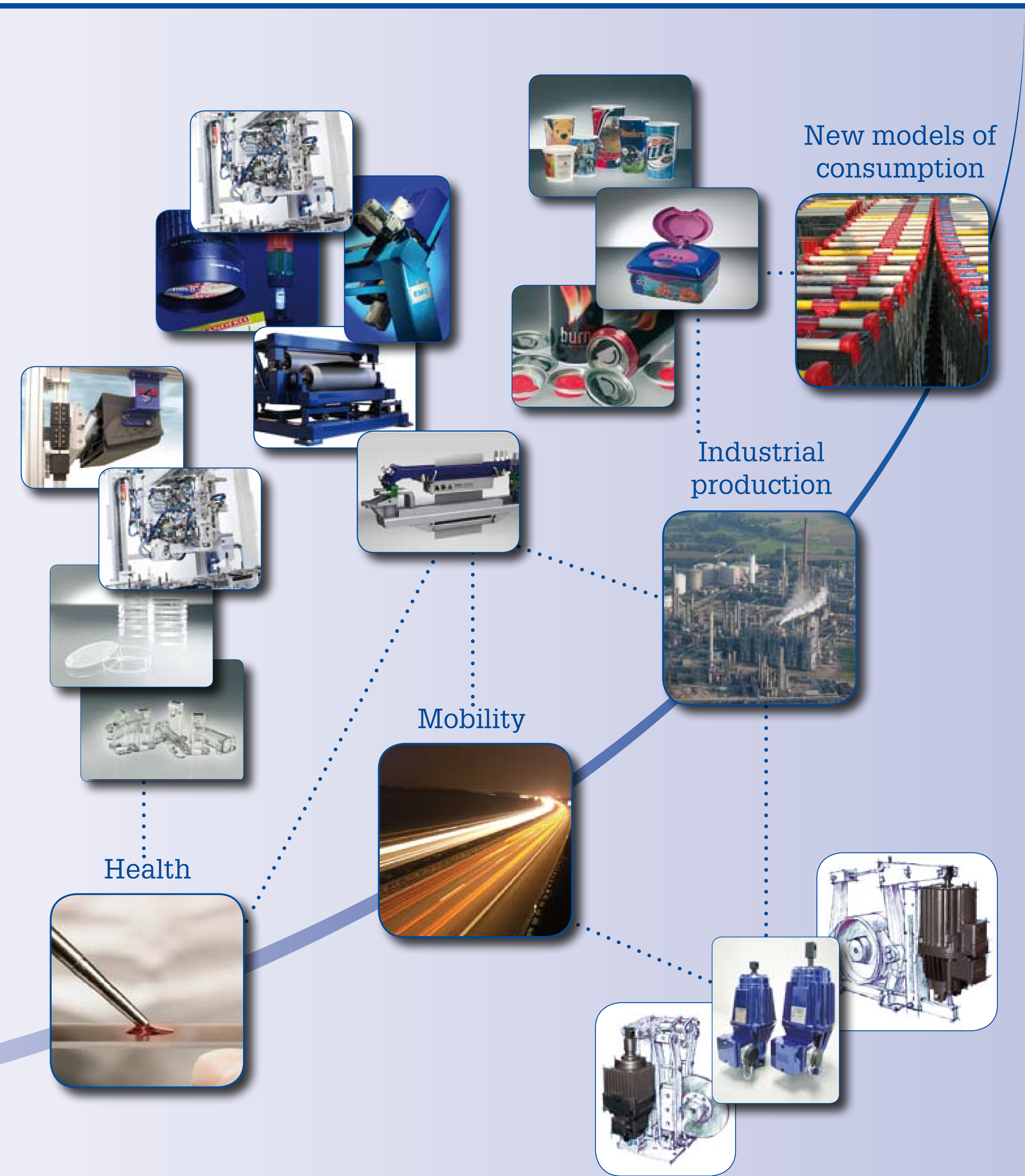
Industrial manufacturing

is the basis of all technological innovation. New future-orientated technologies in the environmental, bio and gene sectors would not be able to achieve market penetration without industrial manufacturing. elexis products are indispensable for the functional capability of production plants in some areas of industrial manufacturing.

Consumption models in change

The consumption models of the future are served directly and indirectly by all product areas of elexis.

Climate change / environment


New models of consumption
Industrial production
Mobility
Health

1. elexis on the capital market

elexis share with price increase

The stock market decline following the Lehman bankruptcy led to investors worldwide leaving the equity markets until the beginning of 2009. The stock markets were in a free fall. After reaching the lows at the beginning of the year the stock market started to recover as from the middle of March 2009. During the second half year 2009 the capital markets even experienced a swift increase. The leading German DAX index started the year with 4,857 points. It reached the high at the end of the year and finished trading on 31.12.2009 with 5,957 points. This represents a price increase of approximately 23 percent. The leading index of the world, the Dow Jones, maintained itself in the fourth quarter above the magical level of 10,000 after having initially started the year 2009 with 8,776 points.

The SDAX index of secondary stocks, in which the share of elexis AG is also listed, opened the year with 2,830 points and closed trading on 30.12.2009 with a plus of 25.4 percent and 3,549 points. The equity share of elexis AG also followed the upward trend of the equity markets. The share started on January 2, 2009 at a price of euro 7.89. On October 21, 2009 the share reached its high at the close of trading at a price of euro 10.55. The annual low was reached on January 31, 2009 with a closing price of euro 6.12. At the end of the year 2009 the share of elexis AG attained a price of euro 9.07. This represents a price increase of 13 percent during the fiscal year (prior year: minus 60 percent). The average trading volume of the elexis shares (XETRA and the over-the-counter market in Frankfurt) amounted to 12,963 shares per day during the 254 trading days of the past fiscal year. During the fiscal year the Company increased its market capitalisation by euro 12.7 million to euro 83.4 million (prior year: euro 70.7 million).

Summary of the elexis share

Stock market price (XETRA closing price) in euro	2009	2008
High	10.55	20.18
Low	6.12	6.86
Beginning of year	7.89	19.30
End of year	9.07	7.69
Number of shares (million)	9.2	9.2
Market capitalisation 31.12. (euro million)	83.4	70.7

Dividend distribution and share repurchase programme

At the general meeting of shareholders on May 20, 2009 the shareholders of elexis AG again authorised the Management Board to repurchase up to November 19, 2010 own shares in a volume of up to 10 percent of the share capital. To date no use has been made of this resolution.

The shareholders of elexis AG also resolved on May 20, 2009 to pay a dividend of euro 0.48 per share for the fiscal year 2008. The dividend payment amounted to a total of euro 4.4 million. From this resulted a dividend yield of 6.3 percent based on the closing price of euro 7.69 on the last trading day of the fiscal year 2008. The distribution ratio amounted to 33 percent of the consolidated net income earned in 2008 (after deduction of minority interests).

elexis intends to enable its shareholders to participate appropriately in the success of the Company also in this fiscal year. The dividend policy of the last few years foresaw a distribution ratio of 33 percent of the consolidated net income after deduction of minorities. The general economic conditions in 2009 also had effects on the earnings situation of the elexis Group, which reports as at December 31, 2009 a net income after deduction of minorities of euro 1.6 million (prior year: euro 13.5 million). The maintenance of the existing dividend policy leads to a considerably lower dividend yield. The corporate success of elexis AG is also positively influenced by the continuity of our shareholders and investors, who last but not least also bear the economic risk. In view of this the Management Board and the Supervisory Board propose to distribute a dividend of euro 0.17 per share to the shareholders. This represents a dividend distribution of euro 1.6 million or 100 percent of the consolidated net income.

Solid shareholder basis

The share of elexis AG is listed in the strictly regulated Prime Standard at the Frankfurt Stock Exchange and is included in the SDAX index of secondary stocks. 84.9 percent of the 9.2 million shares in circulation are considered as constituting the free float according to the definition of Deutsche Börse AG. There were no changes in the shareholder structure during the fiscal year. The Possehl-Stiftung, Lübeck, Germany announced that the threshold of 15 percent of the voting shares in elexis AG had been exceeded. The Possehl-Stiftung now holds 15.10 percent of the voting shares of elexis AG through L. Possehl & Co. mbH, Lübeck.

As in the fiscal year 2008 the largest single investors are Mr. Tito Tettamanti (10.02 percent), Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte (8.61 percent), Baden-Württembergische Investmentgesellschaft mbH (7.598 percent) and DWS Investment GmbH (5.46 percent).

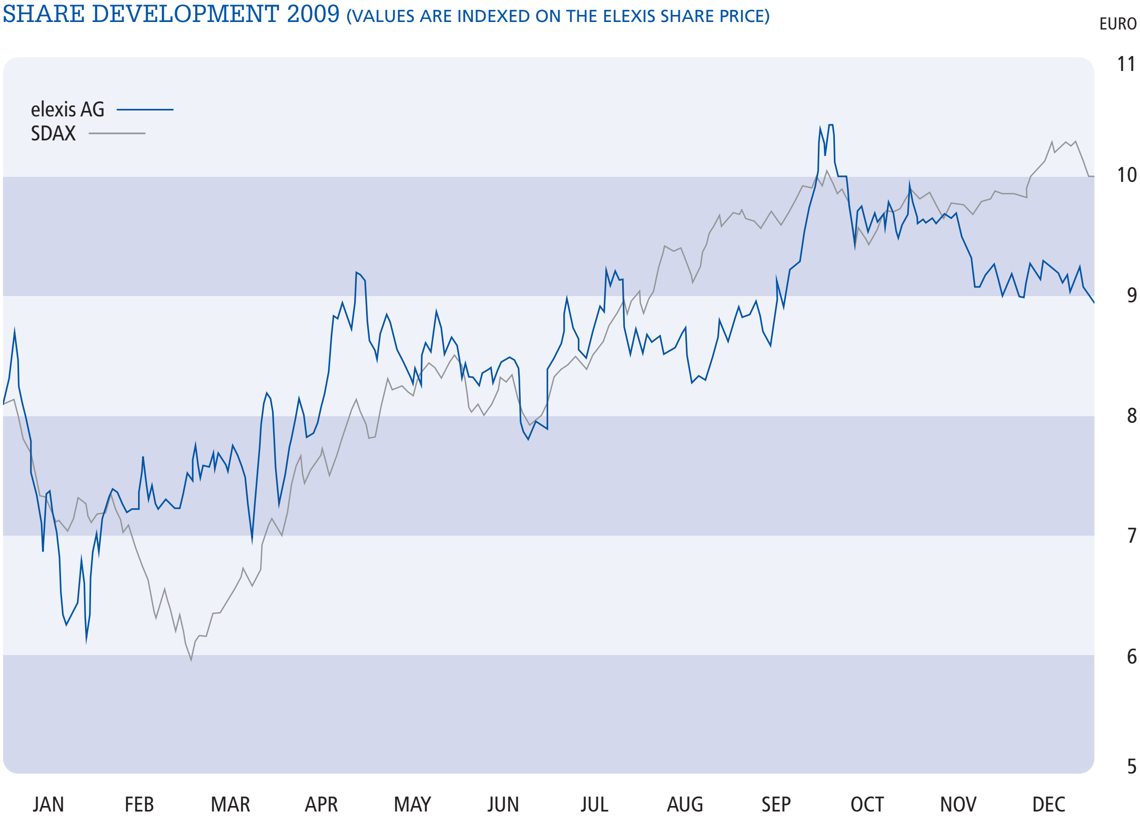
Investor relations: strengthen confidence

In the fiscal year 2009 the elexis Group also practised actively prompt and open communications with the participants in the financial markets. During the course of the year the Company held many discussions and visited various events and conferences. The Management Board thus reported on the development of the business of the Group within the framework of the annual financial press conference as well at numerous capital market conferences such as, for example, at the MKK Munich Capital Market Conference, the Baader-Bank Small and Midcap conference as well as at the Equity Capital Forum in Frankfurt.

Moreover, numerous road shows were held during the year under report with professional investors and financial market experts in the international financial centres of Frankfurt, Munich, Hamburg, Vienna, Stockholm, Amsterdam, London and Zürich.

elexis was analysed and evaluated during the fiscal year by the research teams of BHF-Bank, HSBC Trinkhaus & Burkhardt, Landesbank Baden-Württemberg, Bankhaus Lampe and Close Brothers Seydler Research AG. Their recommendations cover a wide range and extend from “underweight” to “buy”.

SHARE DEVELOPMENT 2009 (VALUES ARE INDEXED ON THE ELEXIS SHARE PRICE)



2. Corporate Governance

2.1. Report of the Supervisory Board

During the fiscal year 2009 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. 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 established an Audit Committee as well as an Appointments Committee, whose tasks and competences are presented in the "Declaration on Corporate Management". The Declaration on Corporate Management can be downloaded under ***www.elexis.de/The Company/Company Structure***.

Within the context of the committee work discussions were also held in respect of the prolongation of the contracts of the members of the Management Board in office as well as the initiative to gain members for the Supervisory Board from the group of financial investors and to submit corresponding recommendations to the Supervisory Board. We are very satisfied that we can continue the constructive cooperation with the existing members of the Management Board and have extended the existing contracts for a further five years within the context of the legal regulations. There were no changes with regard to the constitution of the Supervisory Board. Currently there is no vacancy in the group of the shareholders' representatives. A change in the membership structure is therefore not pertinent.

The Supervisory Board met during the fiscal year 2009 for four regular meetings and one extraordinary meeting on February 18, 2009. The emphasis of the discussions was focussed in particular on the assessment of the overall economic situation and the possible consequences therefrom for the economic development of elexis AG.

Due to the effects of the financial and economic crisis, which were difficult to assess, the Supervisory Board and the Management Board came to the conclusion that the 2009 budget, which was adopted in 2008 as well as the medium term planning, should be reviewed in the first quarter 2009. Within the framework of the extraordinary meeting on February 18, 2009 the Management Board informed the Supervisory Board about the current economic situation of elexis AG as well as the branches which were relevant for elexis and which were also affected by the crisis. In this connection the Supervisory Board discussed the medium term earnings plan with the Management Board and discussed and decided on additional measures for the securing of liquidity and shareholders' equity as well as the corresponding personnel planning. The result of these discussions was the adoption of a cost reduction package of up to euro 15 million, which would be fully implemented during the fiscal year 2009. A report on the status of the cost reductions and the current economic outlook was also one of the main emphases of supervision also at each of the regular meetings of the Supervisory Board.

In this connection the Supervisory Board paid particular attention to the development of the Factory Automation, Plastics division. In this respect intensive discussions were held with the Management Board on technological perspectives and new market opportunities for the sustainable improvement of the unsatisfactory earnings situation. At the meeting held on 29 September 2009 at the headquarters of HEKUMA GmbH (Factory Automation, Plastics) the Supervisory Board was able to obtain for itself a personal impression of the new sole general manager as well as the even more intensively focussed sales structure of the company.

Further subjects discussed at the regular meetings included the strategic direction of the elexis Group for the increase of growth. In this connection the opportunities and perspectives of acquisitions and divestments were also discussed. At the meeting on 3 December 2009 the sale of a minority participation in the Israeli company, Optimet, was approved, since after all considerations no long term success was foreseeable for the elexis Group from this participation and since the fields of activity of this participation did not complement the core competences of the elexis Group.

With regard to its measures, the Management Board constantly consulted with the Supervisory Board concerning the implementation of its strategy for the achievement of a sustainable success for the Company. Regular, punctual and comprehensive information was given about the property, plant and equipment as well as the financial assets.

In order to fulfil the task of efficient supervision, for which it is responsible, the Supervisory Board also held three of its four regular meetings at the sites of the management of the divisions in Wenden, (EMG Automation GmbH), in Eching (HEKUMA GmbH) and in Bielefeld (BST International). There the members of the Supervisory Board could also obtain visually a qualified view of the situation of the companies and the implementation of the cost reduction measures of the Management Board. On the occasion of these meetings the new management of the strategic Group companies reported at the invitation of the Management Board on the current business and financial situation.

The Supervisory Board has implemented the content of the German Corporate Governance Code with the exception of the divergences which have been mentioned and for which the reasons have been indicated. The remuneration report contains information on Corporate Governance in the Company as well as a detailed report on the amount and the structure of the remuneration paid to the Supervisory Board and the Management Board. The Management Board and the Supervisory Board have issued a declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) and made this available permanently to the shareholders on the website of the Company.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited as auditors the financial statements of elexis AG, the consolidated financial statements, the management report of elexis AG and the Group management report for the fiscal year as at December 31, 2009. Within the context of its audit the auditors also have to evaluate whether the Management Board has fulfilled all legally required measures. These include, for example, the introduction and use of a monitoring system for the early recognition of developments, which could endanger the continuing existence of the Company and of the Group.

The auditors have issued an unqualified opinion with regard to the financial statements of elexis AG, the financial statements of the Group, the management report of elexis AG and the Group management report. 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 Audit Committee of the Supervisory Board examined at its meeting of March 16, 2010 the financial statements of elexis AG and the Group as well as the management report of elexis AG and the Group 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 17, 2010 reviewed the documentation and after its own examination followed the recommendation of the Audit Committee and approved the result of the audit. 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 and the consolidated financial statements for the fiscal year 2008 were thus adopted.

In March 2010 the Supervisory Board conducted intensive discussions regarding the performance of the Management Board during the past fiscal year as well as the remuneration of the Management Board. As a result of these intensive discussions the Supervisory Board was of the unanimous opinion that that it was primarily thanks to the commitment of the Management Board and its performance that elexis concluded the crisis year of 2009 with a positive consolidated net income. At the same time the Supervisory Board considered it necessary and appropriate that the overall negative economic development should also have an effect on the level of the bonuses for the Management Board. The Supervisory Board therefore resolved to reduce significantly the bonuses of the Management Board for the fiscal year 2009. Consequently, the bonuses for the fiscal year 2009 were determined at euro 105,000 for Mr. Koepp (following euro 157,000 in the prior year) and at euro 70,000 for Mr. Schäfer (following euro 95,000 in the prior year).

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.

Frankfurt am Main, March 17, 2010
The Supervisory Board

Dr. Dirk Wolfertz
Chairman

2.2. Remuneration report

The following remuneration report is an integral part of the management report. It describes also the remuneration system for the management.

The Supervisory Board has resolved that the remuneration system for the Management Board shall be presented for approval to the ordinary general meeting of shareholders on May 20, 2010.

Remuneration system for the Management Board of elexis AG

The remuneration system in force takes into consideration that the members of the Management Board exercise the activities of the Management Board of elexis AG and also concurrently the responsible operative management of the Steel and Printing division. With regard to the appropriateness of the remuneration of the Management Board the range of tasks of the individual members of the Management Board, their personal performance, the economic situation, the success and the future outlook of the Company are taken into consideration. Moreover, the remuneration system for the Management Board reflects the salary structures within the Group as well as those of additional comparative companies.

There are no commitments for compensation in the event of a premature termination of activities in the Management Board in the event of a change of control (“change of control” regulation). Moreover, the contracts of the Management Board contain no further remuneration components such as, for example, payments from third parties and/or from companies affiliated with the Group, signing bonuses, share-based remuneration models (e.g. stock options), pension provisions, pension claims etc.

The remuneration structure consists together of a success-dependent (bonus) and a success-independent (fixed remuneration, fringe benefits) portion. The success-dependent component consists of a bonus, which also takes into consideration an assessment basis of several years. There are no other additional performance based variable salary components. The success independent portion of the remuneration system consists of a fixed monthly salary and fringe benefits in the form of payments in kind. The payments in kind are attributable to insurance premiums and the private use of company vehicles. As a portion of the remuneration these fringe benefits must be declared for tax purposes by the individual members of the Management Board. With regard to the fixed portion and the bonus the Chairman of the Management Board receives a supplement of approximately 60 percent versus his colleagues in the Management Board.

The success-dependent portion of the remuneration includes also the sustainable and long term development of the Company. Apart from the long term objectives the development of the EBIT as well as of net liquidity are part of the basis of measurement. There is thus a balance between long term orientated corporate success as well as the control data used in the Group.

Extraordinary positive results are not taken into consideration with regard to the determination of the bonus, insofar as they are not already planned in the budget. On achievement of the targets the agreed bonus of 100 percent is due. In the event of falling below the target by 30 percent or more, the claim is no longer valid with regard to the individual target amount. In the event of exceeding the objectives the claim with regard to the individual target amount is limited to 140 percent. There is no legal claim for bonus payments in excess of 140 percent.

There are no pension provisions for the members of the Management Board in office. The provision for current pensions and entitlements to pensions amounted as at December 31, 2009 to euro 312,000 (prior year: euro 273,000). set up for a previous member of the Management Board and his survivors

The following individual remuneration data for the members of the Management Board of elexis AG include in each case the expenses stated in the statements of comprehensive income.

They amounted in the fiscal year 2009 to a total of euro 794,000 and was broken down as follows: [1)]

Fiscal Year 2009 in T euro	Fixed	Bonus	Gross remuneration	Other remuneration in kind *	Total
Siegfried Koepp	300	137	437	44	481
Edgar Michael Schäfer	200	73	273	40	313
Total	**500**	**210**	**710**	**84**	**794**

** Use of company car, insurance contributions*

[1] *Footnote: this footnote is not a part of the adopted financial statements but serves within the context of this annual report only to gain a better understanding of the development of the remuneration of the members of the Management Board for the corresponding fiscal years.*

As explained in the remuneration report, the development of the remuneration of the Management Board is presented there on the basis of the expenses booked in the financial statements. Since the allocations to the provisions for bonuses must be booked prior to the resolution of the Supervisory Board in respect of the actual amount of the bonuses, there result regularly and by necessity time delays in respect of the amounts to be indicated in the remuneration report. For example, the bonuses determined for the fiscal year 2008 were higher than the provision stated. The amount of the bonuses actually granted for the corresponding fiscal years are presented as follows in the report of the Supervisory Board (please refer to Page 17 of this annual report):

"Consequently, the bonuses for the fiscal year 2009 were determined at euro 105,000 for Mr. Koepp (following euro 157,000 in the prior year) and at euro 70,000 for Mr. Schäfer (following euro 95,000 in the prior year)."

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

Fiscal Year 2008 in T euro	Fixed	Bonus	Gross remuneration	Other remuneration in kind *	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*

Moreover, a D&O insurance policy has been concluded for the members of the Management Board, which fulfils the legal requirements in accordance with the VorstAG.

Remuneration of the Supervisory Board

The remuneration 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. It is based on the responsibility and the scope of activity of the members of the Supervisory Board as well as on the economic situation and the success of the Group.

Apart from the reimbursement of their expenses, the members of the Supervisory Board receive fixed and variable portions of remuneration. For the fiscal year 2009 the fixed remuneration for each member of the Supervisory Board amounted to euro 15,000 (prior year: euro 15,000); the Chairman received euro 30,000 (prior year: euro 30,000) and his deputy euro 23,000 (prior year: euro 23,000). The Chairman of the Supervisory Board therefore receives 2 times and the Deputy Chairman 1.5 times the fixed remuneration. The chairmen and the members of the committees of the Supervisory Board are remunerated separately in accordance with the German Corporate Governance Code. For activities in the committees individual members in this respect, received amounts between euro 8,000 (prior year: euro 8,000) and euro 15,000 (prior year: euro 15,000). This remuneration structure foresees that for membership in the committees 0.5 timers the annual fixed remuneration portion is paid. In the event of membership in several committees the additional remuneration is limited to 1 times the annual fixed remuneration. The Chairman and the Deputy Chairman receive for their participation in committees no further remuneration. The payment of the meeting fee is not an integral part of the remuneration of the Supervisory Board.

In addition, the members of the Supervisory Board receive each year a success-related remuneration. The success-related remuneration of the members of the Supervisory Board amount to 3 percent for each euro 1.00 additional amount in excess of the exempt amount (net income euro 2.5 million or 4 percent net income available for the year). The variable remuneration components are distributed to the individual members of the Supervisory Board in relation to their fixed remuneration structure and amounts at the maximum to 1 time the annual fixed remuneration structure. On the basis of the result situation in 2009 no variable remuneration will be paid for the past fiscal year.

For the fiscal year total remuneration in the amount of euro 229,000 will be paid out. This is distributed as follows to the members of the Supervisory Board:

in T euro	Fixed	Variable remuneration	Total	Total prior year
Dr. Dirk Wolfertz	45.0	-	45.0	75.0
Karl Heinz Gorgas	30.0	-	30.0	45.0
Georg Keppeler	33.8	-	33.8	56.3
Stefan Köster	22.5	-	22.5	37.5
Klaus Kramer	15.0	-	15.0	30.0
Willi B, Loose	22.5	-	22.5	30.0
Dieter Schulze	22.5	-	22.5	37.5
Klaus Schulze	22.5	-	22.5	30.0
Prof. Dr. Michael Wackenhuth	15.0	-	15.0	30.0
Total	**228.8**	**-**	**228.8**	**371.3**

Moreover, the members of the Supervisory Board have received neither in the year under report nor in the prior year any further remuneration or advantages for services personally provided, in particular consulting and intermediary services.

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

Shareholdings and disclosable transactions

The ownership of shares of the Management Board (7,999 shares) and the Supervisory Board (151,196 shares) amounts to 1.7 percent 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 Trading 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 corporate website in the internet.

We disclose further information on our Corporate Governance practice in the internet under ***"www.elexis.de/investor relations"***. Our articles of association, all declarations of compliance, a summary of directors' dealings as well as our compliance programme are also downloadable at this address.

Declaration of compliance with the German Corporate Governance Code

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

In its version of June 6, 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 declare to the best of their knowledge that the recommendations of the "Government Commission of German Corporate Governance Code" in its version of June 6, 2008 were complied with up to August 5, 2009 since the last declaration of compliance on March 23, 2009 and that the recommendations of the version of the Code of June 18, 2009 published on August 5, 2009 have been and will be complied with since August 6, 2009. The deviations listed below existed and exist:

No. 3.8

There is D&O insurance for the members of the Supervisory Board. In accordance with the new regulations of the Code in its version of June 18, 2009 the deductible should amount to at least 10 percent of the damage up to at least the amount of one and a half times the fixed annual remuneration of the corresponding member of the Supervisory Board. These regulations do not fulfil the existing insurance contracts. An amendment of the insurance contracts to the recommendations of the Corporate Governance Code is foreseen at the time of the renewal of the insurance policies.

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 to the general meeting of shareholders.

Ziff. 5.4.6

The chairmanship and the deputy chairmanship in one of the committees of the Supervisory Board is not differentiated separately with regard to remuneration. The Supervisory Board is of the opinion that the differentiation of the remuneration between the chairmanship and the deputy chairmanship of a committee does not require any different remuneration.

Wenden, March 2010

For the Supervisory Board: Dr. Dirk Wolfertz
For the Management Board: Siegfried Koepp, Edgar M. Schäfer

Best quality
at Rasselstein with EMG-IMPOCpro

EMG, the quality assurance specialist, continually measures tensile strength and yield point with IMPOCpro at Rasselstein GmbH, the world-renowned tinplate supplier.

The EMG-IMPOCpro solution

"We persuade with quality," said Alois Geyermann, plant manager at Rasselstein. "Therefore we are always willing to invest in new, promising innovations like IMPOCpro. EMG is a long standing partner. The new IMPOCpro-measuring-system from EMG puts us in a position to raise our high standards of quality even higher. With IMPOCpro we receive even more information about our manufacturing processes. Our customers benefit from greater certainty about the quality of our materials."

EMG-IMPOCpro is an online measuring system for destruction-free measurement of tensile strength and yield point over the entire strip length. In doing so material parameters are continually recorded, with which the desired mechanical properties can be identified. With IMPOCpro a magnetic inductive process is used. Therefore a measuring head, consisting of a magnetizing coil and a measuring coil, is arranged on the top and bottom sides of the strip. The strip is periodically magnetized with a pulse repetition of up to 7.5 Hz and shortly thereafter the gradient of the residual magnetic field intensity is measured with a fluxgate sensor on the top and bottom sides. This data is used to draw conclusions regarding the mechanical properties of tensile strength and yield point based on material-specific regression models.

Possible disruptive influences like temperature changes of the strip and the measuring environment or interference of electric motors are eliminated due to the measuring principle and the sophisticated coil adjustment inside the measuring coils. Averaging the signals from the two sensors compensates for the disruptive impact of the ever-present strip oscillation. Due to the movability of the measuring head across the strip, various tracks can be measured during production. This is the first time that also conclusions about variations of the material properties across the strip are possible online. At strip speeds of up to 900m/min IMPOCpro has a unique technology position on the market. For Rasselstein, this, among the measuring system's other qualities, was the decisive criterion in choosing EMG.

Parameters

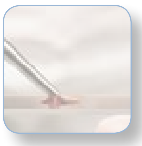
IMPOCpro is currently being put through its paces at Rasselstein and its full performance is demanded. The system is about to transfer into regular operation. In close cooperation with EMG one comes close to the boundaries of what is technically feasible.

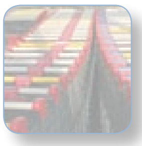
RASSELSTEIN GMBH
Tinplate for packaging

Rasselstein GmbH, a subsidiary of Thyssenkrupp Steel AG, is one of Europe's three largest packaging steel producers.

The company, with its headquarters at Andernach on the Rhine in Rhineland-Palatinate, is Germany's sole tinplate producer. Around 1.5 million tons of tinplate with thicknesses from 0.125 to 0.499 mm is turned out from Rasselstein's rolling mills per year.

The tinplate is mainly used in drink, food and aerosol cans, or in crown caps, twist tops, and in containers for chemical and technical products. Rasselstein employs around 2,400 full time employees and generates around 1.2 billion euros in yearly sales.

Sheet thicknesses of less than 0.13 mm – by way of comparison: adult human hair has a diameter of about 0.12 mm – and strip speeds of 600 m/min make the highest physical demands on the measurement arrangement. In the project's initial phase widely varying strip speeds represented a problem for the reproducibility of the measurement results. Meanwhile EMG was able to compensate this influence so that the system now reliably delivers raw data independent of strip speed. Furthermore, for the high-quality doubly reduced Rasselstein material – as with every new application range for IMPOCpro – for online identification of the absolute values for tensile strength and yield point, appropriate regression models have to be developed. The development and refining of these models is part of the current project work. The measured IMPOCpro-values and other already known characteristics of the materials passing through (e.g. thickness), are the input variables.

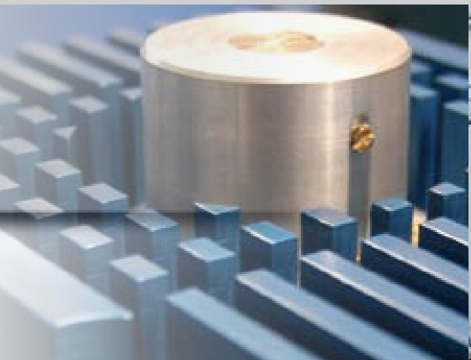
"Already at this stage we can mathematically compensate possible disruptive factors and determine the correct values from the IMPOCpro data," said Stefan Schiester from Rasselstein's development and quality assurance department. "We are confident that IMPOCpro will mean lasting benefits in improved quality and increased productivity for us in the future," Schiester continued. "In the course of the IMPOCpro project we have already acquired knowledge that has been very valuable for us regarding the physical characteristics of the strip under our special conditions."

In operation

The IMPOCpro-system at Rasselstein is located at the end of the entire processing chain– directly behind the tinning plant, just before final packing. This meets the needs of the end user quite well in giving more information on the finished material and its quality. Thus it provides an additional final inspection of the quality and uniformity of the tinplate strip.
In addition, conclusions are drawn from the accumulated data about the production processes. IMPOCpro is used on electrolytic tinning material at Rasselstein. The thickness of the plates ranges from 0.15 to 0.49 mm with widths up to 1,200 mm. Already today a data pool as wide as possible has been created for a flexible application of IMPOCpro at Rasselstein.

"The operating personnel at the production plant and the quality assurance reacted with great openness and interest about the IMPOCpro system," said Stefan Schiester. "Everyone recognises the opportunities the system offers and we are working intensively at integrating the results into our daily work. Also, the cooperation between our departments and the EMG employees proceeds in a smooth partnership. Everyone has one goal in mind: more quality for the benefit of our customers."

Extract from Case Study Rasselstein March 2009



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. In addition, due to the existing profit and loss sharing agreements between BST International GmbH and EMG Automation GmbH, no separate management reports or publication of the financial statements for these companies are necessary in accordance with Section 264 Paragraph 3 of the German Commercial Code (HGB). The subsidiaries, EMG Automation GmbH and BST International GmbH constitute the Steel and Printing division, which contribute the greatest portion of sales and earnings. The situation of elexis AG as the management holding company can thus only be evaluated in connection with the situation of the elexis Group, which is influenced primarily by the Steel and Printing division.

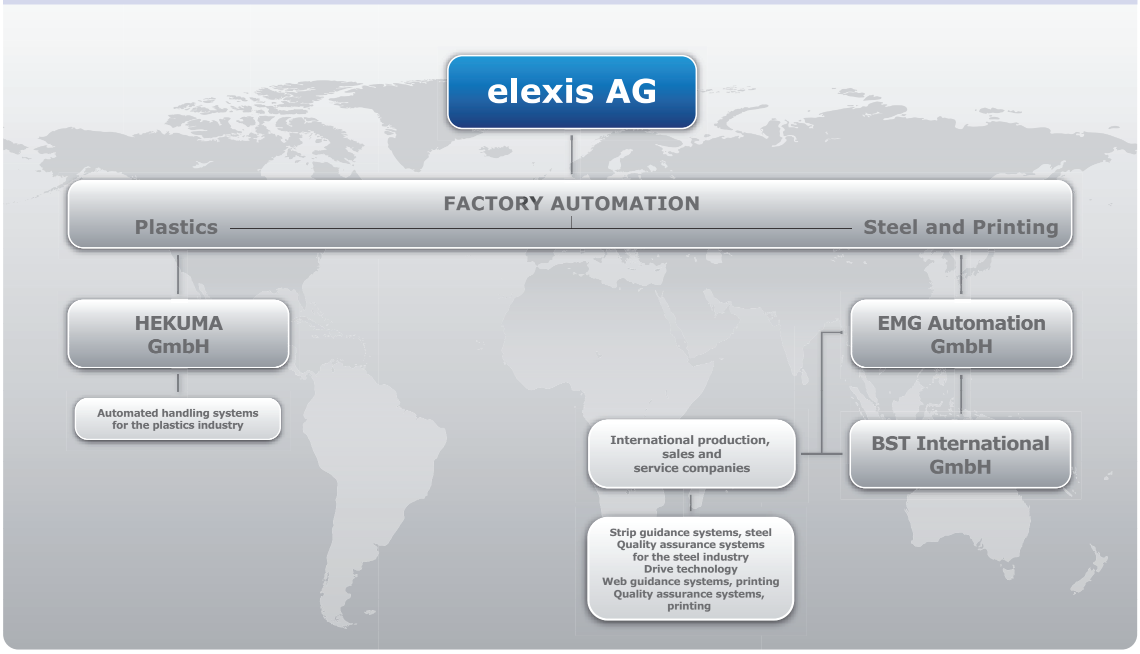
3.1. Composition and structure of the Group

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 has an employee for investor relations and M&A as well as a controller. The operating business is managed exclusively by the corresponding direct and indirect subsidiaries.

EMG Automation GmbH, Wenden, and BST International GmbH, Bielefeld, constitute the **Factory Automation, Steel and Printing** division. The product range consists of control technology, quality assurance systems and thruster technology. The markets for the metal industries, the packaging industries as well as the sector of port technology and mining are served by these. HEKUMA GmbH, Eching, manufactures technologically sophisticated automation solutions for plastics processing and forms the **Factory Automation, Plastics** division. The corporate names of BST, EMG and HEKUMA have firmly established themselves with our customers as brand names for quality, precision, durability and innovation.

COMPANY STRUCTURE



The scope of consolidation also includes Elexis Beteiligungsgesellschaft mbH, Wenden, as well as five additional foreign participation companies. These companies are responsible mainly for sales and service, but also have production and assembly activities. During the period under report there were no changes with regard to the scope of consolidation.

Apart from the consolidated subsidiaries further non-consolidated companies also belong to the elexis Group.

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 euro 23,552,000 and was divided into 9,200,000 no par value bearer shares. A proportional share of euro 2.56 in the share capital is attributable to each no par value share.

During the fiscal year the Possehl-Stiftung announced to us that it had exceeded the disclosure threshold of 15 percent with 15.1 percent of the shares through L. Possehl & Co. mbH, Lübeck. A summary of all disclosable changes in shareholdings is presented in the notes to the consolidated financial statements under No. 38 “Participations in the share capital of elexis AG”.

With the resolution of the general meeting of shareholders of May 20, 2009 the Management Board of elexis AG was authorised to acquire up to November 2010 own shares to a total of up to 10 percent 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 euro 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 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 and 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 directly in respect of these shares.

There are no 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

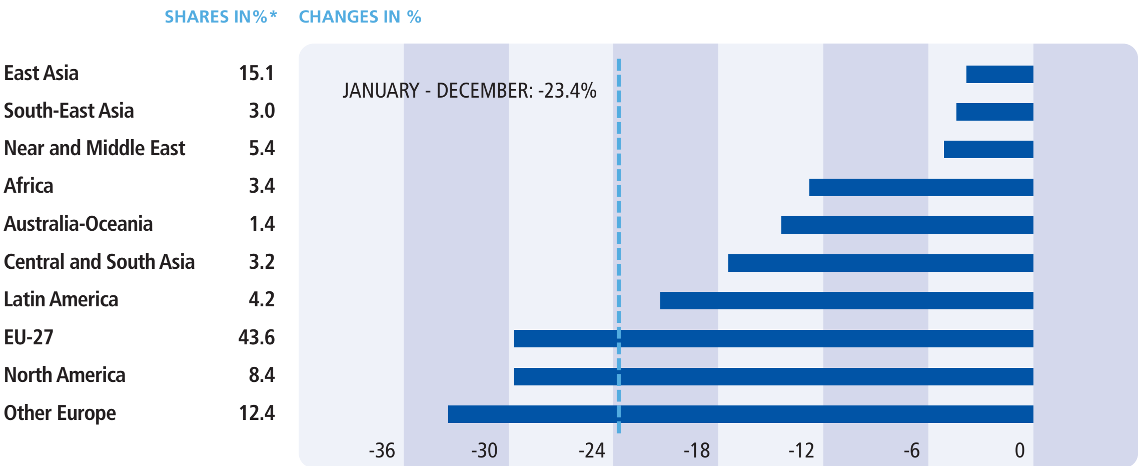
3.2.1. Overall economic development, relevant markets, branches

Economy improves slightly in the second half year

The global financial market crisis peaked in September 2008 with the collapse of the US investment bank Lehman Brothers and extended itself increasingly to the real economy. During the first half year 2009 the global economic development declined sharply worldwide. The uncertainty concerning the further development of the economic and financial systems led to a global reluctance to invest. A change in the trend of the world economic climate (Ifo) occurred in the second half 2009, after the state economic programmes and supporting measures showed initial successes. The Baltic Dry Index, which indexes the worldwide shipping of freight and is thus referred to for an evaluation of world trade, also recovered again in the second half year 2009 following a dramatic collapse in 2008. At year end 2009 the Baltic Dry Index finished trading with 3,005 points after having started the year 2009 with 774 points. At the end of the year the economists were thus stating that the recession could be overcome in 2009. According to the estimates of leading analysts the world economy in total shrank by 1.1 percent during the past fiscal year following growth of 2.7 percent in 2008.

The economic power of the export target countries are the driving factor for the overall economic development of Germany. The development of exports in machinery and equipment manufacturing are relevant for the elexis Group. The main markets in this segment lie traditionally in Asia and in the Eurozone, but South America is also gaining increasingly in importance. During the fiscal year 2009 an export share of 69.1 percent was achieved in these regions. In view of the worldwide economic turbulences the German export quota fell by 23.4 percent during the fiscal year. This shows that the exports were affected at a level above the average in the industrial nations in the Eurozone and in North America, whilst the decline in exports in the developing countries had a lesser effect. In the following forecasted growth rates used we are relying primarily on the forecasts of leading analysts.

GERMAN MACHINERY EXPORTS BY REGION (January - December 2009)



*) Shares in total machinery exports January - December 2009

Source: Federal Statistical Office Germany, VDMA

Developing countries on course to recoverys

In 2009 the People's Republic of China exported about one fifth less than in 2008 as a result of the global crisis. Due to state measures and strong domestic demand gross domestic product grew by about 8.5 percent during the fiscal year in comparison with 9 percent in the prior year in spite of this decline in exports. The Indian economy, which is less dependent on exports, grew on an annual comparative basis by 6 percent versus 7.3 percent in the prior year. Following China, India is worldwide the strongest expanding economy.

Brazil as the largest economy in Latin America recovered as one of the first economies from the economic crisis. On an annual comparative basis industrial production in Brazil indeed fell by about 3 percent, but was nevertheless far above the reported minus of 15 percent registered in April 2009. The result of this will be that a zero growth rate is expected for the full year 2009 versus a growth of 5.1 percent in GDP in the prior year.

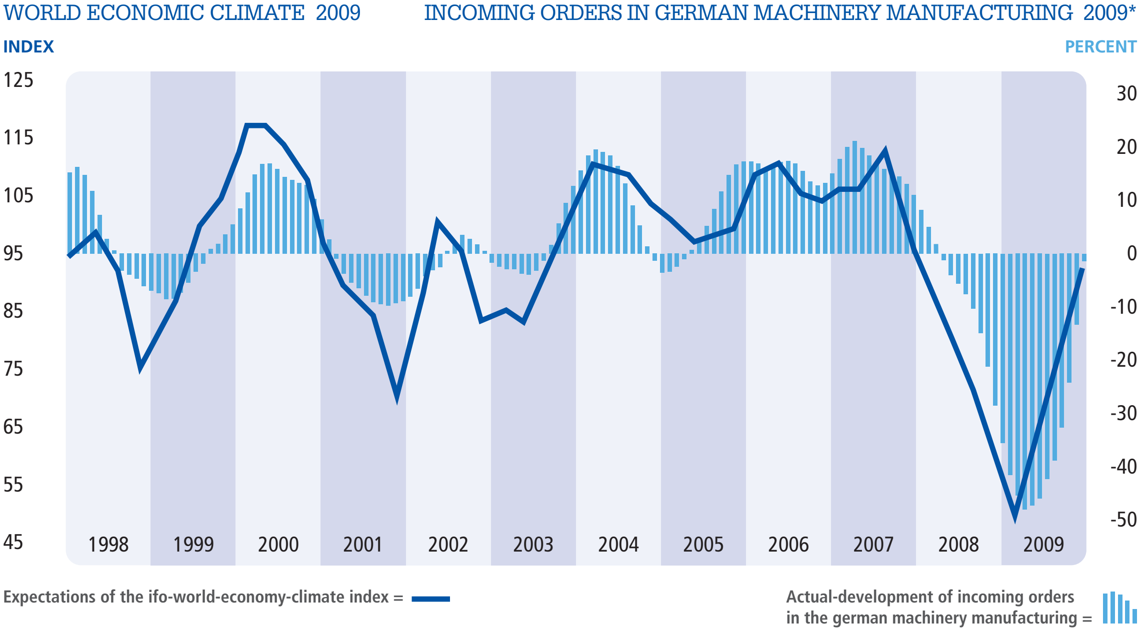
These forecasts are leading to expectations for a faster recovery from the crisis-related declines in the countries of China, India and Brazil. The elexis Group has been represented also in these countries since many years with sales and production sites.

The industrial nations of the Eurozone could not escape the negative development of the recession in 2009. State economic programmes and a coordinated monetary and fiscal policy nevertheless prevented a massive decline in economic power. A stabilisation of the economic decline was recognisable as from the second half year in parallel with that of the worldwide economic development. In spite of all the economic measures the GDP of the Eurozone was minus 3.9 percent (prior year: plus 0.6 percent). The continuing strength of the euro in 2009 did not assist the European export economy.

There is no question that the export-orientated German industry was affected more than other European states by the collapse of world trade. The German economy was in the most difficult recession in 2009 since the existence of the Federal Republic of Germany. It reported a decline of about 4.5 percent with regard to real gross domestic product (GDP). The economy in Germany thus shrunk in a manner not experienced since decades.

Apart from the global economic developments the business development of the elexis Group is above all dependent on the course of the economy of the machinery manufacturing sector.

World economic climate and incoming orders in German machinery manufacturing



*) yoy, seasonally adjusted, smoothed index
Source: ifo-Institut. VDMA

Machinery construction reports dramatic decline in incoming orders

As a purely investment goods industry machinery manufacturing is exposed to a particular extent in the economic crisis to fluctuations in demand. Following a continuing phase of growth, German machinery manufacturing reported a dramatic collapse of incoming orders with the beginning of the financial crisis. This reached its high point of minus 46 percent in the first half year 2009. As a result this was by far the largest decline since the end of the war. Whilst in the past downward trends in the machinery manufacturing economy were attributable to the lack of material, labour or technical capacities, the current recession in machinery manufacturing is attributable completely to the lack of orders. A reluctance to invest, a continuous reduction of inventories and an uncertainty about the possibility to finance large projects followed the uncertainty on the financial markets. Whilst a reversal of the global economic decline was already indicated in the middle of 2009 in the world economic climate, sustainable positive effects for the machinery manufacturing economy are expected to occur only after a time delay of 12 to 24 months. A slight recovery in the incoming order situation was seen for the first time during the fourth quarter 2009.

3.2.2. Products, product range, product policy and sales markets

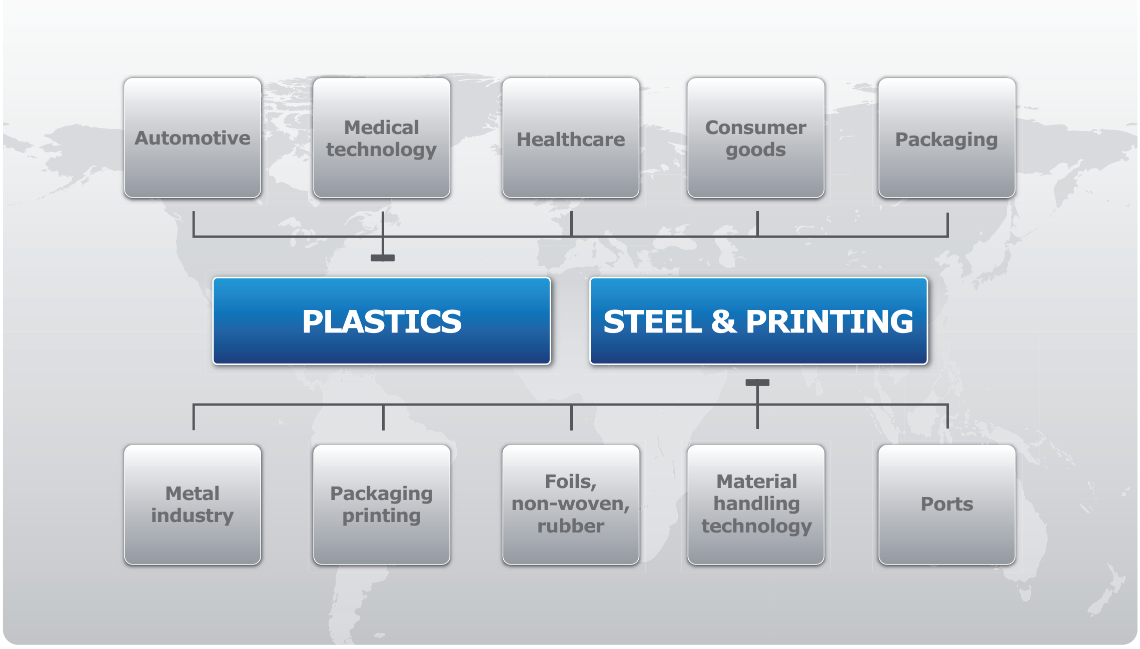
elexis – technology leader for specialised processes in industrial manufacturing

Factory automation is the main field of activity of the elexis Group and at the same time one of the major requirements of industrial nations worldwide. In principle, the development of industrial production follows the course of human requirements. A result of further industrial development is also to produce an increasingly higher number of units inexpensively and with a very high quality. These are accompanied increasingly by questions of burdens on the environment through production and the environmental-friendliness of products. The processing industry is being forced to face these challenges and this structures their processes optimally.

The elexis Group defines itself through a high degree of technological competence with which the described requirements for products and process optimisation can be solved. The product portfolio could already be complemented with new products within the context of the innovation offensive 2009. Products and further developments, whose age does not exceed 4 years, represent over 50 percent of the incoming orders and form the basis for the future growth.

With the objective of actively structuring the constant technological development as market leader, the elexis Group is active in the two Steel and Printing and Plastics divisions and was present with the existing product range in a large number of branches and sales markets.

OUR SALES MARKETS AT A GLANCE



Steel and Printing division

The Steel and Printing division includes the product groups of control technology, quality assurance systems and thruster technology.

Control technology

The term “controls” means an operation which takes place everywhere and continuously far beyond the area of technology. The main task of a control system is to assure that specific measurements such as revolutions, temperature, tension, pressure and flows etc. are set at a determined value and to maintain these against any disruptive influences. This task may appear to be quite simple at first sight, but it consists of a number of problems, since material strips and webs guided by rollers have the tendency to move sideways off the correct track, whereby the winding and unwinding of the corresponding strips and webs is rendered more difficult. The control technology of the elexis Group, i.e. so-called strip and web guidance systems, ensure that the relative material strips and webs run in a straight manner through the production process at high speed.

As a result, the strip and web guidance systems are an indispensable component of production lines. They are one of the key technologies which ensure economy and efficiency on the part of the customer. The control technology in the printing segment serves primarily to obtain the exactly positioned image and in the steel segment, on the other hand, to attain a trouble-free run-through of the metal strip.

The objective of the elexis Group is to build a bridge between the control technology, which is indispensable for automation processes, and the quality assurance systems and to achieve further benefits for the customer through process optimisation.

Quality assurance systems

With the combination of control technology and quality assurance systems (QA systems) the companies of elexis AG offer technological competence from one source and have achieved a unique characteristic with this product policy. The extension of the QA systems within the context of the 2009 innovation offensive has again strengthened this market position of the elexis Group. Our technological solutions improve the process security and thus optimise the processes of the customers. The waste ratio of the end user can also be reduced thereby in a controlled manner. The elexis Group has positioned itself well with this product policy as a problem solver for its customers.

It is the declared target of the product policy of the elexis Group to extend systematically the product portfolio through additional quality assurance systems. The whole approach of the Company, i.e. the combination of technological competence and applications knowledge, makes elexis an important strategic partner of its customers. This is the basis in order to increase the efficiency in the production process and to realise also a short term return on investment with a sustainable process optimisation.

The product range of the quality assurance systems in the steel industry sector is concentrated on the testing of physical qualities. The contact free measurement of tensile strength (ImpocPro) and roughness parameters (Sorm 3plus) as well as the magnetic strip stabilisation (eMass) are the technological basis in the product portfolio.

As a result, the eMass strip stabilisation, which was introduced in 2008 in the steel sector, was complemented with further products during the fiscal year 2009. In order to round off the product requirements in steel galvanizing equipment the following products were brought to market maturity: eWipe (electronic automatic air knife wiping equipment), eSense (sensor for strip form and strip oscillation measurement) und eBac (electronic baffle blade control system). A welding seam sensor (WD 1) as well as an additional software expansion for strip width measurement (Swop) rounded off the product range of the QA systems Steel for the year 2009.

The product emphasis in the printing sector is the optical search for defects up to a 100 percent control of the material web with camera and video solutions. Already at the drupa trade fair in 2008 twelve product innovations were introduced to the market in order to expand this product range. With the objective of developing a quality management concept for the customer, the further development and optimisation of this range of products took place in 2009. The main product emphases of the QA systems introduced in 2009 were the ISM 4000 colour recognition system, the inline colour density measurement system IDM 4000, the AR 4000 register controller as well as numerous software options for defect recognition around the Premius Digital and SHARK 4000 web supervision system. The key success factor was again the existing broad range of products, which offered both low cost applications as well as high end applications.

Thruster technology

Since the year 1931 we are setting the technological standards in the brake business with the ELDRO® air brake brand in the area of thruster technology. In spite of the predominance of electrical or electronic components in modern equipment, the mechanical safety brake with the electro-hydraulic air brake equipment still fulfils today the most important task of guaranteeing the last link for the safety of men and equipment in the event of a loss of energy.

A new air brake generation, which will shortly be introduced to the market, will continue the existing tradition. Numerous innovative special solutions are complementing the product range: the hydraulic compact drive (HKA) or the development of an electro-mechanical linear drive are to be mentioned, for example, in this connection.

Product policy

The elexis Group also set new standards during the fiscal year 2009 with the existing technologies and products in the Steel and Printing division. The basic technology is indispensable in the area of controls and thruster technology for the safety of production processes. With the quality assurance systems the first step was initiated for a comprehensive quality and risk management for our customers.

elexis has secured for itself an important market position in attractive niche markets and branches with its existing technological competence and its high degree of innovation. Simultaneously the product range is directed at the mega trends of demand. The product policy of the Company pursues the objective of serving the future emphases of demand with a continuation of the high degree of innovation and to thereby secure also new markets and branches.

Plastics division

The Plastics division is involved in the development, engineering, processing, assembly, programming and commissioning of complex automation equipment for the processing of plastics including fast horizontal extraction robots. These include the systems integration of injection moulding machines, injection moulding tools as well as peripheral systems for quality assurance.

The objective of automation in the Plastics sector is always the development of the most economic production requirement possible for the customer. Reliability, precision, speed, a high number of cavities and durability are the qualities by which the products can be measured in this segment. New technical standards were set with these qualities at the FAKUMA trade fair by equipment for eyewash pipette tips.

With this product development the Factory Automation, Plastics division is continuing to write its innovation history which has existed for 30 years. Since approximately 20 years elexis AG has been developing automation solutions for its customers in the medical technology sector. The constant further innovative development of medical technology equipment led in 2009 also to an automation solution for gene technology products. Apart from this highly complex equipment, the offer of standardised applications is also being strengthened in the medical technology sector.

The product range is being complemented by equipment for packaging solutions (e.g. re-closable cans). The range of products also includes equipment for the manufacture of contact lenses and razors as well as production equipment for ABS and EPS casings. Automation solutions for blister packaging with and without RFID system solutions are also gaining increasingly in importance as well as equipment for inmould labelling (IML).

Product policy

The strategic direction of the product policy in this segment is above all intelligence and knowledge-intensive solutions for the automation processes of the user and delivers key technologies for the increase of efficiency and economy for the customer. The strong worldwide reduction in investment is leading to a demand situation, which in our opinion is far behind the actual requirement situation. With the broad diversification in various branches, the Plastics division can position itself further towards the mega trends of demand. The pressure of rationalisation in automation technology will dominate the business activity in the medium to long term. In view of this the elexis Group will also continue to pursue its new product and further developments in the future for the benefit of the market and the customers.

FAKUMA 2009 – a great success for HEKUMA

At the FAKUMA 2009, which took place already for the 20th time in Friedrichshafen, Germany from 13.-17.10.2009, the automation specialist, HEKUMA, presented its competence with a further developed, innovative and extremely fast equipment for the production of eyedropper tips and thus made a significant mark in medical injection moulding automation.

HEKUMA's linear axis in this equipment achieves accelerations of up to 10 G thanks to its most modern drive technology. The opening time of the tool of the ELION from Netstal amounts to approximately 0.45 seconds. As a result cycle times of 4.9 seconds and less are possible in production. Apart from the drive itself, the innovative weight-optimised construction of the extraction gripper also ensures this increase in speed.

FAKUMA - a key role in the plastics industry

The international specialised trade fair for plastic processing, FAKUMA, has developed during the past few years into the Mecca of the European plastics industry.

With its site in Friedrichshafen, Germany it takes place in the European centre of the branch and offers a high value and extensive range of products concerning injection moulding and extrusion.

Whether raw materials, processing machinery, peripherals or automation solutions, the FAKUMA is a provider of information, trend barometer and provider of idea in one and ensures in this respect its very particular personal and familiar atmosphere.

Key parts are milled completely from aluminium. In contrast with welded steel tube frames over 30% of the weight can thus be saved, without allowing for compromises with regard to stiffness and long term stability. Already prior to this HEKUMA's extraction technology ensures through two testing processes, which are independent of each other, that all parts are actually extracted from the individual cavities; this therefore reliably prevents any damage to the tool of Tanner Formenbau AG.

With the help of FEM analyses the design of the gripper is optimised in a way that it resists also to extreme acceleration. A further advantage of the engineering is the clean room capability, since practically all necessary components such as valves and sensors etc. are situated in the main body of the gripper. Nevertheless, these components are easily accessible. Above all, in the case of complex and thus very heavy gripper technology, as can be expected from the trend towards tools with an additionally increased number of cavities, the design presented offers decisive advantages in contrast to constructions made of light construction materials.

Cost reduction through the "machine as a clean room" and 100% quality assurance

The automation equipment presented at the FAKUMA for pipette tips is designed in the "machine as clean-room" concept. As a result it is not absolutely necessary to install the equipment in an expensive clean room environment, since it constitutes itself a clean room.

Pipette tips are produced today at an extremely high level of quality, which can only be achieved by means of 100% quality assurance. HEKUMA therefore demonstrates its competence in the field of automated 100% quality assurance in the measurement equipment with high-performance image processing systems from Hekuma's partner, Ziemann & Urban, which test each individual pipette tip for the correct maintenance of the external and internal diameter.

In this respect each of the 32 parts of a shot are measured with an exactness of up to 5/1000 mm. During the next few years HEKUMA expects significant increases in the use of integrated testing and image processing systems for the automated 100% quality assurance. In the case that cycle time or other production requirements do not permit this, then further processing and packaging of the product based on cavities enable the exact classification of certain charge numbers to the individual production nests.

High-performance PC supported process visualisation

The visitors at the Fakuma were able to follow the functions of the equipment on the basis of HEKUMA's new PC supported process visualisation. In contrast to classic SPS supported visualisation the realisation on the PC permits a substantially higher scope of function with improved user friendliness and a reduced dependence on the SPS controls. The visualisation presents the condition of the equipment and the process parameters graphically in a clear manner and permits the fast localisation of any data on defects. Since the overall engineering details of the equipment are available, service work can be undertaken including the request or ordering of spare parts online.

Cuvettes manufactured in multi-million range

Moreover, the new process visualisation will be a clear requirement in the future of automation due to the ever growing complexity of the systems. HEKUMA has specialized in turn key automation solutions including complete assembly and packing of the products, such as recently supplied in the case of a number of new systems for the production of in-vitro consumablescuvettes in volumes reaching the multi-million range. Many medical consumables such as pipette tips, cuvettes, wells or Petri dishes cannot be produced with relatively standardised automation solutions. Other products require customized solutions, for example, iIf for example needles have to be coatedovermoulded, filter membranes inserted or scales marked. In both cases HEKUMA benefits not only from its many years of experience in medical device automation, but also from its know-how in the injection moulding and assembly solutions for the automotive industry, consumer goods and packaging. Sophisticated mould insertion techniques are frequently used as well as complex techniques to assemble several parts in parallel.

Comprehensive validation and qualification support by HEKUMA

Hardly any supplier to the medical technology can today dispense any longer with the detailed validation and qualification of equipment in accordance with numerous standards such as ISO, FDA, GAMP, cGAMP. HEKUMA accompanies its customers in respect of the often complex and expensive validation and DQ, IQ, OQ, PQ qualification documentation or undertakes these processes on request itself.

Last but not least, this successful trade fair appearance at the FAKUMA 2009 emphasises HEKUMA's claim to offer the most reliable and fastest automation systems in the market.

The employees of HEKUMA make every effort on a daily basis to find together with their customers on a good partnership basis the optimal solution for their tasks with the usual HEKUMA quality at attractive prices and with fast delivery times.


3.2.3. Purchasing and purchasing policy

The economic crisis has again strengthened the importance of strategic purchasing. During the previous years the purchasing policy was characterised by constantly increasing raw material prices and material shortages. The sustainable securing of purchasing conditions on the international purchasing markets constituted a priority for elexis also in the fiscal year 2009. The prices for raw materials developed in most respects in parallel with the development of the recessionary economy. As a result the raw material prices became cheaper as from the third quarter and are now again roughly at the level of the years 2006 and 2007.

These developments also provided the basis for consistent subsequent negotiations with regard to existing general contracts. Significant savings could be achieved from suppliers on the purchasing side. Strategic purchasing thus made an important contribution to the cost reduction programmes.

The objectives of strategic purchasing changed, however, decisively under the deteriorating conditions of the economic crisis. With regard to the securing of an optimal material purchase in terms of volume and time it had to be taken into consideration that it was possible to either lose a supplier or to face delivery delays during the fiscal year due to the short working time of the supplier. Already in the fourth quarter 2008 elexis started with the examination of the pool of suppliers in accordance with their credit-worthiness. In order to avoid the loss of suppliers the examination of credit-worthiness was established in the fiscal year 2009 as a standardised process over and above the level existing previously. This measure resulted in no losses of suppliers being reported during the fiscal year. In this respect the priority was to secure the capability of critical materials being delivered. In individual cases there was an increase in inventories in order to maintain production. Dependence on individual suppliers was in principle avoided. Insofar as a situation of dependence on suppliers might arise from a deterioration of the economic situation, additional suppliers were specifically engaged.

“Make or buy” decisions were also the object of strategic purchasing within the framework of the value added process. elexis AG decides in accordance with economic criteria, whereby own production capacities available, quality requirements and flexibility are taken into consideration. Following the examination of these criteria it was decided at the end of the year to conclude an agreement for the outsourcing and sale of the electronics manufacturing facility existing to date in the Steel and Printing sector to a supplier of elexis AG of many years standing. The legal transfer as well as the transfer of personnel is planned for the first quarter 2010.

3.2.4. Production

In spite of the economic crisis and partial reduction in production capacities elexis continued the Continuous Improvement Process (CIP) throughout the value added chain at all its German facilities. This concerned also the office facilities.

The products of the elexis Group are used in different phases of the value added chain. In this respect the production capacities of the individual facilities developed in parallel with the effects of the financial and economic crisis.

Steel and Printing division

The Printing sector is primarily characterised by short production cycles. Already in the fourth quarter 2008 there were signs of a slight decline in orders. This trend continued further during the first quarter 2009 and led as from the second quarter 2009 to a significant reduction of capacity utilisation. At the beginning of the fourth quarter there was a slight recovery in the order situation, which became noticeable directly in a higher degree of capacity utilisation. In order to adjust the capacities, short time working was introduced at the site in Bielefeld from March to November and personnel adjustments were also effected.

The Steel sector benefited on the other hand from a high level of orders on hand, which was worked off until the end of the third quarter. This was also the result of production times, which can amount up to six months. The significant decline in incoming orders during the first nine months 2009 led as from the fourth quarter 2009 to a reduced level of capacity utilisation. The capacities were adjusted through the reduction of temporary workers, life work time accounts and flexible working time accounts and the Christmas holidays were prolonged by a week at the end of 2009.

Plastics division

Due to the high technical complexity of the products, production times in the Plastics sector can often amount to up to 12 months. At the beginning of the year the sector still benefited from orders on hand from the prior year. The continuing reluctance to invest on the part of the customers led, however, during the fiscal year 2009 very quickly to a significant reduction in the capacity utilisation, which continued to the end of the year. Capacity adjustments took place through a reduction of the personnel, a reduction of flexible working time and vacation accounts as well as the introduction of short working time as from the month of May 2009.

3.2.5. Investments

After the elexis Group undertook the largest investment programme in its corporate history in the years 2007 and 2008, the level of investments declined significantly during the fiscal year 2009. In view of the overall recessionary economic environment, the reduction of the investments was also an integral part of the overall Group programme to reduce costs. Investment decisions were made according to the criteria of economic efficiency, costs and the assurance of production. During the fiscal year the investments were concentrated primarily on necessary maintenance measures and replacement investments.

During the fiscal year 2009 the total investments amounted to euro 2.7 million. They were thus substantially lower than the amount of the prior year of euro 8.1 million. The investment ratio, calculated as the relation of investments to fixed assets, amounted to 89.9 percent (prior year: 210.5 percent). In 2009 the elexis Group financed all investments through its current cash flow. Due to the significant reduction in investments the Company reported as at December 31, 2009 a capital expenditure (CAPEX) of 75 percent (prior year: 187 percent). For the fiscal year 2010 investments are planned at the level of depreciation.

3.2.6. Research and development

During the fiscal year the costs for research and development amounted to euro 6.6 million (prior year: euro 8.4 million). Of these, development projects in an amount of euro 0.7 million (prior year: euro 0.8 million) were capitalised. The R&D costs as at December 31, 2009 corresponded to a R&D ratio (R&D costs in relation to sales) of 5.2 percent following 4.9 percent in the prior year.

High value is placed on technological innovations at the elexis Group. They are the prerequisite for maintaining the technological leadership in attractive market niches and to assure the lasting success of the Group. The basis of successful research and development work is a trusting cooperation with our customers and partners, which include apart from development cooperation agreements also research institutes and universities. We are therefore succeeding in developing promising future projects at an early stage and structuring the market actively.

The tasks in research and development are directed in principle at the following cornerstones:
- Establishment of a mature and comprehensively tested technology
- Improvement of the reliability and availability of the production equipment of our customers
- Process optimisation and the increase of the use to the customer through innovations
- Development of new technological standards
- Integration of scientific and technological knowledge and processes
- Insurance of a short term return on investment for our customers

During the fiscal year the elexis Group started a comprehensive innovation offensive. As a result elexis was able already during the fiscal year 2009 to introduce the first product innovations to the market. In the Steel and Printing division the new developments were concentrated on the expansion of competence in quality assurance and in the development of new markets with additional thruster solutions. In the area of Factory Automation, Plastics a new product could be presented at the FAKUMA trade fair with clean room eyewash pipette tip automation.

elexis has attained a high degree of recognition with the new and further developments from the innovation offensive. elexis products assure progress, efficiency and economical effectiveness and thus make a contribution to the quality and risk management of our customers. This also includes the insurance of a short term return on investment.

In addition, numerous projects have developed from the innovation initiative which are currently in the development phase or in the technical feasibility testing stage. Apart from the optimisation as further development of the existing product portfolio of the elexis Group, the main emphasis of the research activities consists of proven technologies and products useful also for other similar value added processes and branches.

The product range to date in the Steel and Printing division concentrated on steel sheet applications in the cold rolling sector. Process steps for quality assurance also take place in the early value added phase of the steel process, namely the warm sheet phase. These process steps are being currently analysed with our customers and possible technological processes are being discussed, always with the objective of automating and thus optimising the current production process. In addition, there is also the possibility of exerting influence with our core competence in the area of controls and quality supervision in the steel sheet process also on other similar markets apart from our markets of steel and printing. The basis of these considerations is a market study in respect of the technologies used as well as the existing quality requirements.

The Factory Automation, Plastics division is placing its main emphasis of development on the expansion of innovative automation solutions, particularly in the area of medical technology. Developments in the sector of Factory automation, Plastics take place as a general rule on a purely project–related basis with the customers.

Details on the most important product innovations during the fiscal year 2009 can be found in the section “3.2.2 Products, product range, product policy and sales markets”.

3.2.7. Financing

The elexis Group has sufficient credit lines available, which serve exclusively the financing of the working capital. All companies of the elexis Group have obtained the confirmation of their capability to use the services of the central bank until December 31, 2010 by the German Bundesbank and are thus also classified as investment grade. Following scheduled repayments the other long term loans to banks (excluding financial leasing) have been reduced from euro 7.4 million to euro 5.6 million. After a dividend payment in the amount of euro 4.4 million the elexis Group had shareholders' equity as at December 31, 2009 in the amount of euro 66.6 million. In the prior year the shareholders' equity had amounted to euro 71.6 million. With simultaneous reduction of the total of the statement of financial position the equity ratio as at December 31, 2009 amounted to 51.7 percent (December 31, 2008: 53.1 percent). Moreover, at the date of the statement of financial position the elexis Group had a net liquidity in the amount of euro 12.4 million following euro 20.9 million in the prior year.

The liquid funds, partially unused overdraft credit lines and the high level of shareholders' equity continue to guarantee the elexis Group a stable financial position.

3.2.8. Personnel

Measures for the adjustment of the personnel capacities to the current general economic conditions were unavoidable in view of the worldwide recession and the poor order situation resulting therefrom in the machinery manufacturing sector. These were a major integral part of the Group-wide cost reduction programme and were distributed over a large number of individual measures.

In spite of the necessary cuts in the number of personnel it was important for the elexis Group that the measures were decided and implemented with a sense of proportion and depending on the corresponding economic situation. In the first phase, short working time was introduced at the facilities in Bielefeld and Eching. This required the consistent reduction of flexible working time and vacation accounts. Moreover, at the site in Wenden the life-time working accounts were reduced depending on the production capacity utilisation. In close cooperation with the trade unions and the employee representatives agreement could be reached at all locations for the prolongation of the periods for temporary work contracts, the reduction of actual working times with a simultaneous renunciation of wages, the suspension of overtime payments as well as the postponement of tariff wage commitments.

Following the implementation of these measures the reduction of employees was unavoidable. This affected both temporary workers as well as permanent staff. The number of temporary employment contracts was reduced during the fiscal year by 78 temporary employees. With regard to the Group employees a further 69 workplaces were saved. As a result the elexis Group had as at December 31, 2009 739 employees following 808 in the prior year. As a result of these measures the elexis workforce including temporary employees was reduced by 18 percent versus the prior year. The management of the individual companies also participated in the cost reductions with a voluntary renunciation of salary.

The target of all measures was the securing of the medium to long term profitability of the elexis Group and thus the securing of the workplaces both domestically and abroad. With approximately euro 11 million the savings in the personnel area made the most important contribution to the cost reduction programme of the elexis Group; restructuring costs for this amounted to approximately euro 2.2 million. The full effect of the savings measures will be shown, however, only in the fiscal year 2010, since various measures were implemented at different times.

In the area of Factory Automation, Plastics the necessary personnel adjustments were accompanied by a sales offensive and a restructuring of sales. Already in March 2009 a new sales manager could be hired for this segment, whose activities were further strengthened in June 2009 by a new general manager. The previous general manager left the Company in the summer of 2009.

In the Steel and Printing segment a new general manager complemented the management team in the Printing sector at the middle of 2009. As a result, the succession of the current general manager for reasons of age was introduced at the right time.

Growing demands of the market as a result of globalisation, competition and innovation require qualified and motivated employees. We are convinced that particularly at difficult economic times the motivation of the employees is increased due the recognition of personal commitment as well as a work environment in which performance and the development of new ideas is promoted and honoured. We expressly promote own initiative. Thus the "idea oven" has already been an integral part of our corporate culture since many years. During the fiscal year a total of 177 improvement proposals were submitted in the elexis Group (prior year: 124 proposals). The improvement proposals in the elexis Group resulted in 2009 in a savings potential in the amount of over euro 200,000.

The elexis Group places great importance in particular on the further qualification of the employees. At the centre are the promotion of the dual training system, work possibilities in different Group companies as well as attractive offers for further training. Personal development perspectives and further training measures are determined individually within the context of annual discussions with the employees. A performance-related remuneration system and progressive social contributions are also an integral part of the personnel policy.

In order to be able to recruit also specialised and management personnel from our own ranks in the future the elexis Group is represented at many job and training fairs. In total 75 apprentices were employed during the fiscal year, which corresponds to a training ratio of 10 percent. As a result the elexis Group was once again above the average for the Federal Republic.

In the fiscal year 2009 we started the "Top Job" project in order to strengthen further the support and the loyalty of the employees. The target of this long term project is to make the elexis Group a more attractive employer for new and existing employees. The focus includes in equal measure further training and the promotion of women as well as the maintenance of the performance of older employees (55+ project).

3.2.9. Environmental protection

Environmental policy is a central element of the quality policy of the elexis Group. We view our responsibility as being in the observance of the legal regulations as well as in the compatible nature of our products with the environment.

At all sites of the elexis Group the observance and supervision of the legal environmental regulations are the responsibility of the manager of strategic quality management. We consider legal regulations to be minimal requirements. Towards the end of the year under report elexis initiated the certification of the environmental management system in accordance with DIN EN ISO 14001:2004 in the Steel and Printing division.

An objective of our product policy is also to save natural resources and to use the necessary energy as efficiently as possible. In particular the quality assurance systems make an important contribution to the cost-efficient climate protection by reducing waste at the customer. This effect leads to the reduction of the material used and thus lowers the CO_2 burden. Our products from thruster technology and from Factory Automation, Plastics also make their contribution to environmental protection. Products from thruster technology are increasingly being used with regard to concepts for renewable energies. The Factory Automation, Plastics area participates to a large extent in the development and manufacturing of plastic components, which are applied in energy efficient automobile concepts.

Further course of success
Compact hydraulic actuator HKA

Compact hydraulic actuator HKA

During the last few years the thrusters business unit of EMG Automation GmbH was able to develop new areas of application with the compact hydraulic actuator HKA, even though it is not simple to open up market segments successfully with a new product in view of the competition with well-known manufacturers of hydraulic components.

The development of the compact hydraulic actuator was based on the idea of EMG to produce the hydraulic pressure directly on site; i.e. not to transport it through long pipelines as it was usually the case. The advantages lie in the lower installation and maintenance costs as well as the possibility of offering the customers a "plug and play" solution. Moreover, the HKA's of EMG can be equipped with sensors, which then enable their integration into central control systems.

Image 1

Image 1 shows a SHI 252 FC disc brake of the Siegerland Bremsen company with an integrated HKA of EMG. The height of this brake measures two metres and the weight amounts to approximately 2.2 tons. Since EMG had hitherto still not equipped a brake of this size with a HKA, it was necessary to construct a new HKA size.

Where are brakes of this size used?

EMG obtained this contract for two of these disc brakes from its long-standing customer, "Rominex" in Romania. This company is specialised in the improvement and modernisation of materials handling technology in the brown coal mining region around the city of Targu Jiu. In this respect these brakes are used as anti-damage brakes for the lifting mechanism of paddle wheels. In the case of braking, a torque of 320,000 Nm is transferred by the two brake callipers to the brake disc, which has a diameter of 2,700 mm. At the putting into operation of the solution projected by him Dr. Cires, who is responsible for the project at Rominex, showed himself to be visibly impressed by EMG staff. Indeed, to date there had never been a braking system of this dimension in Romanian brown coal mining; however, all the technicians present were already convinced at the first braking.

The HKA drive system of EMG has a further application in a 250 ton lifting mechanism for the machinery shaft of a mining company in the high north of the Russian Federation. A particularity of this case of application is not only the dimensions of the brake disc with a diameter of 2,800 mm but also the increased specifications for the technical material execution. The brake units were manufactured by Siegerland Bremsen out of a steel type, which is resistant to low temperatures. The unit is designed for a temperature range from -40°C to + 40°C. The hydraulic and electrical completion, the putting into operation and the testing of the two double consoles each with two SHI 252 FC units and one HKA took place in the EMG factory in Oschersleben, Germany.

Disc brakes of the SHI…FC type are installed in an afloat manner in order to be able to compensate the axial thrust arising with large brake disc diameters. Apart from the technical aspects, the certification of the EMG-HKA in accordance with the GOST-R regulations of the Russian Federation was also decisive for placing the order with EMG.

Various hydraulic linear actuators of the HKA-L-P series (image 2) of EMG are used within the context of the reconstruction and modernisation works in the open air brown coal mining at Reichwalde (Lausitz, Germany), a large investment of the third largest German energy supplier, Vattenfall Europe Mining & Generation AG. These are drive solutions for specific applications on the basis of compact hydraulic HKA actuators, which are integrated as a unit with corresponding hydraulic cylinders.

EMG has succeeded in making clear to the mining operator of the advantages of a hydraulic drive solution for the activation of impact walls and impact valves as well as for the control of the conveyor belt skewing. In contrast to electro-mechanical spindle actuators the HKA solution of EMG is characterised by qualities such as robustness, overload capability, elasticity in movement as well as variable operating power and speed.

As a result EMG was able to succeed against two well-known competitors, whose product ranges include electro-mechanical actuators. The application site of the EMG linear actuators will be the AFB 60 mining waste conveyor belt and the coal conveyor system of the newly constructed Boxberg power station (image 3). In total, 14 actuators with different performance parameters will be delivered. The power range extends from 10 kN to 135 kN, together with an operating device of 300 mm to 1000 mm.

The above-mentioned applications for EMG-HKA actuators were all completely assembled at the EMG facility in Oschersleben. As a result only the electrical connections had to be carried out at the application site. It is therefore no longer necessary to carry out the necessary putting into operation and the other operations connected therewith on site, such as oil filling and testing of leak proofness which is necessary with traditional hydraulic solutions.

Image 2

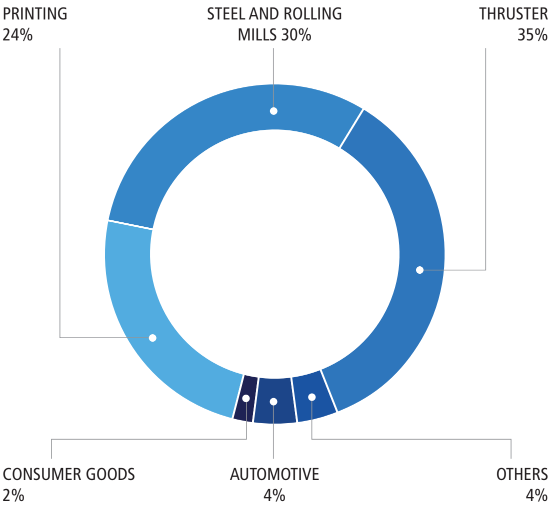
Image 3

3.3. Analyses of the business development on the basis key data

The business development of the elexis Group was clearly impacted by the general economic conditions of the year 2009. In the past elexis counteracted economic fluctuations with a diversified business model based on several branches. This pillar of the business model was still of importance in 2009. Significant declines in the incoming order and sales situation were in part cushioned by this branch structure. In 2009 the Company also achieved its objective of distributing its sales equally over the specialised areas of steel and rolling mills (steel industry), thruster technology, the printing industry and plastics.

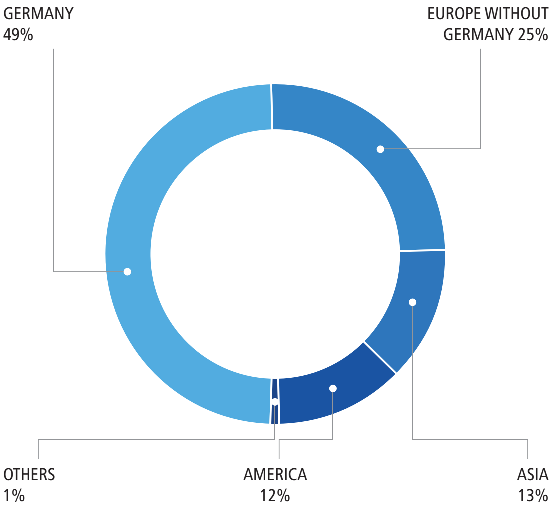
An additional important pillar is the internationalisation of the elexis Group. Together with a further intensified sales offensive both domestically and abroad the elexis Group was able to hold or expand its market shares in the various segments at a clearly lower market level. During the fiscal year the regional sales structure also developed in a stable manner versus the prior year.

BRANCH DISTRIBUTION 2009 (in percent)



BASIS: CONSOLIDATED SALES (NET) 2009 OF EURO 126.0 MILLION

REGIONAL DISTRIBUTION 2009 (in percent)



The distribution by branch and region remained allocated in the same manner in spite of a 26 percent drop in sales. In spite of the continuing high degree of internationalisation of the elexis business there were during the fiscal year 2008 no major risks from fluctuations in foreign exchange rates, since major portions of the sales were invoiced in euro. Sales as at December 31, 2009 amounted to euro 126.0 million (prior year euro 170.6 million). Declines in sales of this order of magnitude obviously resulted in a necessary adjustment of the production capacities. Apart from short working time, the reduction of personnel was also one of the necessary measures for cost reduction. The return on capital employed (ROCE) could no longer reach the level of the prior year of 36.6 percent due to the capacity adjustments. The ROCE as at December 31, 2009 amounted to 8.5 percent. The return on equity after taxes amounted to 2.4 percent following 19.4 percent in 2008.

A continuous working capital management has been established in the Company on a standardised basis. The inventories were reduced significantly. With a simultaneous reduction in sales the decline in inventories was in line with all the other key data. The inventory turnover as at the date of the statement of financial position on December 31, 2009 amounted to 53 days (prior year: 51 days). In spite of a significant reduction of the level of receivables by euro 2.8 million to euro 22.9 million, the days receivable outstanding increased from 54 days in the prior year to 66 days. The readiness to pay on the part of our international customers declined substantially in 2009 as a result of the general economic conditions. Important loses on receivables were not, however, reported.

At the date of the statement of financial position the elexis Group reported an operating profit (EBIT) in the amount of euro 5.2 million (prior year: euro 24.0 million). The consolidated net income after deduction of minority interests amounted to euro 1.6 million in the fiscal year 2009 following euro 13.5 million in the prior year. Earnings per share amounted as at the date of the statement of financial position to euro 0.17 (prior year: euro 1.47).

Factory Automation, Steel and Printing

Summary of the Factory Automation, Steel and Printing division

euro million	**2009**	2008	Change
Incoming orders	104.1	148.3	-30%
Sales (net)	112.6	139.0	-19%
EBITDA	13.8	26.4	-48%
EBIT	10.9	22.9	-52%
EBIT margin (in %)	*9.6*	*16.5*	
Employees (as at date of statement of financial position excluding apprentices)	608	640	-5%

The Steel and Printing sector continues to be the major pillar for the elexis Group. During the fiscal year the contribution to incoming orders amounted to euro 104.1 million. In the prior year period this amounted to euro 148.3 million. Incoming orders thus registered a decline of 30 percent. Nevertheless, elexis was able to distance itself positively from the decline in incoming orders with regard to the average for the branch. The branches relevant for elexis reported in 2009 an average decline of 41 percent in incoming orders based on the sectors of steel and rolling mills, printing machinery, conveyor technology and industrial fittings.

The Factory Automation, Steel sector benefited up to the end of the third quarter 2009 from a high level of orders on hand from the year 2008. Nevertheless, there was an extremely noticeable reluctance to invest on the part of the customers also in this sector. As a result the incoming orders declined, which nevertheless only led to a lower capacity utilisation in the fourth quarter 2009 due to the longer production and run-through times. The Printing sector, which is early in the cycle, reflected the current economic situation immediately. The incoming orders situation collapsed already in the first quarter 2009 and, as a result of shorter production run-through times, the declines in incoming orders had a quick effect on sales and earnings. The cost reduction measures and the adjustment of the production capacities, which were introduced at an early stage, showed their effect only after a time delay.

In spite of the economic crisis the thruster technology sector was able to achieve its budgeted plan targets. Whilst the customer group from the "port" sector continued to show a high reluctance to invest, there was in comparison stable demand from the sectors of energy and raw materials mining.

Factory Automation, Steel and Printing achieved during the fiscal year sales of euro 112.6 million (prior year: euro 139.0 million) and earnings before interest and taxes (EBIT) of euro 10.9 million (prior year: euro 22.9 million). The EBIT margin amounted during the fiscal year to 9.6 percent versus 16.5 percent in the prior year.

Factory Automation, Plastics

Summary of the Factory Automation, Plastics division

euro million	**2009**	2008	Change
Incoming orders	13.7	16.2	-15%
Sales (net)	13.4	31.6	-58%
EBITDA	-3.4	4.1	
EBIT *EBIT margin (in %)*	-4.0	3.2 *10.2*	
Employees (as at date of statement of financial position excluding apprentices)	127	164	-23%

A clear reluctance to invest became already clear on the part of the customers of Factory Automation, Plastics during the second half year 2008 with the start of the crisis in the automobile supplier sector. The projects placed in the sector of Factory Automation, Plastics are above all large projects for the restructuring of complete manufacturing lines. This includes often an innovative change of technology or the market introduction of completely new products. The effects of the financial market and economic crisis led on the one hand to uncertainties concerning the possibilities of financing these large projects and on the other hand there were uncertainties about the market acceptance of new products on the part of our customers. The general conditions under which the customers took investment decisions also continued in a similar manner in 2009, i.e. hardly any expansion investments, rebuilding instead of purchase of new equipment as well as decision processes with many project changes.

The reluctance to invest extended in different degrees also to the areas of medical technology, consumer goods and packaging, and this continues until today. However, all projects continue to exist. There were no cancellations during 2009. The incoming orders as at December 31, 2009 amounted to euro 13.7 million (prior year: euro 16.2 million), which corresponds to a minus of 15 percent versus the prior year. During 2009 the sales activities were intensified further. The result of these activities was an increase of the project list from euro 30 million to euro 70 million at year end 2009 as well as a slight improvement of the incoming orders as from the month of October 2009.

Overall the development of incoming orders and sales was unsatisfactory during the fiscal year. Nevertheless, this sector proved to be stable in comparison with the branch average of the specialised VDMA segments of plastics machinery and robotics and automation. These specialised branches reported an average decline in incoming orders of 36 percent.

As a reaction to the considerable deterioration of the general conditions, cost savings measures were introduced already during the fourth quarter 2008, which on a cumulated basis amounted to approximately euro 3.9 million in the fiscal year. The full annual effect of these measures will amount to approximately euro 4.1 million as from the fiscal year 2010. With these measures this sector has been put on a break-even sales level of about euro 20 million.

The sales of Factory Automation, Plastics amounted in the fiscal year to euro 13.4 million (prior year: euro 31.6 million). The EBIT amounted to euro minus 4.0 million following a positive EBIT of euro 3.2 million in the prior year.

elexis AG

At the holding company the EBIT before result of participations amounted to euro minus 1.6 million in the fiscal year 2009 (prior year: euro minus 2.1 million). Apart from one-time restructuring provisions in the prior year there have been no changes in the cost structure.

3.4. Situation of the Group

3.4.1. Asset situation

euro million	**2009**	2008
Balance sheet total	128.9	134.9
Equity ratio (in %)	51.7	53.1
Investments incl. financial leasing	2.7	8.1
Investment ratio (in %)	89.9	210.5
Fixed asset coverage (in %)	172.9	179.7
Working capital	5.5	14.9
Inventory turnover (in days)	53	51
Days sales (in days)	66	54

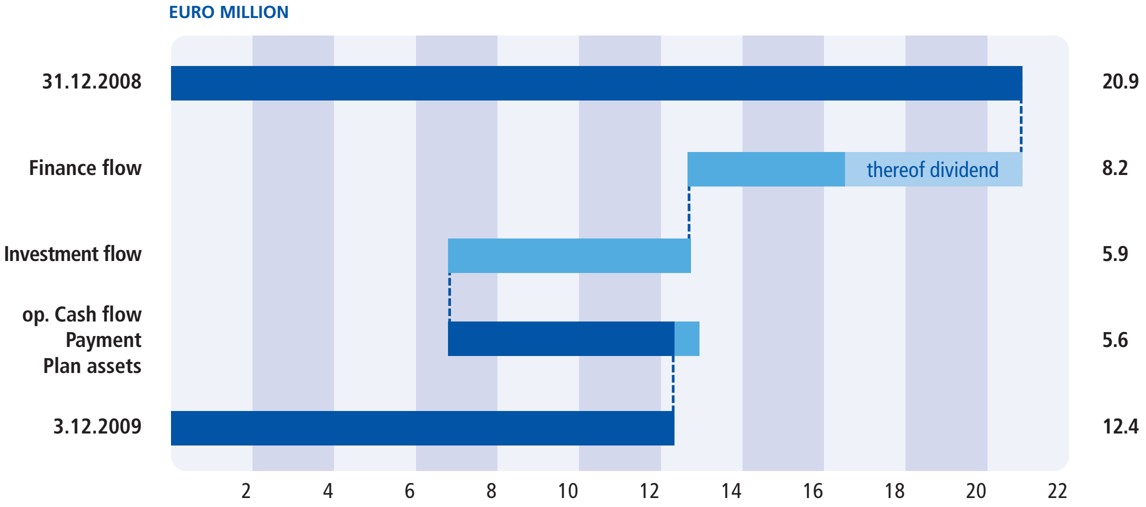
The asset situation of the elexis Group is impacted primarily by the goodwill as well as the short term current assets in the form of inventories and trade accounts receivable.

The goodwill is subjected to an impairment test at regular intervals. These resulted in no requirement for amortisation. A specific working capital management resulted in a reduction of the inventories from euro 24.3 million in the prior year to euro 18.7 million as at December, 2009. The receivables were also constantly monitored. It was therefore possible to recognise risks at an early stage and to take counter-measures. The level of accounts receivable could be reduced to euro 22.9 million (prior year: euro 25.7 million), accompanied by a simultaneous increase in the days receivable outstanding. The reduction of the working capital items led to a decline in the total of the statement of financial position to euro 128.9 million (prior year: euro 134.9 million). The investments including financial leasing in fixed assets amounted to euro 2.7 million (prior year: euro 8.1 million). The investment ratio fell to 89.9 percent following 210.5 percent as at December 31, 2008.

As a group with a high level of shareholders' equity, the financing of the assets is undertaken through the high share of equity. After a fixed asset coverage of 179.7 percent in the prior year this item of data could be maintained at an almost stable level and amounted to 173.2 percent as at December 31, 2009. Due to the reduction of the total of the statement of financial position the dividend distribution of euro 4.4 million did not lead to any sustainable reduction in the equity ratio. This amounted on the date of the statement of financial position to 51.7 percent (prior year: 53.1 percent), corresponding to shareholders' equity of euro 66.6 million (prior year: euro 71.6 million). Third party capital developed in line with the changes in the current assets.

3.4.2. Financial situation

DEVELOPMENT OF NET LIQUIDITY



The reduction of the operating results from euro 24.0 million in the prior year to euro 5.2 million in the fiscal year resulted obviously in a lower cash flow from operating activities. Whilst in the prior year the items of inventories, receivables as well as other assets, which were relevant for the cash flow, increased by euro 3.8 million, a reduction in these items of euro 10.3 million could be achieved as at the date of the statement of financial position on December 31, 2009. This was attributable to the consistent working capital management of the elexis Group. As a result during the fiscal year 2009, an operating cash flow in the amount of euro 5.6 million was earned following euro 10.5 million in the prior year. In this respect the outflow of funds for the payments of taxes on income in the amount of euro 4.5 million are taken into consideration (prior year: euro 5.9 million).

The outflow of funds from investment activities declined slightly by euro 0.3 million to euro 5.9 million as at December 31, 2009. The payments for investments in property, plant and equipment declined substantially in view of the implementation of the cost reduction programmes (December 31, 2009: euro 1.6 million; December 31, 2008; euro 4.9 million). Furthermore, the outflow of funds from investing activities was impacted by the acquisition of minority interests (48 percent) in EMH Eletromecanica e Hidraulica Ltda. during the first quarter 2009 as well as the investment of cash deposits (> 3 months). The outflow of funds from financing activities remained at an almost constant level after adjustment for the new financial liabilities taken down in the prior year for the largest investment programme in the history of elexis.

euro million	**2009**	2008
Cash flow from operating activities	5.6	10.5
Liabilities to banks	5.6	7.4
Net liquidity	12.4	20.9

The net liquidity amounted as at December 31, 2009 to euro 12.4 million following euro 20.9 million in the prior year. After scheduled repayments the long term liabilities to banks declined by euro 1.8 million to euro 5.6 million. In total the elexis Group has a solid financial basis.

3.4.3. Earnings situation

euro million	**2009**	2008
Incoming orders	117.8	164.5
Sales (net)	126.0	170.6
Gross profit	42.4	65.4
EBITDA	8.8	27.6
EBIT	5.2	24.0
Financial result	-0.8	-1.3
EBT	4.4	22.7
Consolidated net income after deduction of minority interests	1.6	13.5
Earnings per share (in euro, EPS)	0.17	1.47
Selling expense ratio (in % of sales)	22.9	19.2
Administrative expense ratio (in % of sales)	6.3	5.1
Materials ratio (in % of sales)	36.7	36.6
Personnel ratio (in % of sales)	36.2	30.1

As at December 31, 2009 elexis Group reported sales in the amount of euro 126.0 million (prior year: euro 170.6 million) with the same distribution of revenues by branch and by region. The decline of 26 percent was the result of the depressed order situation in the recession year 2009. Incoming orders amounted as at December 31, 2009 to euro 117.8 million following euro 164.5 million in the prior year. The decline in incoming orders reflects directly the continuing reluctance to invest on the part of our customers.

Declines in sales in this order of magnitude can only be cushioned through consistent cost reductions. In part these take effect only after a time delay. In total, cost reductions were implemented in the amount of euro 14.7 million at the elexis Group. Apart from cost reductions in the area of overhead costs (IT services, travel expenses etc.) the measures for cost reductions concerned in particular personnel and material costs. The strategic purchasing of the elexis Group was able to realise significant savings, which can be seen by the stable materials ratio (December 31, 2009: 36.7 percent; December 31, 2008: 36.6 percent). The reduction of the personnel expenses by euro 5.7 million to euro 45.6 million as at December 31, 2009 could, on the other hand, not compensate for the declines in sales or for the resulting contribution to earnings. The personnel expense ratio increased from 30.1 percent (December 31, 2008) to 36.2 percent as at the date of the statement of financial position in 2009. In addition, the earnings situation of the elexis Group was negatively affected by the increasing pressure on prices due to the competitive situation, which is reflected by the lower margin. Taking into consideration the cost reduction measures and the one-time expenses resulting therefrom, the EBIT amounted as at December 31, 2009 to euro 5.2 million (prior year: euro 24.0 million) and corresponds to an EBIT margin of 4.2 percent. The EBIT margin of the prior year amounted to 14.1 percent.

Tax effects resulted in a Group tax ratio of 56.1 percent and as a result the net income after deduction of minority interests declined disproportionately to euro 1.6 million (prior year: euro 13.5 million). The tax effects resulted primarily from the valuation of the deferred tax claims on tax loss carry forwards which can be used in the future in the area of Factory Automation, Plastics as well as from the change in the general legal conditions in China. Further information on the relative background can be seen in the notes to the consolidated financial statements under No. 8 "Taxes and earnings".

3.4.4. Asset, financial and earnings situation of elexis AG (reporting in accordance with the German Commercial Code (HGB))

As a holding company elexis AG is responsible exclusively for the control and the strategic direction of the elexis Group and does not exercise any operating business. The following changes occurred during the fiscal year 2009 with regard to the legal structures:

On Mach 23, 2009 elexis AG concluded a profit and loss transfer agreement with its 100 percent subsidiary, Elexis Beteiligungsgesellschaft mbH, subject to the approval of the general meeting of shareholders, in which Elexis Beteiligungsgesellschaft mbH has undertaken to transfer all of its profits to elexis AG. On May 20, 2009 the general meeting of shareholders approved this profit and loss transfer agreement. Following the conclusion of the profit and loss agreement, the two companies will thus be considered as a single tax unit with the result that they will be taxed as a single company. Any profits of Elexis Beteiligungsgesellschaft mbH are therefore to be allocated to elexis AG and can be set off there against any existing tax loss carry forwards of elexis AG.

With regard to the existing remaining loan for the acquisition financing of Factory Automation, Plastics (book value euro 3,407,000) elexis AG issued during the fiscal year 2009 a declaration of joint liability in the event of a breach in the covenant up to 31 December 2010. In exchange, renunciation was made in respect of the right of termination from contractual credit conditions for 31 December 2009 (waiver letter) by the financing banks.

Due to the various one-time effects of the prior year the asset, financial and earnings situation of the last two fiscal years is only comparable to a limited extent. The main one-time effects are therefore described below:

During the fiscal year the long term financial assets dominated the structure of the statement of financial position of elexis AG to an extent of approximately 75.6 percent (prior year: 75 percent). This is the result of a tax revaluation of the value of the participations form the year 2008. Receivables due from affiliated companies were reduced from euro 18.2 million to euro 17.3 million. The financing of the assets took place almost exclusively through shareholder equity funds. The equity ratio amounted at the date of the statement of financial position to 92.4 percent following 89.2 percent in the prior year.

The earnings situation of the prior year was impacted by the special effects of the tax revaluation of the value of the participations as well as the setting up of restructuring provisions. During the fiscal year 2009 these special effects were eliminated. There were no changes in the operating cost structure. The administration expenses and the interest result remained constant.

3.5. Report on significant events subsequent to the date of the statement of financial position

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

The Steel sector benefited during the fiscal year 2009 from a high level of orders on hand from 2008 which was worked off to a large extent up to the end of the third quarter. This is also the result of production times, which can amount up to six months. The substantial decline in incoming orders during the first nine months 2009 led as from the fourth quarter to a reduced level of capacity utilisation. The capacities were adjusted with the reduction of temporary employees, life-time employment accounts and flexible working time credits and the Christmas holidays were extended by a week at the year-end 2009. Since February 8, 2010 short working time has also been introduced.

3.6. Key opportunities and risks of future development, outlook

3.6.1. Report on the internal control and risk management system in accordance with Sections 315 Paragraph 2 No. 5 and 289 Paragraph 5 of the German Commercial Code (HGB):

The internal control and risk management system serves to identify possible sources of error within the framework of our financial reporting and to limit any risks resulting therefrom. Our internal control and risk system extends to the whole elexis Group. On the basis of this procedure we can guarantee with a large measure of safety that financial statements and consolidated financial statements can be drawn up which correspond to the legal regulations. Below we explain the organisational structure as well as the guidelines of the internal control and accounting process.

Key characteristics of the internal control system and the risk management

There is a clear management and corporate structure, which foresees that key functions covering various departments are controlled centrally through elexis AG. One of the main functions of this process is the control of the overall Group and its operating units. In this respect the starting point is the targets set by the Management Board of elexis AG. From these and the expectations regarding the operating development a medium term plan is drawn up once a year together with the general managers and profit centre managers of the operating units. This includes budget amounts for the next year and plan numbers for the following years. For current fiscal years we set up forecasts, which are linked to the medium term planning. Within the context of quarterly forecast discussions the members of the Management Board of elexis AG, the general managers as well as the managers of the profit centres of the operating units meet and analyse the relative quarterly financial statements and bring the existing forecasts up to date.

The accounting process concerns the departments of "accounting", "controlling" and "investor relations". The areas of responsibility are clearly allocated from a personnel point of view and are managed in separate organisational areas.

The bookkeeping is carried out in a decentralised manner or is undertaken by EMG Automation GmbH as a service provider for its subsidiaries. Our employees in accounting and in controlling are regularly trained with regard to the legal changes of the national and international accounting regulations as well as in tax law. We guarantee the maintenance of the corresponding regulations in combination with the strict principle of privacy in these areas. All individual financial statements of the Group companies, which are included in the Group consolidation, are subject at least once per annum to an audit by an auditor.

The basis of the accounting is current group reporting. This is drawn up through the accounting department and the controlling department and is presented punctually to the Management Board as well as to the management for corporate control. Actual and plan deviations within the year are thus recognised and the possibility is provided to react immediately.

In its function as a holding company elexis AG undertakes the central tasks in the area of international accounting as well as the external reporting. The consolidation of the group reporting within the year takes place monthly in accordance with IFRS including the reconciliation with the inter-group clearing transactions in accordance with the regulations of HGB, AktG and WpHG. We prepare our financial statements with the help of a standard Group reporting system, which we also use for the drawing up of the budget and the forecasts. All fully consolidated companies make use of this system.

Special analyses and special subjects are also handled in the controlling department at the holding level. In the case of individual specific tasks further support is given by the commercial departments of the subsidiaries. Depending on the complexity and the order of magnitude, external consultants such as auditors or tax consultants are called upon for the examination of specific accounting questions.

Explanations on the key characteristic of the internal control system and the risk management system with regard to the accounting process

Our internal control and risk management system in respect of the accounting process ensures that business events are always stated correctly, prepared and confirmed and are included in the accounting. Suitable personnel available, the use of adequate software as well as clear legal and internal corporate instructions represent the basis for an orderly, standardised and continuous accounting process. The clear differentiation of areas of responsibilities as well as the various control and monitoring mechanisms ensure correct and responsible accounting. In this way it is achieved that business events are drawn up, processed an documented in agreement with the legal regulations, the articles of association as well as the internal guidelines. With this procedure we ensure that assets and liabilities in the financial statements and the consolidated financial statements are stated and reported in the correct manner. Corporate controlling is guaranteed through a punctual and complete group reporting.

Risk management confirmed with regard to accounting process

The German Audit Office for Accounting (DPR) audited for the first time the financial statements of elexis AG as at December 31, 2008. The main auditing emphases of the procedure were the valuation of the goodwill, the accounting in connection with research and development expenses, the composition of the scope of consolidation and the valuation of the deferred taxes. The audit of the DPR came to the conclusion “that there were no indications of errors in the accounting for the fiscal year 2008”.

Declaration on management in accordance with Section 289a HGB

The Management Board of elexis AG issued a declaration on management on March 17, 2010 in accordance with Section 289a HGB and made this generally available on the internet page of elexis under ***www.elexis.de/The Company/Company Structure***.

3.6.2 Opportunities and risks of future development

Risks are events and possible developments within and outside the Company, which could have an effect on the achievement of our corporate objectives. In the opinion of the management most risks simultaneously include opportunities, which can be used to the advantage of the Company.

The forward looking and continuous management of opportunities and risks is an important part of our business activity. At the elexis Group a comprehensive corporate risk management system ensures that the risks are recognised at an early stage, stated in a standardised manner, evaluated, controlled and monitored. At the same time, however, opportunities are also identified as well as the related potential for the business development.

Organisation of risk management

The Management Board bears the responsibility for the risk management system. It sets rules and minimum standards, which guarantee a group-wide risk management. In this activity the Management Board is supported by a person responsible for risk management, who at the same time acts in the function of chief compliance officer. The tasks of the person responsible for risk management include the elaboration of group-wide instructions for methods and processes, the regular reporting as well as the supervision of all risks. Under the specialised leadership of the person responsible for risk management our Group companies ensure a standardised implementation of the group-wide risk management guidelines.

Moreover, all risks items are observed and monitored in the risk committee. The risk committee consists of the member of the Management Board of elexis AG in charge of finance as well as the person responsible for risk management. With regard to the identification of risks, in particular price change, loss, foreign exchange and liquidity risks as well as risks from fluctuations in cash flow are taken into account. The testing of goodwill in the form of impairment tests is also an integral part of risk management. Furthermore, the development of the current economic situation and the resulting branch and competitive risks are also under particular observation. The risks are evaluated with regard to their amount ant their probability of occurrence. The analysis of individual risks includes both qualitative and well as quantitative factors. The probability of occurrence of existing or foreseeable risks is weighted individually. The identification and analysis of the risks are complemented by a continuous schedule plan and allocated responsibilities. Special action plans include the counter-measures and allocate clearly the responsibilities. The reporting to the management and Supervisory Board takes place each quarter in standardised form.

The risk monitoring includes in particular the planning, implementation and the control of the success of suitable counter-measures. The risk management system of the elexis Group is designed to recognise potential and existing risks at the earliest stage possible and to make them calculable by means of an evaluation. It is closely linked with the controlling system and strategic planning. The risk management system is regularly investigated with regard to its effectiveness and its up-to-datedness.

Opportunities and risks of the overall economic development

The overall economic environment changed dramatically in 2009 and led to a worldwide recession. The markets and branches of the elexis Group are also impacted by this. The elexis Group has returned to the sales level of the years 2005 and 2006. The fiscal year 2010 will also be under the shadow of the recession, even though some economic data indicate a recovery of the worldwide economy. Some of the branches served by the elexis Group are also recovering again. This has had an effect, for example, in the Printing business unit during the past few months where incoming orders have started to increase.

For the elexis Group the general economic situation must be judged on the basis of the dependence on the corresponding products and markets. In total, the elexis Group created the structures in 2009 through a consistent cost savings programme with a view to earning sustainable positive results with low but stable sales during the fiscal years 2010 and 2011. A further reduction of the incoming orders and sales in relation to the fiscal year 2009 would further burden the earnings situation and result in additional savings measures. A more intensive competitive situation, which could be fought out through price battles, would also lead to a deterioration of the earnings situation. Moreover, there are various operating risks, which will be explained separately within the framework of this risk report.

The current economic situation, however, conceals also opportunities for business development. The elexis Group continues to have available good financing possibilities and is thereby in the position of carrying out strategic investments, for example, in the expansion of the current technology competence. This can take place in the form of cooperation agreements or also through additional acquisitions. A further opportunity lies in the internationalisation of the elexis Group. The elexis Group has been represented since already many years with its own companies in India, China, Japan, Brazil and the USA. Particularly in the branches which are relevant for elexis high rates of growth potential continue to be expected.

Opportunities and risks of securing liquidity

The banks are still hesitant in lending money to companies. In particular machinery manufacturing requires also financing for maturities from five to ten years for its projects. The financing of such large and long term investments is difficult at times of economic crisis. Legal measures on the part of the Federal Government should secure the provision of credit to companies. The reluctance to grant credit continues to be based on the high amortisation requirements of companies (e.g. goodwill) and banks (e.g. credit receivables). A preliminary high-point of the "amortisation wave" is expected with the reporting season for the past fiscal year 2009.

A further difficult aspect is that the banking landscape is in a basic state of change. There is the tendency of the banks to even withdraw completely in part from certain international regions. As a result the financing of large international infrastructure projects could become more difficult.

Within the framework of securing liquidity particular importance is placed on the management of receivables and the insurance of credit. A continuing deterioration of results also on the part of our customers is leading in part to longer payment periods. Losses of receivables could in principle increase as a result of insolvencies. A change in the credit-worthiness of our customers and suppliers has resulted necessarily also in a change of the credit insurance lines and conditions.

In the fiscal year 2009 all overdraft credit lines of the elexis Group were secured. It is nevertheless to be expected that the credit extensions in 2010 will take place under changed conditions for the whole of the medium-sized industry and thus also for the elexis Group. The basic policy of the elexis Group is not to conclude credit agreements initially with covenant agreements. This has a positive effect for the companies of the elexis Group particularly at times of an economic crisis and secures our capability to act. An exception is constituted by the existing remaining loan for the acquisition financing of HEKUMA GmbH, which will be completely repaid as at March 31, 2013 as well as a long term loan of EMG Automation GmbH (euro 1.3 million).

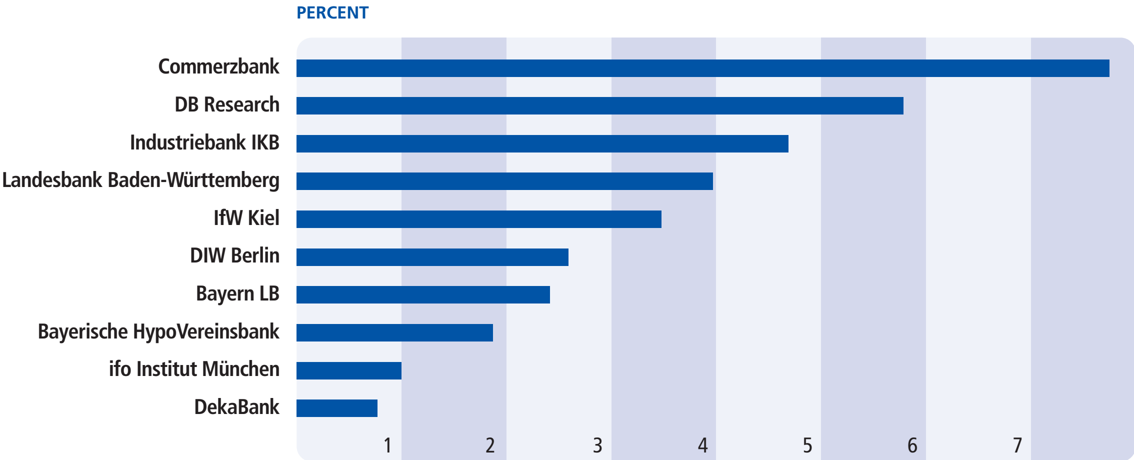
In total the continuing financial and economic crisis is leading to a more difficult procurement and securing of liquidity. In order to counteract the general uncertainty we have applied to and received from the German Bundesbank the central bank capability for all companies of the elexis Group up to December 31, 2010. Thus all companies of the elexis Group are classified as investment grade.

Opportunities and risks of the relevant branches

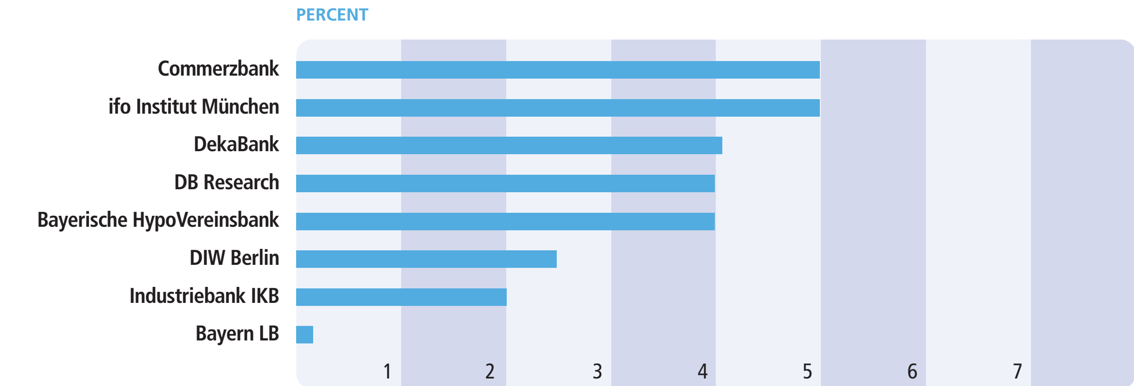
The visibility continues to remain low with regard to the economic development in German machinery manufacturing. The leading analysts all expect a recovery of the economic situation versus the year 2009. The assumptions regarding percentage growth, however, are very different.

Development of equipment investments and machinery manufacturing in Germany 2010

EQUIPMENT INVESTMENTS (Changes to prior year)



MACHINERY MANUFACTURING (Changes to prior year)



Source: Institutes, branch experts of the banks, VDMA; status: 18.01.2010

Driven by the equipment investments the analysts are expecting growth of machinery manufacturing of between zero and five percent versus the prior year. This means that the economic conditions are increasingly stabilising, but a short term recovery of production performance in machinery manufacturing is not to be expected to be at the level of 2008. Through cost savings introduced at an early stage the elexis Group has adjusted the structures to the current level of sales and thus created the basis for future profitability. According to our current estimations, we are thus on the right path during the next few months, but nevertheless lag behind the economic recovery which is starting to manifest itself with a certain time delay.

Our competitors were also required to adjust consistently and in the short term to the general economic conditions. A difficult year in 2009 and continuing restrained expectations for the economy in the various elexis branches are putting our competitors increasingly under pressure. This is leading to a situation where competitors are trying to influence market shares increasingly through pricing. Our objective is to maintain existing market shares or to expand them further. The elexis Group can show important market shares of the world market leadership. Possible increasing competitive pressure, however, also offers the opportunity to acquire competitors who may have earnings problems due to their pricing policies.

Opportunities and risks of purchasing

The effects of the financial market crisis are also to be felt on the purchasing side. The control of credit-worthiness is therefore gaining increasingly in importance. In order to guarantee the planned production and the delivery capability of the elexis Group, the avoidance of dependence as well as the continuous observation of the suppliers is our first priority.

Opportunities exist in the analysis of the value added process in connection with purchasing options and the resulting possible “make or buy” decisions.

Personnel risks

The competition among companies for qualified personnel is becoming increasingly more intensive. In order to secure and strengthen our position here, we are emphasising with our personnel management activities the attraction of elexis as an employer and are striving to maintain specialised and management staff with the Group in the long term. Apart from performance based remuneration and progressive social contributions, we place particular importance on showing the attractive perspectives in the elexis Group to our employees. These include the promotion of the dual training system, work possibilities in different Group companies as well as offers for further training.

Personnel changes are unavoidable within the framework of “make or buy” decisions as well as necessary personnel adjustments within the context of cost programmes. Through an open and punctual information policy we involve all employees in the elexis Group with the strategic personnel decisions, in order to act against possible uncertainties on the part of the staff.

We limit risks of personnel fluctuation through appropriate appointments of deputies and early stage succession planning.

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 euro 26.6 million in the consolidated financial statements as at December 31, 2009. 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 valuation risks in the fiscal year 2008 in respect of the goodwill in the Israeli company, Optimet, no longer exist. 7.89 percent of the shares were still held as at December 31, 2008 by elexis beta GmbH. The products and markets of this company do not form part of the key competences of the elexis Group. In view of this, the shares were sold in 2009 to the majority shareholder.

Other valuation risks, e.g. from the capitalisation of own assets produced, do not currently exist.

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 share capital in the amount of up to euro 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 share capital.

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 retained by elexis comes to the conclusion 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. An expert opinion in the form of a resolution of proof commissioned by the upper district court in Düsseldorf indicates in part on a preliminary basis a requirement for downward revaluation, which in the event of a complete loss would have to be reimbursed by elexis. In the meantime, the expert was requested by the upper district court in Düsseldorf to clarify key complementary questions, which could reduce the result of his conclusion and the amount of the sum being investigated. This opinion has not yet been submitted.

Following the recommendations of our external lawyers and our legal counsel, we have set up a corresponding provision to cover possible court case risks including the costs of lawyers, court expenses as well as the cost of the opinion. We are of the opinion that through the provision which has been set up sufficient precaution has been taken for a negative conclusion of the legal case, which cannot be excluded, and that as a result no negative effects are expected with regard to the result of the following years.

Top quality in printing
at DS Smith Kayserberg thanks to BST

At its Kunheim / Alsace, France site DS Smith Kayserberg produces corrugated board and processes this, for example, into packaging. The corrugated board is not printed at the factory, but the company receives printed supporting materials from suppliers, which are then applied to the cardboard.

The task

If printing defects occurred on the materials supplied (streaks, missing print etc.), these were discovered only once the packaging was completed, since the print was not monitored during the production of the corrugated board. This did not correspond to the quality requirements of DS Smith, and resulted in customer complaints, and therefore made an expensive final inspection necessary: Employees had to take out samples from the production and test them optically.

DS Smith Kayserberg

The French company, DS Smith Kayserberg, is a member of the British DS Smith Group and manufactures cardboard as well as product and industrial packaging from corrugated board. Production is directed at a broad range of shelf and industrial packaging including cardboard pallets for the mass consumer market as well as for the chemical, automobile, electronics and logistic branches.

Production at the sites in France, Italy, Poland, Turkey and in the Ukraine amount to over 600 million m² of corrugated board every year. In addition, there are also further international processing plants. The approximately 2,300 employees achieved sales of euro 515 million in 2007 / 2008.

In order to reduce this effort and expense, to assure the customer's satisfaction and at the same time to be able to have an effect on the quality of the suppliers, DS Smith Kayserberg decided to install a 100% real time print defect detection system The company opted for the SHARK 4000 system from BST International.

100% real time print defect detection systems are established in the market for print monitoring technologies since several years. They are based mainly on line scan camera technology, scan the print line by line throughout the whole web width and thus compare the printed image with a master image. In case of deviations the system gives optical and / or acoustical warnings. The description "100% real time print defect detection" characterises the major aspects of these systems:

- "100 percent": the complete web is monitored during the total running time of the print job.
- "Real time": the comparison of the scanned image with the master image takes place during the production run.
- "Printdefectdetection":Reliabledetectionofboth random and repeating defects.

BST International offers this technology for various areas of application. SHARK 4000 is designed for the monitoring of wide material webs (510 mm to 2,040 mm) and consists of up to three camera modules (depending on the web width), one touch screen monitor for central operation and print monitoring as well as the computer units cameras assigned to each camera. Each colour line camera module operates with a typical resolution of 0.09 mm² per pixel and primary colour (RGB / at a web speed of 360 m/min). The PC technology used assures fast data processing.

The report function was particularly important for DS Smith. SHARK 4000 produces for each job a meaningful documentation including an error image for each defect occured. With this report the company was in the position to prove the lack of quality to its suppliers.

The solution

The BST project at DS Smith Kayserberg is the first realisation of a 100% real time print defect detection system on a corrugated board application.

The challenge concerned the manufacturing conditions: corrugated board production is characterised by high degrees of environmental humidity and temperature as well as the development of dust. This has effects both on the hardware used (e.g. optics) as well as on the exactness of the results of the print defect detection. In addition, there was an discontinous horizontal offset of the running material web due to the machinery. This offset can lead to the issue of "incorrect" error messages.

The dimension of the print repeats to be monitored also deviated from what was usual in the printing industry: with 2,500 millimetres width and length each they are exceptionally large and produce a high volume of data to be processed. The web specifications were in particular of importance, since, as mentioned above, SHARK 4000 is actually designed for web widths of up to 2,040 mm. Furthermore, for budget reasons the specification was to install a maximum of two camera modules instead of the possible three.

BST solved this problem through the adjustment of the maximum system speed to the requirements of the corrugated board machinery. The system resources freed thereby were used to process the exceptionally high volume of data.

SHARK 4000 proved itself to be particularly suitable for the requirements which resulted from the production conditions: Due to its compact design the camera unit can be mounted close to the web.

At the same time the optics are protected from external influences through it encapsulated construction. In addition, the system can be very simply maintained and cleaned.

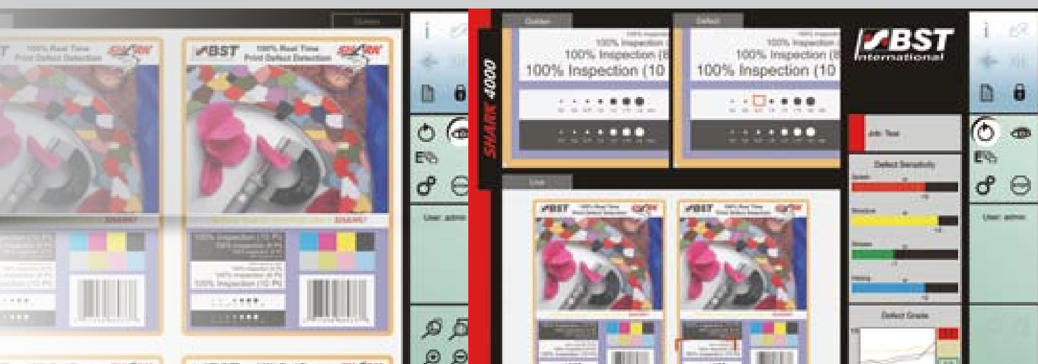
Furthermore, BST made modifications to the system: the field of view of the camera was enlarged, which enabled the capture of an increased number of pixels and the camera software was adjusted to the material and production conditions.

Conclusion

Following a test phase of several months DS Smith Kayserberg put the SHARK 4000 into normal operations. Both the management as well as the operators are extremely satisfied with its performance. The product quality could be improved to a high degree. In addition to the resulting increase in satisfaction there were also the savings in costs and time. In the meantime it is planned to install additional SHARK 4000 systems in corrugated board facilities and a maintenance contract with BST has already been concluded.

An additional positive result for both parties involved is that suppliers of the corrugated board manufacturer have requested from BST 100% real time print defect detection systems, in order to be able to conform also in their production to the quality requirements of DS Smith Kayserberg.

Images below:
Right image: The SHARK 4000 camera unit
Both left images: The intuitive SHARK 4000 operation interface



Risks of losses, interest changes and currency
With regard to the risks of losses, interest changes and currency in the elexis Group please refer to our comments in the notes to the consolidated financial statements.

Tax risks
The increasing internationalisation of the elexis Group leads to the situation where changes in the general legal tax conditions in particular abroad can have more and more influence on the development of the tax ratio. Changes in tax assessment bases cannot be influenced by us. We counteract the risks related thereto by maintaining close contact with the regional tax advisors and tax authorities. The continuous observation of the legal tax developments is integrated into the international controlling of participations of the elexis Group.

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.

Overall conclusion of the opportunities and risk situation
On the basis of the review of the risks, the estimation of their probability of their occurrence and the analysis of the effectiveness of measures, the management is convinced that risks do not exist from today’s point of view, which could endanger the continuation of the Company.

3.6.3 Outlook of elexis AG

Overall economic development remains restrained
The recession of 2009 is considered to have been overcome. For the year 2010 analysts are forecasting positive global growth of about 3.9 percent. The quality of the growth will be extremely varied. The costs of the high level of state debt and the monetary policy of 2009 will dampen worldwide economic growth. In many countries double-digit government deficits and mountains of debt never seen hitherto darken the horizon.

The International Monetary Fund (IMF) is forecasting growth of 2.1 percent for the industrial nations. During the current fiscal year Germany should be the driver for the European economy, since above all the economy of Germany will be strengthened as a result of a pick-up in exports.

Thanks to state economic packages and strong support for investments, developing countries such as China, India and Brazil are helping the industrial countries out of the economic crisis. For the first time for decades the emerging markets are leading the recovery of the world economy from a recession. They are recovering considerably faster than the industrial countries. Forecasts for 2010 are indicating economic growth in China in a two digit percentage amount, about 7 percent in India and 4 percent in Brazil. In total the developing countries should grow during the current fiscal year at 6 percent according to the forecasts of the IMF.

Future situation of the Company
The elexis Group has a strong market position. All production sites of the elexis Group are in the most modern condition and are competitive with regard to the costs. The Group will expand its high technical standard. The bases for this are the current sales and innovation offensives. The expectations with regard to the business development must be judged, however, differently within the elexis Group.

Factory Automation, Steel and Printing

is not only the most successful strategic business unit of the elexis Group, but it is one of the areas with a high level of customer activity. The predominant pressure in the branches is the increase in efficiency, which has intensified throughout the crisis and which makes improvements even more important with regard to questions of economic effectiveness and quality. The range of products of the elexis Group is directed at major requirements of demand. With elexis products the customer has the most modern technology available, which can be used in many ways. A clear objective is to expand further the competence and the technology leadership around the "steel sheet processes". A special market study is currently being dedicated to this subject. We see here possibilities of transferring to other applications and branches the many years of experience in the corresponding technological processes gained from the steel and printing sector.

The broad product range of the elexis Group resulting from the applications and production equipment of our customers will also remain the prescription for success in the future as well as the related diversification of technologies and software solutions. Numerous items of technical equipment, from strip and web guidance systems up to complex systems of measuring technologies and quality assurance, are in principle also adjustable to the most varied processes. This is being taken into consideration through further growth in the tasks for research and development.

We intend to explore new ways of requirement analysis with a further innovation project, "elexis-Inno-Kick". In the past above all the direct discussion with our customers was the priority of our activities. This we shall and intend to continue in the same manner and transfer the knowledge and solutions gained even more intensively than before to applications outside the branch. "elexis-Inno-Kick" has the objective of bringing the market from outside into our group of companies. This is true to our understanding as an innovation leader: to promote actively "the permanent search for new innovative solutions also in new market segments". We are developing additional internal and external communications platforms for the pending dialogue throughout all the branches.

The advance into new applications and markets will obviously be extended to the well-positioned brands in thruster technology. The traditional fields of application, such as container ports, will by necessity be influenced to a greater extent by the worldwide economic recession.

Factory Automation, Plastics

will also concentrate in the future on the development, manufacture and putting into operation of complex automation equipment. The product emphasis during the fiscal year 2009 was placed on equipment for the medical technology sector. The technological knowledge gained was a good basis for subsequent orders. The market for consumer goods can again be developed, since this was impacted over-proportionally by the reluctance to invest on the part of the customers.

With the restructuring measures implemented in 2009 we have reduced the cost structure in this segment to a break-even level of approximately euro 20 million. We have thus created the basis for 2010 in order to achieve profitability again, even in the event of a slow recovery of the economy. This is the planning assumption for 2010.

Due to the high level of innovations during the last few years this division reports a large number of projects, which have initially been postponed by the end customers as a result of the recession in 2009. We expect that these projects will be implemented in the medium term. Moreover, our chances of concluding orders grew substantially as a result of the accelerated sales activity. The market volume which is relevant for the Factory Automation, Plastics division amounts to at least 5 percent of the total injection moulding machinery market. This was confirmed by a market study from 2008 from which on average two-digit market shares could be deduced. On this basis the Plastics division has an over-proportional potential for growth and earnings.

Service activities
are part of the most elementary range of services of the elexis Group. In almost all projects the Company sees itself not only as a developer and a supplier but also a solver of problems and places the highest priority on the use to the customer. The customers will also in future benefit from the fact that they will be provided comprehensive customer training and technical support services in addition to the process analysis, the commissioning and the delivery of turnkey equipment. Currently it is thus expected that the service activities for maintenance and repair of existing equipment will still increase slightly. This is a result of the reluctance for new investments on the part of the customers impacted by the economic crisis and the partially longer life cycles of some equipment.

The mega trends of demand are the basis for growth

The economic and technological further developments of the last few years were always concentrated to date on the requirements of the population. Thus the future will be impacted by the demand of people for qualitatively high value and less expensive products and therefore by necessity new technologies. The researchers for the future speak in this connection of mega trends, which characterise the markets of the future, independent of economic fluctuations. These mega trends have influence on the global value and economic systems with varying impact and effect, in particular at times of progressive globalisation.

The products of the elexis Group serve on the one hand the requirements of society in the industrial nations for safety, energy efficiency and health consciousness; on the other hand, in particular also the developing countries with a fast growing consumption and constantly rising populations offer completely new product ideas and many promising sales areas.

Consequently, the concentration on the mega trends of "environment", "health", "mobility", "industrial manufacturing" and "new consumption models" is for us of high strategic importance and forms the basis for new product ideas. The innovation offensive started in the fiscal year will be further expanded on this foundation. The focus of the development work is concentrated on new product ideas for medical technology, for renewable energy concepts as well as for packaging technology.

In spite of the clear uncertainties, which render difficult a precise forecast, we expect for 2010 that sales will rise again and that profitability will increase in view of the slow stabilisation of the global markets in connection with the further promotion of our innovations. Moreover, we are cautiously optimistic that these positive trends will also stabilise in the medium term.

Please note that through the use of 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, 2009

4.1. Statement of comprehensive income

	2009		2008		
	in T euro	%	in T euro	%	Notes
Sales	**126,006**	**100.0**	**170,575**	**100.0**	(1)
Cost of goods sold	-83,596	-66.3	-105,209	-61.7	(2)
Gross profit	**42,410**	**33.7**	**65,366**	**38.3**	
Selling expenses	-28,887	-22.9	-32,739	-19.2	(3)
Administrative expenses	-7,936	-6.3	-8,632	-5.1	(4)
Other operating income	2,648	2.1	2,146	1.3	(5)
Other operating expenses	-2,993	-2.4	-2,093	-1.2	(6)
Operating result (EBIT)	**5,242**	**4.2**	**24,048**	**14.1**	
Financial expenses	-1,691	-1.3	-1,980	-1.2	
Financial income	844	0.7	629	0.4	
Financial result	**-847**	**-0.6**	**-1,351**	**-0.8**	(7)
Result before taxes	**4,395**	**3.6**	**22,697**	**13.3**	
Taxes on income	-2,465	-2.0	-8,033	-4.7	(8)
Consolidated net income	**1,930**	**1.6**	**14,664**	**8.6**	
Foreign exchange differences stated in shareholders' equity	328	0.3	-331	-0.2	(25)
Changes from hedging transactions stated in shareholders' equity	75	0.1	-147	-0.1	(25)
Actuarial profits / (losses) from performance based benefit plans and similar obligations	-817	-0.6	448	0.3	(25)
Deferred taxes on valuation changes set-off directly with shareholders' equity	244	0.2	-101	-0.1	(25)
Valuation changes stated directly in shareholders' equity	**-170**	**-0.1**	**-131**	**-0.1**	
Total result for the period	**1,760**	**1.4**	**14,533**	**8.5**	
Share in consolidated net income					
- of the shareholders of elexis AG	**1,581**	**1.3**	**13,489**	**7.9**	
- of the minority interests	349	0.3	1,175	0.7	(9)
Share in total result for the period					
- of the shareholders of elexis AG	1,461	1.2	13,327	7.8	
- of the minority interests	299	0.2	1,206	0.7	(9)
Earnings per share (euro)					(13)
From continuing operations					
Undiluted / diluted	0.17		1.47		
Dividend per share (euro)	-		0.48		

4.2. Statement of financial position

ASSETS	31.12.2009		31.12.2008		
	in T euro	%	in T euro	%	Notes
Long term assets	**54,967**	**42.6**	**56,122**	**41.6**	
Goodwill	26,202	20.3	26,202	19.4	(14)
Other intangible assets	2,981	2.3	2,838	2.1	(14)
Property, plant and equipment	18,703	14.5	19,796	14.7	(15)
Financial assets	3,118	2.4	3,231	2.4	(16)
Long term receivables and other assets	1,640	1.3	1,871	1.4	(17)
Deferred tax claims	2,323	1.8	2,184	1.6	(8)
Current assets	**73,874**	**57.3**	**78,771**	**58.4**	
Inventories	18,681	14.5	24,349	18.1	(18)
Receivables from long term construction contracts	824	0.6	2,148	1.6	(19)
Trade receivables	22,945	17.8	25,746	19.1	(20)
Receivables from taxes on income	936	0.7	857	0.6	(21)
Other short term receivables and assets	2,405	1.9	2,182	1.6	(22)
Short term cash deposits	2,000	1.6	-	-	(23)
Cash and cash equivalents	26,083	20.2	23,489	17.4	(24)
Assets classified as held-for-sale	**87**	**0.1**	-	-	(15)
Total assets	**128,928**	**100.0**	**134,893**	**100.0**	

LIABILITIES	31.12.2009		31.12.2008		
	in T euro	%	in T euro	%	Notes
Shareholders' equity	**66,637**	**51.7**	**71,629**	**53.1**	
Share in shareholders' equity allocable to the shareholders	**65,049**	**50.5**	**69,228**	**51.3**	
Capital subscribed	23,552	18.3	23,552	17.5	(25)
Capital reserve	3,555	2.8	3,555	2.6	(25)
Retained earnings	36,620	28.4	41,245	30.6	(25)
Other reserves	1,322	1.0	876	0.6	(25)
Minority interests	**1,588**	**1.2**	**2,401**	**1.8**	(25)
Liabilities	**62,291**	**48.3**	**63,264**	**46.9**	
Long term liababilities	**21,964**	**17.1**	**22,658**	**16.8**	
Provisions for pensions and other obligations	8,359	6.5	7,803	5.8	(26)
Other long term provisions	3,522	2.7	2,095	1.6	(27)
Deferred taxes	246	0.2	702	0.5	(8)
Liabilities to banks	9,749	7.6	12,058	8.9	(28)
Other liabilities	88	0.1	-	-	(30)
Current liabilities	**40,327**	**31.2**	**40,606**	**30.1**	
Other short term provisions	3,230	2.5	5,939	4.4	(27)
Tax liabilities	1,848	1.4	3,523	2.6	(27)
Liabilities to banks	16,158	12.5	5,215	3.9	(28)
Trade payables	7,731	6.0	12,276	9.1	(29)
Liabilities from long term construction contracts	118	0.1	726	0.5	(19)
Other liabilities	11,242	8.7	12,927	9.6	(30)
Total liabilities and shareholders' equity	**128,928**	**100.0**	**134,893**	**100.0**	

4.3. Schedule of changes in shareholders' equity

in T euro	Capital subscribed	Capital reserve	Retained earnings	Other reserves: Differences arising from currency conversion	Other reserves: Cashflow Hedges	Share of shareholders' equity allocable to shareholders	Minority interests	Consolidated shareholders' equity
Status 01.01.2008	**23,552**	**3,555**	**32,410**	**1,322**	**30**	**60,869**	**2,025**	**62,894**
Consolidated net income	**-**	**-**	**13,489**	**-**	**-**	**13,489**	**1,175**	**14,664**
Valuation changes stated directly in shareholders' equity								
Foreign currency conversion differences	-	-	-	- 371	9	- 362	31	- 331
Hedging transactions	-	-	-	-	- 114	- 114	-	- 114
Actuarial profits / (losses) from performance based benefit plans and other obligations	-	-	314	-	-	314	-	314
Total of valuation changes stated directly in shareholders' equity	**-**	**-**	**314**	**- 371**	**- 105**	**- 162**	**31**	**- 131**
Transactions with shareholders								
Dividend distributions	-	-	- 4,968	-	-	- 4,968	-	- 4,968
Distributions to minorities	-	-	-	-	-	-	- 830	- 830
Total transactions with shareholders	**-**	**-**	**- 4,968**	**-**	**-**	**- 4,968**	**- 830**	**- 5,798**
Change 2008	***-***	***-***	***8,835***	***- 371***	***- 105***	***8,359***	***376***	***8,735***
Status 31.12.2008	**23,552**	**3,555**	**41,245**	**951**	**- 75**	**69,228**	**2,401**	**71,629**
Consolidated net income	**-**	**-**	**1,581**	**-**	**-**	**1,581**	**349**	**1,930**
Valuation changes stated directly in shareholders' equity								
Foreign currency conversion differences	-	-	7	371	-	378	- 50	328
Hedging transactions	-	-	-	-	75	75	-	75
Actuarial profits / (losses) from performance based benefit plans and other obligations	-	-	- 573	-	-	- 573	-	- 573
Total of valuation changes stated directly in shareholders' equity	-	-	- 566	371	75	- 120	- 50	- 170
Transactions with shareholders								
Acquisition of shares in EMH	-	-	- 1,224	-	-	- 1,224	- 546	- 1,770
Dividend distributions	-	-	- 4,416	-	-	- 4,416	-	- 4,416
Distributions to minorities	-	-	-	-	-	-	- 566	- 566
Total transactions with shareholders	**-**	**-**	**- 5,640**	**-**	**-**	**- 5,640**	**- 1,112**	**- 6,752**
Change 2009	***-***	***-***	***- 4,625***	***371***	***75***	***- 4,179***	***- 813***	***- 4,992***
Status 31.12.2009	**23,552**	**3,555**	**36,620**	**1,322**	**-**	**65,049**	**1,588**	**66,637**

4.4. Statement of cash flow

	2009	2008	
	in T euro	in T euro	Notes
EBIT	**+5,242**	**+24,048**	
Amortisation of other intangible assets	+864	+726	
Depreciation of property, plant and equipment	+2,720	+3,601	
Increase (2009) / decrease (2008) in long term provisions	+224	-390	
Decrease (2009) / increase (2008) in value adjustments	-170	+582	
Profit from disposal of fixed assets	-85	-22	
Other non cash effective items	+239	+68	(31)
Cash Earnings	**+9,034**	**+28,613**	
Decrease (2009) / increase (2008) in inventories	+5,804	-3,146	
Decrease (2009) / increase (2008) in receivables and other assets	+4,495	-685	
Decrease in short term provisions	-2,266	-369	
Decrease in short term liabilities	-6,444	-7,542	
Taxes on income paid	-4,533	-5,856	
Payments to the plan assets (long time working entitlements / pensions)	-503	-503	
Inflow of funds from operating activities	**+5,587**	**+10,512**	
Outflow of funds for investments in intangible assets	-1,021	-2,525	
Outflow of funds for investments in property, plant and equipment	-1,576	-4,946	
Outflow of funds for investments in financial assets	- 4	-823	
Outflow of funds for acquisition of shares in minority interests	-1,770	-	
Outflow of funds for acquisition of short term cash deposits (>3 months)	-2,000	-	
Inflow of funds from sale of short term cash deposits	-	+2,000	
Inflow of funds from sale of financial participation	+400	-	
Inflow of funds from disposal of fixed assets	+40	+96	
Outflow of funds from investing activities	**-5,931**	**-6,198**	
Take-down of financial liabilities	+7	+2,618	
Repayment of financial liabilities	-2,454	-2,533	
Income from participations	+22	+29	
Interest income	+529	+600	
Interest expenses and other financial expenses	-1,016	-1,227	
Interest expense financial leasing	-249	-284	
Dividend payment	-4,416	-4,968	
Distributions to minority interests	-589	-515	
Outflow of funds from financing activities	**-8,166**	**-6,280**	
Changes in liquid assets	**-8,510**	**-1,966**	
Liquid assets at the beginning of the period	+20,856	+22,749	
Changes in liquid assets due to foreign currency	+23	+73	
Liquid assets at the end of the period	+12,369	+20,856	
	-8,510	-1,966	
The liquid assets at the end of the period are composed as follows:			
Cash and cash equivalents	+26,083	+23,489	
Liabilities from overdrafts	-13,714	-2,633	
Liquid assets at the end of the period	**+12,369**	**+20,856**	

4.5. Notes to the consolidated financial statements

General explanations

The elexis Group, with headquarters in Germany, is an internationally based group of mechanical engineering companies, which are active in the Factory Automation, Steel and Printing as well as the Factory Automation, Plastics divisions. The registered office 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, 2009. In addition the regulations to be applied from a commercial point of view in accordance with Section 315 a Paragraph 1 HGB (German Commercial Code) 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 historical cost method with the exception of some valuations at market value in accordance with the International Financial Reporting Standards (IFRS). The prior year data have been drawn up in accordance with the same principles.

The consolidated financial statements are drawn up in euro. Insofar as not otherwise indicated all data is presented in thousands of euro (T euro). For reasons of calculation rounding differences can occur in the amount of +/- one unit (T euro, % 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 (International Accounting Standards). The fiscal year corresponds to the calendar year. The statement of comprehensive income is drawn up on the basis of the cost of sales method. The statement of comprehensive income replaces the former profit and loss account on the basis of the revised IAS 1. 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 or subjected them to an audit review..

The Management Board of elexis AG submitted the financial statements on March 10, 2010 to the Supervisory Board for examination. The Supervisory Board resolved on March 17, 2010 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 2009

The obligatory application of new standards and interpretations for fiscal years which start on or later than January 1, 2009 has the following effects on the asset, financial and earnings situation of the elexis Group.

As a result of the reviewed IAS 23 "Third party capital costs" the right of choice to either capitalise or to charge directly charge to expenses the third party capital costs, which were incurred in connection with the financing or the purchase or production of an asset, is replaced by an obligation to capitalise. This is applicable only for projects which were started on or after January 1, 2009. The standard concerns the production of qualified assets. In the elexis Group buildings and production facilities of a significant volume with a construction time of more than one year as well as long term construction contracts are considered as such in accordance with IAS 11. There were no significant effects for the elexis Group in the fiscal year 2009 from the new application of the standard.

IFRS 8 applies the so-called "Management approach". The segment reporting under IFRS 8 "business segments" is adjusted structurally and in content to the reports regularly submitted to the internal decision-makers. There were no effects on the asset, financial and earnings situation of the elexis Group from the first application; only adjusted segment information had to be presented.

One of the main material changes in IAS 1versus the earlier version of the standard in IAS 1 "Presentation of the financial statements" consists of all income and expenses being stated obligatorily within the framework of a statement of comprehensive income, including the income and expenses stated in shareholders' equity without an effect on income and expense. As a result of this standard the presentation of the financial statements was changed; however, it has no effect of the asset, financial and earnings situation of the Group.

IFRIC 13 "Customer loyalty programmes" (International Financial Reporting Interpretation Committee) is of no relevance to the Group.

The collective standard for the change of various IFRS "Improvements to IFRS 2008" was the first standard issued within the framework of the annual improvement process of IASB, which contains a large number of small changes to existing standards. The changes should specify the content of the regulations and eliminate unintentional inconsistencies between different standards. The changes of IFRS resulting from the collective standard has no major effects on the presentation of the asset, financial and earnings situation in the elexis Group. On October 13, 2008 the IASB issued changes to IAS 39 and IAS 7, in order to take into consideration the development of the financial markets. As a result of these changes the possibility was granted to carry out reclassifications under certain restrictions within the valuation categories of IAS 39. elexis has not carried out any such reclassifications.

The change "Exercise conditions and cancellations" to IFRS 2 "share based remuneration" include conceptual clarifications as well as a precise definition of exercise conditions within the framework of share based remuneration agreements. Since the Group currently uses no share based remuneration, these rules are not relevant.

The change to IAS 32 and IAS 1 "Financial instruments with restitution right and obligations within the framework of a liquidation" allows under certain conditions a classification of financial instruments with restitution rights and certain obligations within the framework of the liquidation as shareholders' equity instruments. The regulations concern in particular limited trading partnerships. Since there are no partnerships within the Group, this rule has no relevance for elexis.

The changes in IFRS 7, "Financial instruments: disclosure", resulted during the year under report in additional details in the notes to the consolidated financial statements in respect of fair value valuation of financial instruments in view of the introduction of a valuation hierarchy ("level I-III") as well as the extension of qualitative and quantitative details in the area of liquidity risks. Comparative prior year data are not required for the first-time application. The extended details had no effect on the asset, financial and earnings situation of the elexis Group.

IFRIC 14 "IAS 19: the upper ceiling of assets in performance-related plans, minimum requirements and their mutual effect" stipulates the application of the "asset ceiling" regulation to plan assets, which exceeds the pension obligation. The interpretation is not applicable at the elexis Group, since there is no "asset ceiling".

Independent of the relative transition regulations, an adjustment of the prior year amounts was only carried out if this was necessary.

Premature application of standards, changes and interpretations, which are not yet applicable

No use was made of the right of choice in respect of the voluntary application of individual disclosures.

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

In 2008 the reviewed versions of IFRS 3 "Corporate mergers" as well as IAS 27 "Consolidated and individual financial statements" were published. IFRS 3R and IAS 27R will result in a major change of the existing accounting practice with regard to corporate mergers and sale of shares as well as additional purchases of minority interests.

The changes of IFRS 3 concern in particular the determination of the acquisition costs (directly allocable ancillary costs of the acquisition will become as a general rule immediately effective), the accounting treatment of the residual value "goodwill" (right of choice for the application of the so-called "full goodwill model" or the existing "partial goodwill method"), the portrayal of successive corporate acquisitions(new valuation of the "old" components with effect on income and expense) as well as in individual areas the statement and the valuation of identifiable assets and liabilities. The changes of IAS 27 lead in particular to changes with regard to transactions with minority interests (obligatory application of the "economic entity approach" i.e. portrayal as shareholders' equity transaction with effect on income and expense) as well as the losses allocable to the minority interests in the consolidated financial statements. Furthermore, in future retained shares of transitional consolidations are in principle to be re-valued at fair market with effect on income and expense.

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. 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.

At the end of 2009 the standard IFRS 9 was published for the categorisation of financial assets. In accordance with IFRS 9 a new and less complex statement will regulate the categorisation and valuation of financial assets. Thus there are now only two instead of four valuation categories for financial instruments stated as assets. The categorisation is based on the one hand on the business model of the company and on the other hand on characteristic qualities of the contractual cash flows of the corresponding financial assets. This notwithstanding, the existing so-called mixed valuation model still remains a part of IFRS 9. The field of application of IFRS 9 is limited to financial assets. Financial liabilities are initially excluded. The first application of IFRS must be carried out obligatorily as from January 1, 2013. A premature voluntary application is already permissible for fiscal years which end in 2009 or later. Recognition by the EU is still pending. Due to the financial assets currently stated in the statement of financial position no significant effects are expected for the asset, financial and earnings situation of the elexis Group.

In November 2009 the IASB adopted a new version of IAS 24 “Relationships with closely related companies and persons“. Inter alia, the definition of a “related party” is standardised through the specification of the information purpose of the notes. The basic principle of the report in respect of closely related companies and people remains overall unchanged. The new IAS 24 must be applied obligatorily for fiscal years which begin on or after January 1, 2011. IAS 24 in its new version has not yet been adopted by the EU. The pure extension of the details in the notes will have no effect on the asset, financial and earnings situation of the elexis Group.

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

IFRIC 12 “Service concessions agreements“ concerns the accounting and valuation of obligations and rights resulting from so-called service concessions in the respect of concessionaries. The interpretation was integrated on March 25, 2009 into European law. In accordance with this, the first date of application is foreseen for fiscal years starting as from March 28, 2009. This regulation is not relevant for the elexis Group, since such transactions have not occurred and are not planned.

In November 2009 the changes of IFRIC 14 “Prepayments of minimum allocation obligations” were adopted. The change is of relevance if minimum allocation obligations exist in connection with existing pension plans and if prepayments are to be disbursed for these. The change in the interpretations enables the statement of the use of these prepayments as an asset should the requirements be met. The change of IFRIC 14 must be applied obligatorily for fiscal years, which start on or after January 1, 2011. Recognition by the EU is still pending. It is expected that IFRIC 14 and thus also this change will not be applicable for the Group during the next few fiscal years, since there are no plans for an “asset ceiling”.

IFRIC 15 regulates the realisation of income for real estate already sold prior to completion. The interpretation was transformed into European law on July 27, 2009. The first-time application for this is foreseen for fiscal years starting after December 31, 2009. Since elexis does not have any construction of real estate, this rule is not applicable for the Group.

IFRIC 16 “Hedging of net investments in a foreign business operation” stipulates the accounting treatment of the so-called net investment hedge accounting. This interpretation was integrated into European law on June 4, 2009. The first-time application for this is foreseen for fiscal years starting after June 30, 2009. The interpretation is not expected to have any relevance for the Group.

IFRIC 17 “Distributions in kind to shareholders” regulates the accounting treatment of distributions in kind to parties outside the Group. This interpretation was integrated into European law on November 26, 2009. The first-time application for this is foreseen for fiscal years starting after June 30, 2009. Since no such transactions have taken place and none are planned, this regulation is not relevant for the elexis Group.

IFRIC 18 “Transfer of an asset through a customer“ is in particular relevant for the supply sector. The interpretation regulates the accounting presentation of agreements in which a company receives an item of property, plant and equipment from a customer, which the company must then either use in order to link the customer to a network or to grant the customer permanent access for the supply of products or services. This interpretation was integrated into European law on November 27, 2009. The first-time application for this is foreseen for fiscal years starting after June 30, 2009. This interpretation is not relevant for the elexis Group.

IFRIC 19, "Repayment of financial liabilities with shareholders’ equity instruments” clarifies the requirements of the IFRS when a company re-negotiates the conditions of a financial liability with the creditor and the creditor in this respect accepts shares or other shareholders’ equity instruments of the company for the full or partial repayment of the financial liability. Recognition by the EU is still pending. The interpretation comes into force for fiscal years which begin on or after July 1, 2010. There are currently no effects to be expected on the asset, financial and earnings situation of the elexis Group.

Within the framework of the annual improvement project 2009 the second collective standard was published for the implementation of smaller changes to IFRS. The changes of the second collective standard of April 2009 concern the IFRS and two interpretations as well as the corresponding bases for conclusions. The greater portion of the changes must be obligatorily applied retroactively for fiscal years which start on or after January 1, 2010. Recognition by the EU is still pending. The future application of the changes are not expected to have any material effects on the asset, financial and earnings situation of the elexis Group.

The change of IFRS 2, "Share-based remuneration transactions with cash compensation in the group“ was adopted due to enquiries addressed to the IASB concerning cases in which the company carrying out the accounting has received goods or services, for which, however, not the company itself but its parent company or another group company has the obligation for cash payment. Within the context of the change in IFRS 2 the regulations of IFRIC 8 “Area of application of IFRS 2” and IFRIC 11 “Transactions with own shares and shares of group companies” were integrated into the standard. As a result the IASB withdrew both interpretations. The changes of IFRS 2 become effective for reporting periods which start on or after January 1, 2010. Recognition by the EU is still pending. Since the Group currently uses no share-based remuneration, these regulations are not relevant.

In October 2009 a change in the International Accounting Standard 32 was carried out under the title "Classification of subscription rights". With this change to IAS 32 it is made clear how certain subscription rights are to be stated in the accounts, if the instruments issued are not denominated in the functional currency of the issuer. If such instruments are offered at a fixed amount to the current owners in proportion to their shareholdings, then they should be classified as shareholders' equity instruments, if their subscription right price is denominated in a currency other than the functional currency of the issuer. The change must be applied at the latest at the beginning of the first fiscal year starting after January 31, 2010. This interpretation was integrated into European law in December 2009. It is not expected that this change will have any effects on the asset, financial and earnings situation of the elexis Group. As at December 31, 2009 there were no subscription rights in the elexis Group. Additional amendments to IAS 39 "Accounting and valuation – permissible basis transactions within the framework of hedging relationships" was published in 2008. By way of clarification it is explained that inflation risks within the framework of hedging transactions can only be hedged if payments are linked directly to an inflation index. Furthermore it is clarified that an effective hedge of unilateral risks is not possible as a general rule through an option as a whole. The changes are to be applied for fiscal years which start on or after July 1, 2009. This interpretation was integrated into European law on September 15, 2009. The hedging transactions occurring at elexis do not include such instruments. For this reason the regulation is expected to have no relevance for the Group.

The elexis Group does not plan 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 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 statement of financial position 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 statement of comprehensive income. 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 items from the statement of financial position 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 statement of financial position sheet and the statement of comprehensive income are booked to shareholders' equity without any effect on income and expense.

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 euro 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 date of the statement of financial position. Capital gains and losses are booked to the statement of comprehensive income.

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

		2009	2008	2009	2008
Currency	ISO code	Average rate euro 1		Date of statement of financial position euro 1	
US dollar	USD	1.3945	1.4709	1.4326	1.3977
Brazilian real	BRL	2.7674	2.6880	2.5113	3.2843
Japanese yen	JPY	130.2990	152.3178	132.1600	126.4000
Chinese renmimbi	CNY	9.5296	10.2300	9.7830	9.6090

Liabilities, expense and income as well as consolidated inter-group profit

Receivables and liabilities between the consolidated companies as well as inter-group sales, income and expenses and inter-group 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 inter-group sales. Operating expenses are charged to the statement of comprehensive income 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.

Success-based contributions from the public authorities are stated under personnel expenses within the corresponding main item as income in accordance with IAS 20.29 (net statement). The note on the amount of contributions is shown in the notes to the consolidated statements.

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 at 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 accumulated 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 statement of comprehensive income in accordance with the use of such assets.

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

	Economic life (years)	Amortisation rate (in %)
Software	5.0	20.0
Patents, rights (or according to contractual maturity)	8.0	12.5

The carrying 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 statement of comprehensive income 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 with the exception of qualified assets. Scheduled depreciation is charged in principle in accordance with the straight line method. Depreciation begins when the asset is in an operational condition. Items of minor significance (< euro 150) (prior year: < euro 150) are depreciated fully in the year of acquisition. As from 2008 assets with an acquisition value of euro 151 to euro 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:

	Economic lives (in years)	Depreciation rate (in %)
Buildings	25.0 - 33.3	4.0 - 3.0
Building installations	20.0	5.0
Manufacturing machinery	3.0 - 10.0	33.3 - 10.0
Other machinery and installations	3.0 - 10.0	33.3 - 10.0
Tools, devices, models	3.0 – 5.0	33.3 - 20.0
Test and measurement equipment	2.0	50.0
Vehicles	4.0	25.0
Operating and office equipment	3.0 - 10.0	33.3 - 10.0
EDP equipment	4.0 - 6.0	16.7 - 25.0
Assets of low value (euro 151 – euro 1,000)	5.0	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. During the fiscal year 2009 the standard Group economic lives were examined and the depreciation period for buildings was changed partially to 33 1/3 years. In comparison with the original economic lives this resulted in an effect on the result of T euro 27.

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 at 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 in 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 derivative financial instruments.

The amounts of the original and derivative financial instruments are reported in the statement of financial position 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 effect on income and expense" (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 with effect on income and expense" 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 with effect on income and expense, 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 with effect on income and expense" the allocable transaction costs are charged to the statement of comprehensive income. 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 with effect on income and expense" include the financial assets held for trading purposes. Changes in the underlying market value for financial assets of this category are stated in the statement of comprehensive income 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 abovementioned categories. Changes in the underlying market value of financial assets available for sale are stated with no effect on income and expense taking deferred taxation into consideration in shareholders' equity and shall be included in the statement of comprehensive income 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 the date of each statement of financial position 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 statement of comprehensive income, 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 retro-activated in the statement of comprehensive income with effect on income and expense.

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 the date of each statement of financial position 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 statement of comprehensive income, 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 short term 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 income and expenses. 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 income and expenses, 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 included in the statement of financial position 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 income and expenses“ (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 income and expenses“ 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 statement of comprehensive income 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 income and expenses, are stated in the statement of comprehensive income 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 statement of financial position under the item "other liabilities".

Other receivables and assets

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

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 date of statement of financial position. 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 liability method based on the statement of financial position 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 the date of each statement of financial position.

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 statement of comprehensive income.

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 date of the statement of the financial position and is correspondingly determined with regard to the expenses incurred up to the date of the statement of financial position 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 based benefit 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 date of the statement of financial position. 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 date of the statement of financial position. The discount rate which is used for the discounting of the pension obligations is based on the rates as at the date of the statement of financial position 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 statement of financial position 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 based benefit plans. Thereby the actuarial profits and losses are not amortised gradually and charged to the statement of comprehensive income 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 statement of comprehensive income 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, which is not higher than 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 date of the statement of financial position 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, 2009 goodwill amounted to T euro 26,202 (prior year: T euro 26,202). 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, 2009 the provision for pension obligations amounted to T euro 8,359 (prior year: T euro 7,803). 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, 2009 the total tax claims amounted to T euro 3,259 (prior year: T euro 3,041). The tax liabilities amounted to T euro 2,094 (prior year: T euro 4,225).

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, 2009 the capitalised development costs amounted to T euro 1,456 (prior year: T euro 782).

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, 2009 to T euro 824 (prior year: T euro 2,148). The liabilities from long term construction contracts amounted on December 31, 2009 to T euro 118 (prior year: T euro 726). 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 statement of financial position 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 statement of financial position 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, 2009 there were other long and short term provisions in the amount of T euro 7,806 (prior year: T euro 8,534) which were included as liabilities, of which T euro 3,190 (prior year: T euro 3,427) were in respect of restructuring and litigation. Obligations towards employees from long term work accounts and semi-retirement benefits amounted to T euro 2,988 (prior year: T euro 2,230). In order to cover these obligations there were plan assets in the amount of T euro 1,054 (prior year: T euro 500). At the date of the statement of financial position there were contingent liabilities in the amount of euro 5,034 (prior year: T euro 5,983).

Apart from the exercise of discretion, assumptions and estimates are necessary in particular with regard to the accounting and valuation of write-downs on doubtful accounts, the determination of economic lives in 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. The determination of the divisions is based in particular on the internal reporting structure and the responsibility for results. This forms the different product areas and business models within the Group. The internal reporting takes place in accordance with the external accounting in application of IFRS.

Transactions between the business units take place at market conditions. Inter-segment sales took place only to a limited extent.

Factory Automation, Steel and Printing

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

- Complete web and strip guiding systems which control automatically the exact strip and web processing of fast moving materials (metal, paper, foil, rubber);
- Systems testing the material quality of the strips and webs (for example, tear resistance, roughness and optimisation of the thickness of the zinc coating of the metal strips);
- Web observation systems and image processing systems for detecting defects and active defect control of printed webs;
- Electro-hydraulic air brake thruster equipment for hoisting and conveyor technology (thruster 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 division. Here, automated handling systems are produced for fast moving production processes with very short production cycles, which ensure the materials flow of injection moulded plastic components. Moreover, these can be integrated into further automated production steps.

Central departments/ consolidation

The item “Central departments” includes non-operating activities comprising the whole Group of the holding company (elexis AG, Wenden and Elexis Beteiligungsgesellschaft mbH, Wenden). The elimination of the internal Group relationships between the segments is shown in the item “consolidation”).

The sales and preliminary work and services between the segments are carried out on an arm’s length basis.

During the fiscal year 2009 and in the prior year no more than 10% of the sales of the elexis Group were attributable to any customer.

Segment information

	Factory automation Steel and Printing		Factory automation Plastics		Central departments		Consolidation		elexis Group	
in T euro	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Total sales	112,676	139,043	13,437	31,550	-	-	-107	-18	126,006	170,575
Inter-group sales	-	-	-107	-18	-	-	107	18	-	-
Sales	**112,676**	**139,043**	**13,330**	**31,532**	**-**	**-**	**-**	**-**	**126,006**	**170,575**
Segment result (EBIT)										
Operating result (EBIT)	10,872	22,900	-4,044	3,232	-1,586	-2,084	-	-	5,242	24,048
Return on sales (EBIT)	9.6%	16.5%	-30.3%	10.2%					4.2%	14.1%
Interest income	683	592	20	8	344	357	-519	- 357	528	600
Interest expense	1,420	1,201	751	997	34	128	-519	- 357	1,686	1,969
Depreciation of property, plant and equipment and amortisation of other intangible assets	2,905	3,497	679	830	-	-	-	-	3,584	4,327
Taxes on income	3,145	5,109	-651	-536	-29	3,461	-	-	2,465	8,034
Assets										
Segment assets	93,179	97,123	31,085	32,986	14,364	23,241	-12,818	-21,688	125,810	131,662
Other participations	881	994	-	-	67,062	61,842	-64,825	-59,605	3,118	3,231
Total assets	94,060	98,117	31,085	32,986	81,426	85,083	-77,643	-81,293	128,928	134,893
Investments in long term assets	2,393	7,718	283	353	-	-	-	-	2,676	8,071
Liabilities										
Segment liabilities	41,435	42,518	15,011	12,254	5,845	8,492	-	-	62,291	63,264
Inter-segment liabilities	12,848	18,430	2,101	2,731	6	230	-14,955	-21,391	-	-
Total liabilities	54,283	60,948	17,112	14,985	5,851	8,722	-14,955	-21,391	62,291	63,264
Employees (balance sheet date excl. apprentices)	**608**	**640**	**127**	**164**	**4**	**4**	**-**	**-**	**739**	**808**

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

in T euro	**2009**	2008
Sales		
Germany	62,342	66,723
Other European countries	31,849	47,641
America	15,132	28,607
Asia / Australia	16,218	26,418
Africa	465	1,186
	126,006	**170,575**
Assets		
Germany	113,506	117,574
America	8,618	9,146
Asia / Australia	6,804	8,173
	128,928	**134,893**
Investments in long term assets (incl. financial leasing)		
Germany	2,438	7,914
America	205	85
Asia / Australia	33	72
	2,676	**8,071**

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 T euro 116,997 (prior year: T euro 133,222), from services in the amount of T euro 6,481 (prior year: T euro 8,640) and from long term construction contracts in the amount of T euro 2,528 (prior year: T euro 28,713).

(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 T euro 5,890 in 2009 and T euro 7,647 in 2008. Valuation allowances on inventories in the amount of T euro 175 in 2009 were charged to the statement of comprehensive income (prior year: T euro 345).

(3) Selling expenses

The selling expenses are composed as follows:

in T euro	**2009**	2008
Personnel expenses	12,671	13,804
Commissions	6,890	7,781
Travel expenses	1,358	1,541
Freight dispatches	963	1,406
Advertising	892	1,211
Depreciation of fixed assets	379	321
Other operating expenses	5,734	6,675
Total	**28,887**	**32,739**

(4) Administrative expenses

The administrative expenses are composed as follows:

in T euro	**2009**	2008
Personnel expenses	4,460	4,532
Third party services	1,063	1,016
Legal and consulting expenses	1,007	823
Insurance	697	667
Travel expenses	258	327
Depreciation of fixed assets	172	157
Rents and leases	183	145
Other operating expenses	96	965
Total	**7,936**	**8,632**

(5) Other operating income

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

in T euro	**2009**	2008
Income from release of provisions not utilised	658	507
Income from the release of liabilities	283	-
Capital gains	268	174
Income from release of provisions on receivables	200	68
Cost rebates, transfer of costs	140	53
Income from release of follow-up provisions not utilised	18	387
Other	1,081	957
Total	**2,648**	**2,146**

(6) Other operating expenses

The other operating expenses of the Group include:

in T euro	**2009**	2008
Allocation to other provisions	1,194	295
Expenses for restructuring and litigation	995	511
Allocations to individual write-downs on receivables and losses on receivables	370	650
Capital losses	367	455
Other	67	182
Total	**2,993**	**2,093**

The expenses for restructuring and litigation concern costs for personnel and structural measures. In the prior year the expenses were attributable to additions to provisions.

(7) Financial result

The financial result is composed as follows:

in T euro	2009	2008
Result of participations		
Income from participations	22	29
Result of sale of financial participation	294	-
	316	**29**
Interest result		
Interest income	528	600
Interest expense on bank loans	-1,011	-1,216
Interest expense on financial leasing	-249	-284
Interest expense on pension provisions	-426	-469
Bank and guarantee fees	-5	-11
	-1,163	**-1,380**
Financial result	**-847**	**-1,351**

The income from participations is attributable to distributions from companies, which are not included within the scope of consolidation in the amount of T euro 22 (prior year: T euro 29). The result from the sale of financial participations is attributable to the disposal of shares in BST Sayona Automations Private Ltd, Mumbai/India to elexis beta GmbH, Wenden. Additional information on the transaction are given under (33) of the notes: related party transactions.

(8) Taxes on income

in T euro	2009	2008
Current taxes		
Domestic	-2,334	-5,282
Abroad	-266	-169
Taxes on income not relating to the period	-78	-2,700
	-2,678	**-8,151**
Deferred taxes	**213**	**118**
Taxes on income	**-2,465**	**-8,033**

The domestic taxes on income were calculated at 29.83% (2008: 29.83%) 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: 30.0% (prior year: 29.7%); China 25.0% (prior year: 25.0%). Taxes on income in 2009 not relating to the period were attributable primarily to the retro-active expiry of the tax exemption in China. The retroactive taxation of the results from the prior year led to an additional expense in the amount of T euro 340. These are compensated by tax income not related to the period of T euro 145, which could be realised in Germany.

The deferred tax expense of the fiscal year resulted primarily from the utilisation of tax loss carry forwards in the amount of T euro -361 (prior year: T euro -2,221) and the new calculation of the tax advantages which can be used in the future T euro +844 (prior year: T euro +1,471). The short term utilisable tax advantages increased due to the losses incurred at HEKUMA GmbH. In addition, there exist at HEKUMA also tax loss carry forwards in the amount of T euro 4,904, on which no deferred taxes can be established. In addition, for the first time deferred tax claims could be newly set up on foreign tax loss carry forwards in the amount of T euro 55.

The new calculation of the utilisable tax advantages in the future from tax loss carry forwards results as in the prior year from the updating of the time periods for the utilisation of the tax loss carry forwards. In the prior year there took place in addition a new calculation of the tax advantages utilisable in the future from tax loss carry forwards in the basis of the operational tax audit carried out. As a result of this, deferred tax claims on previously uncertain tax loss carry forwards could be stated in an amount of T euro +993. From the use and new establishment of deferred tax claims for tax loss carry forwards there resulted an income of T euro 538 (prior year: T euro 759). From the reversal of temporary differences there resulted expenses from deferred taxes in the amount of T euro 325 (prior year: T euro 868). The combined effects resulted in an income from deferred taxes of T euro 213 (prior year: T euro 118).

During the fiscal year 2009 deferred taxes in the amount of T euro 244 (prior year: T euro 101) from actuarial profits and losses in respect of pensions, hedging and currency conversion were set off in shareholders' equity without any effect on income and expense. As at December 31, 2009 there was a deferred tax claim in the amount of T euro 62 (prior year: T euro 182) from the deferred taxes established without any effect on the statement of comprehensive income.

For the difference between the net assets and the tax book value of subsidiaries (so-called "outside basis differences") no deferred taxes were set up. As at the date of the statement of financial position the amount of temporary differences amounted to T euro 570 (prior year: T euro 407). Deferred tax liabilities for subsidiaries were not set up, except if the company could influence the reversal effect and insofar as it is likely that the temporary difference will not reverse in the foreseeable future.

The tax deferrals result from the following items of the statement of financial position and tax loss carry forwards:

in T euro	**31.12.2009** Deferred tax assets	31.12.2008 Deferred tax assets	**31.12.2009** Deferred tax liabilities	31.12.2008 Deferred tax liabilities
Goodwill	-	-	1,979	1,582
Other intangible assets	-	-	441	239
Property, plant and equipment	135	106	-	17
Inventories	-	-	263	478
Long term construction contracts	-	-	47	103
Other receivables and other assets	126	94	51	123
Special tax items	-	-	153	192
Provisions for pensions and similar obligations	916	932	-	192
Other provisions	76	160	82	94
Liabilities	418	400	-	26
Tax loss carry forwards	3,422	2,836	-	-
	5,093	**4,528**	**3,016**	**3,046**
Netting	-2,770	-2,344	-2,770	-2,344
Total	**2,323**	**2,184**	**246**	**702**
Of which utilisable after 12 months	2,318	2,069	0	43
Of which utilisable within 12 months	5	115	246	659

As at December 31, 2009 the Group had corporate tax loss carry forwards in the amount of T euro 17,350 (prior year: T euro 12,767) and local trade tax loss carry forwards in the amount of T euro 10,751 (prior year: T euro 6,456). In addition, the Group has a tax loss carry forward of T euro 181 in Japan. No deferred tax claims were set up on corporation tax loss carry forwards in the amount of T euro 4,904 (prior year: T euro 0). Deferred tax claims have been set up for all tax loss carry forwards. The increase in corporation and trade tax loss carry forwards versus the prior year results mainly from the tax loss of HEKUMA GmbH. On the other hand the use of tax loss carry forwards has an effect at elexis AG.

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.

Deferred taxes were netted insofar as the pre-requisites for netting of IAS 12 existed.

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

in T euro	2009	2008
Result before taxes on income	4,395	22,697
Income tax rate of elexis AG	29.83%	29.83%
Expected tax expense (-) / income (+)	**-1,311**	**-6,771**
Effect of different tax rates abroad	-27	160
Tax effect of non tax-deductible expenses / tax-free income	-216	-41
Tax expense / income from prior periods	-195	-2,700
Change in valuation of deferred tax assets for tax loss carry forwards	-871	1,110
Other tax expense / income	155	209
Steuern vom Einkommen und vom Ertrag	**-2,465**	**-8,033**
Effective tax rate	**56.09%**	**35.39%**

The income tax rate of 29.83% for 2009 (prior year: 29.83%) 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 14.45%. As a result of the above-mentioned effects the effective tax rate amounted to 56.09% (prior year: 35.39%).

(9) Minority interests

These are attributable to profit shares accruing to other shareholders from the subsidiary EMG Automation (Beijing) Ltd., Beijing/PR China. In addition, a profit share was included in the prior year for the Brazilian subsidiary. These minority interests were fully acquired during the fiscal year 2009 (see also explanations under Note 25).

(10) Cost of materials

The cost of materials was composed as follows:

in T euro	2009	2008
Expenses for raw materials, supplies and merchandise	41,930	54,564
Purchased services	4,297	7,789
Total	**46,227**	**62,353**

(11) Personnel expenses

Personnel expenses are composed as follows:

in T euro	2009	2008
Wages and salaries	39,510	45,226
Social security and benefit expenses	5,943	5,965
Pension expenses	158	162
Total	**45,611**	**51,353**

Expenses for performance based 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).

The personnel expenses of the fiscal year 2009 were reduced by refunds from the Federal Labour Agency. Refunds from the employer's contribution paid by the Company for social security in the amount of T euro 291 were set off against the personnel expenses in accordance with IAS 20.29. Of those T euro 208 were attributable to the manufacturing sector,, T euro 64 to the sales sector and T euro 19 to the administrative area.

The payment of the short time working wages itself constitutes on the other hand a transitory item for the Company, since the payments are transferred on to the employees. They therefore have no effect on the statement of comprehensive income.

(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	**2009**	2008
Production / development / engineering	471	500
Sales	186	190
Purchasing / materials procurement	24	29
Administration	76	76
Total	**757**	**795**

(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 T euro 1.581 (prior year: T euro 13,489) 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 euro 0.17 (= T euro 1.581 / 9,200,000 shares) [prior year: euro 1.47 (=T euro 13.489 / 9,200,000 shares)].

There are no dilution effects.

A dividend was distributed in May 2009 for the year 2008 in the amount of T euro 4,416 (corresponding to euro 0.48 / share). The dividend distributed in 2008 for the year 2007 amounted to T euro 4,968 (corresponding to euro 0.54 / share).

Notes to the consolidated statement of financial position

14) Goodwill and other intangible assets

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

in T euro	Goodwill	Capitalised development expenses	Patents, licenses and other intangible assets	Of which from financial leasing	Total
Acquisition costs					
Status 01.01.2008	**36,011**	**-**	**7,368**	**378**	**43,379**
Additions	-	784	1,741	-	2,525
Disposals	-	-	- 22	-	- 22
Changes in foreign currency	-	-	13	-	13
Status 31.12.2008	**36,011**	**784**	**9,100**	**378**	**45,895**
Additions	-	720	301	-	1,021
Disposals	-	-	- 135	-	- 135
Changes in foreign currency	-	-	- 3	-	- 3
Changes in foreign currency	**36,011**	**1,504**	**9,263**	**378**	**46,778**
Accumulated amortisation / write-downs					
Status 01.01.2008	**9,809**	**-**	**6,320**	**372**	**16,129**
Amortisation, additions	-	2	724	6	726
Write-downs, additions	-	-	-	-	-
Amortisation, disposals	-	-	-1	-	-1
Write-downs, disposals	-	-	-	-	-
Changes in foreign currency	-	-	1	-	1
Status 31.12.2008	**9,809**	**2**	**7,044**	**378**	**16,855**
Amortisation, additions	-	46	818	-	864
Write-downs, additions	-	-	-	-	-
Amortisation, disposals	-	-	- 124	-	- 124
Write-downs, disposals	-	-	-	-	-
Changes in foreign currency	-	-	-	-	-
Status 31.12.2009	**9,809**	**48**	**7,738**	**378**	**17,595**
Book values					
Status 31.12.2008	**26,202**	**782**	**2,056**	**-**	**29,040**
Status 31.12.2009	**26,202**	**1,456**	**1,525**	**-**	**29,183**

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

in T euro	**2009**	2008
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% (prior year: 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 11.8%¨(prior year: 13.6%), in the strategic business unit, Printing to 12.2% (prior year: 14.0%) and in the strategic business unit, Steel to 17.0% (prior year: 16.7%).

The impairment test implemented for the goodwill confirmed the stated book values. Within the framework of a sensitivity analysis carried out possible effects are analysed with regard to changes in the growth rate and the 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 the strategic business unit, Plastics would be T euro 31 and in the strategic business unit, Printing T euro 228 below their respective book value. There would be no requirement for impairment in the strategic business unit, Steel. Also in the event of a simultaneous change of the growth rate and the capital costs, there would be an impairment requirement of T euro 1,157 in the would be in the strategic business unit, Plastics and T euro 1,102 in the strategic business unit, Printing.

In the case of a marginal capital cost rate of 9.8% after taxes the achievable amount would, subject to a reduction of the growth rate by 0.5%, correspond to the book value of the strategic business unit, Printing. For the strategic business unit, Plastics a marginal capital cost rate of 9.9% after taxes was determined on the same basis.

In the case of a marginal capital cost rate of 9.8% after taxes the achievable amount would, subject to a reduction of the growth rate by 0.5%, correspond to the book value of the strategic business unit, Printing. For the strategic business unit, Plastics a marginal capital cost rate of 9.9% after taxes was determined on the same basis.

Intangible assets arising from development projects are attributable in particular to the development of new products as well as specific software solutions. As at December 31, 2009 intangible assets resulting from development projects were capitalised in the amount of T euro 1,456 (prior year: T euro 782). During the year under report expenses from current research and development projects amounted to T euro 5,890 (prior year: T euro 7,467), which were stated immediately in the statement of comprehensive income under cost of goods sold.

(15) Property, plant and equipment

Property, plant and equipment developed as follows:

in T euro	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 01.01.2008	**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 31.12.2008	**24,207**	**7,772**	**13,299**	**170**	**14,294**	**2,935**	**324**	**52,124**
Additions	231	-	407	-	727	7	290	1,655
Disposals	- 45	-	- 310	-	- 660	- 5	- 2	- 1,017
Reclassifications	53	-	172	-	192	-	- 417	-
Reclassifications into assets held-for-sale	-	-	- 316	-	- 211	-	-	- 527
Changes in foreign currency	64	-	125	-	42	-	-	231
Status 31.12.2009	**24,510**	**7,772**	**13,377**	**170**	**14,384**	**2,937**	**195**	**52,466**
Accumulated depreciation								
Status 01.01.2008	**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 31.12.2008	**10,956**	**2,098**	**10,109**	**168**	**11,263**	**2,423**	**-**	**32,328**
Additions	884	365	552	2	1,284	248	-	2,720
Disposals	- 44	-	- 310	-	- 631	-	-	- 985
Reclassifications into assets held-for-sale	-	-	- 264	-	- 176	-	-	- 440
Changes in foreign currency	27	-	81	-	32	-	-	140
Status 31.12.2009	**11,823**	**2,463**	**10,168**	**170**	**11,772**	**2,671**	**-**	**33,763**
Book values								
Status 31.12.2008	**13,251**	**5,674**	**3,190**	**2**	**3,031**	**512**	**324**	**19,796**
Status 31.12.2009	**12,687**	**5,309**	**3,209**	**-**	**2,612**	**266**	**195**	**18,703**

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 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 1 and 2 years. A premature cancellation of these contracts is in principle not possible. The agreed interest rates of the leasing contracts amount to between 3.7% and 6.0% (prior year: 1.8% and 5.5%).

There were no projects for the production of qualified assets which were started during the fiscal year 2009. For this reason there were no effects from the new application of IAS 23.

The proposed sale during the fiscal year 2010 of the property, plant and equipment attributable to the electronics manufacturing is included in the line “transfer designated for sale”. In accordance with IFRS 5 these fixed assets are shown separately in the statement of financial position under “long term assets designated for sale”.

As at December 31, 2009 there was an order liability for items of property, plant and equipment in the amount of T euro 982 (prior year: T euro 552).

(16) Financial participations

The financial participations have developed as follow:

in T euro	Participations	Total
Acquisition costs		
Status 01.01.2008	**5,680**	**5,680**
Additions	51	51
Disposals	-	-
Status 31.12.2008	**5,731**	**5,731**
Additions	-	-
Disposals	- 113	- 113
Status 31.12.2009	**5,618**	**5,618**
Accumulated amortisation		
Status 01.01.2008	**2,500**	**2,500**
Additions	-	-
Disposals	-	-
Status 31.12.2008	**2,500**	**2,500**
Additions	-	-
Disposals	-	-
Status 31.12.2009	**2,500**	**2,500**
Book values		
Status 31.12.2008	**3,231**	**3,231**
Status 31.12.2009	**3,118**	**3,118**

The financial assets are attributable primarily to elexis beta GmbH, Wenden with a book value of T euro 2,236 (prior year T euro 2,236). The disposals are attributable to the sale of the shares in BST Sayona Automations Private Ltd, Mumbai/India from BST International GmbH, Bielefeld to elexis beta GmbH, Wenden. A profit in the amount of T euro 294 was realised from the transaction. The income from the sale of the financial participation is included in the financial result.

The additions in the fiscal year 2008 were attributable to the capital contribution made in November 2008 to 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 T euro 1,640 (prior year: T euro 1,871) are attributable to receivables from counter-insurances for pension commitments in the amount of T euro 217 (prior year: T euro 389), loans in the amount of T euro 1,210 (prior year: T euro 1,282) and other assets in the amount of T euro 213 (prior year: T euro 200). Of the loans T euro 38 (prior year: T euro 235) reach maturity within 12 months, T euro 344 (prior year: T euro 288) between 13 and 60 months and T euro 828 (prior year: T euro 759) after 60 months.

Due to its maturity in the fiscal year 2010 a receivable from counter-insurances for pension commitments in the amount of T euro 242 was transferred to the other short term receivables and assets.

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

(18) Inventories

The inventories are broken down as follows:

in T euro	**31.12.2009**	31.12.2008
Raw materials and supplies	9,254	13,130
Work in process	7,971	9,705
Finished goods	1,418	1,403
Prepayments on inventories	38	111
Total	**18,681**	**24,349**

As at December 31, 2009 inventories with a book value of T euro 1,146 (prior year: T euro 932) were written down by T euro 570 (prior year: T euro 526). The level of inventories has declined significantly as a result of intensive inventory management and the lower production volume versus the prior year period.

(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.

in T euro	**31.12.2009** Balance stated as assets	31.12.2008 Balance stated as assets	**31.12.2009** Balance stated as liabilities	31.12.2008 Balance stated as liabilities
Costs incurred for long term construction contracts	1,136	3,491	40	17
Shares in profit/ (loss)	144	347	17	10
Subtotal	**1,280**	**3,838**	**57**	**27**
Less prepayments received	-456	-1,690	-175	-753
Total	**824**	**2,148**	**-118**	**-726**

As a result of the new application of IAS 23 there were effects on the accounting applied for long term construction contracts in accordance with IAS 11, since third party capital costs allocable to a long term construction contract must now obligatorily be included in the contract costs. The newly started projects in the fiscal year 2009 for the production of long term qualified assets and above all long term construction contracts are as a general rule pre-financed through prepayments from the customer. As a result of this type of project / contract financing there were no significant third party capital costs which had to be capitalised in the elexis Group.

The receivables and liabilities from long term construction contracts stated as at December 31, 2009 have a remaining maturity of less than one year as in the prior period.

(20) Trade receivables

As at December 31, 2009 an amount of T euro 615 (prior year: T euro 55) of the trade receivables had a maturity in excess of one year.

The trade receivables stated are broken down in the following time periods:

Trade receivables	Book value in T euro	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
31.12.2009	22,945	17,478	4,888	362	94	123
31.12.2008	25,746	20,197	4,696	783	66	4

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

in T euro	2009	2008
Status write-downs as at 01.01.	**518**	**139**
Exchange differences	8	5
Additions	189	451
Use	-47	-9
Release	-199	-68
Status write-downs as at 31.12.	**469**	**518**

Expenses in the amount of T euro 236 (prior year: T euro 58) 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 T euro 3 (prior year: T euro 9).

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 from taxes on income

The receivables from taxes on income amounted as at December 31, 2009 to T euro 936 (prior year: T euro 857).

(22) Other short term receivables and assets

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

in T euro	31.12.2009	31.12.2008
Receivables from participation companies	1,202	892
Prepaid expenses	356	512
Receivables from counter-insurance	242	-
Receivables from taxes	119	329
Receivables from employees	38	58
Other	448	391
Total	**2,405**	**2,182**

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

Due to its maturity in the fiscal year 2010 a receivable from counter-insurances for pension commitments in the amount of T euro 242 was transferred from the long term receivables and other assets.

(23) Short term cash deposits

As at December 31, 2009 there were short term cash deposits in the amount of T euro 2,000. These concerned a fixed term deposit with a maturity of more than 3 months. In the prior year there were no short term cash deposits.

(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 the shareholders' equity is shown in the schedule of changes in shareholders' equity under 4.3.

As at December 31, 2009, the share capital of elexis AG amounted to T euro 23,552,000 and is divided into 9,200,000 no par value bearer shares. Each no par value share has a proportional share in the share capital of euro 2.56.

	2009	2008
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 20, 2009 the Management Board of elexis AG was authorised to acquire up to November 19, 2010 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 euro 11,776,000.00 (authorised capital). The authorisation is subject to the approval of the Supervisory Board and is valid until June 23, 2010.

The capital reserve of T euro 3,555 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 statement of comprehensive income 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:

	Actuarial profits / (losses) from performance based benefit plans and similar obligations	Other reserves			**Total items stated in shareholders' equity without effect on statement of recognised income and expense**
		Adjustment item for foreign currency conversion	*Cash flow hedges*	Total	
Status 01.01.2008	**126**	***1,322***	***30***	**1,352**	**1,478**
Additions	448	-	*9*	9	**457**
Disposals	-	*- 371*	*- 147*	- 518	**- 518**
Deferred taxes	- 134	-	*33*	33	**- 101**
Reclassification with effect on statement of recognised income and expense	-	-	-	-	**-**
Status 31.12.2008	**440**	***951***	***- 75***	**876**	**1,316**
Additions	- 817	*371*	-	371	**- 446**
Disposals	-	-	-	-	**-**
Deferred taxes	244	-	-	-	**244**
Reclassification with effect on statement of recognised income and expense	-	-	*75*	75	**75**
Status 31.12.2009	**- 133**	***1,322***	**-**	**1,322**	**1,189**

Up to 31.12.2009 actuarial losses in the amount of T euro 195 (prior year: profits of T euro 622) were stated in shareholders' equity.

The deferred taxes attributable to the changes in value stated in the shareholders' equity are shown in the following table:

	2009			2008		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Foreign currency differences	328	-	328	- 331	-	- 331
Changes form hedging transactions stated in shareholders' equity	-	-	-	- 147	33	- 114
Actuarial profits / (losses) from performance based benefit plans and similar obligations	- 817	244	- 573	448	- 134	314
Valuation changes summated directly in shareholders' equity	**- 489**	**244**	**- 245**	**- 30**	**- 101**	**- 131**

The acquisition of shares in the amount of 48 percent in EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brazil are included under transactions with shareholders in the schedule of changes in shareholders' equity apart from dividends and distributions to minority shareholders. These shares had been held by a minority shareholder. Following the transaction 100 percent of the shares were held by the Group. The purchase price amounted to T euro 1,770 including T euro 75 ancillary costs and T euro 30 for subsequent purchase price adjustment.

The transaction had no effect on the scope of consolidation, since EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brazil, had already been included on a 100 percent basis in the Group. The acquisition of the shares is included as a transaction between shareholders directly in shareholders' equity.

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 allocable to the shareholders of elexis AG declined during the fiscal year 2009 by 6%. The decline resulted mainly from the distribution of the dividend for the year 2008 and the acquisition of the shares in EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brazil. The disbursements could not be compensated by the net income of the fiscal year 2009. In total, the equity ratio (excluding minority interests) thus declined from 51.3% as at December 31, 2008 to 50.5% as at December 31, 2009.

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 as shown in the following table:

in T euro	**31.12.2009**	31.12.2008
Share in shareholders' equity allocable to the shareholders	**65,049**	**69,228**
Share in total capital (in %)	71.5	80.0
- Long term liabilities to banks	9,749	12,058
- Short term liabilities to banks	16,158	5,215
Liabilities to banks	**25,907**	**17,273**
Share in total capital (in %)	28.5	20.0
Total capital (shareholders' equity excl. minority interests + liabilities to banks)	**90,956**	**86,501**

The share of the shareholders' equity (excluding minority interests) in the total capital decreased during the fiscal year 2009 from 80.0% to 71.5%.

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. With regard to the existing covenants at HEKUMA GmbH please refer to No. 28 "financial liabilities".

(26) Provisions for pensions and similar obligations

The elexis Group administers performance based benefit 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 counter-insurance 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 T euro 4,000,000. All other pension plans are not directly covered. The existing pension plan has been 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 guideline tables of Dr. Klaus Heubeck.

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

in %	**2009**	2008	2007	2006	2005
Discount rate	5.25	5.75	5.50	4.60	4.60
Future increases in pensions	2.00	2.00	2.00	1.75	1.75
Expected yield of fund assets	5.00	5.00	5.00	3.00	

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

in T euro	**31.12.2009**	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Discounted cash value of the performance based obligation	12,770	12,112	12,523	13,975	13,868
Underlying market value of the plan assets	-4,411	-4,309	-4,059	-53	-
Provisions for pensions and similar obligations	**8,359**	**7,803**	**8,464**	**13,922**	**13,868**
Adjustment based on experience					
- Liability (pension obligation)	1	-69	276	87	*
- Plan assets (assets for coverage of pension obligations)	152	-46	-	-	*

** Values not available*

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

in T euro	**2009**	2008
Discounted cash value of performance based obligations as at 01.01.	**12,112**	**12,523**
Service time expenses	86	80
Interest expense	677	669
Total expenses for pensions and obligations similar to pensions	**763**	**749**
Actuarial (gains) and losses	666	-402
Gezahlte Leistungen	-771	-758
Change of discounted cash value of the performance based obligations	**658**	**-411**
Discounted value of performance based benefit obligations as at 31.12.	**12,770**	**12,112**
Of which obligations financed partially through funds	*11,352*	*10,861*
Of which obligations not financed through funds	*1,418*	*1,251*

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

in T euro	**2009**	2008
Underlying value of plan assets as at 01.01.	**4,309**	**4,059**
Expected income of plan assets	250	201
Actuarial gains / (losses)	-151	46
Employer contributions	3	3
Underlying value of plan assets as at 31.12.	**4,411**	**4,309**

The actuarial income of the plan assets amounted to T euro 119 (prior year: T euro 155) as a balance from the expected income and actuarial profits and losses.

The total expenses for pensions as a balance amounted to T euro 515 (prior year: T euro 548) in the fiscal year 2009.

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". 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. The plan assets consist of 6% in fixed interest securities funds and 94% of securities held.

For the fiscal year 2010 no contributions are expected to the plan assets for pensions.

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 T euro 2,699 million (prior year: T euro 2,794) 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 T euro -337 / T euro +357 (prior year: T euro -317,000 / T euro +332,000). Changes in the expected return of the fund assets by +/-1% lead to a change in the underlying market value of T euro 44 (prior year: T euro 43).

(27) Other provisions / tax liabilities

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

in T euro	01.01.2009	Use	Release	Additions	Reclassi-fication	Changes in foreign currency	31.12.2009
Long term provisions							
Provisions from obligations to employees	2,320	- 6	-	674	-	-	2,988
Netting with plan assets	- 500						- 1,054
Value stated in balance sheet	1,820						1,934
Provision for archiving expenses	275	-	-	13	-	-	288
Risks from restructuring and litigation	-	-	-	282	1,018	-	1,300
	2,095	**- 6**	**-**	**969**	**1,018**	**-**	**3,522**
Short term provisions							
Risks from restructuring and litigation	3,427	- 329	- 221	31	- 1,018	-	1,890
Guarantee obligations	1,217	- 343	- 92	-	-	14	796
Rebates, bonuses, third party commissions	615	- 591	-	30	-	4	58
Others	680	- 410	- 345	544	-	17	486
	5,939	**- 1,673**	**- 658**	**605**	**- 1,018**	**35**	**3,230**
Other provisions	**8,034**	**- 1,679**	**- 658**	**1,574**	**-**	**35**	**6,752**

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 T euro 2,988 (prior year: T euro 2,320) was offset in an amount of T euro 1,054 (prior year: T euro 500) 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 T euro 1,096 (prior year: T euro 422) 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 T euro 1,892 (prior year: T euro 1,898). We expect that utilisation will take place within a period of 5 and 10 years.

The plan assets for covering the obligations towards employees developed as follows:

in T euro	2009	2008
Underlying value of plan assets for partial retirement benefits and long worktime accounts as at 01.01.	**500**	**-**
Payments to plan assets	500	500
Income from plan assets	54	-
Underlying value of plan assets for partial retirement benefits and long worktime accounts as at 31.12.	**1,054**	**500**

The provisions for risks from restructuring and litigation have been set up in particular to cover future costs from pending litigation, particularly in connection with business divisions divested in the past. They cover 50% of the maximum risk. The consequences of pending or future court cases cannot be foreseen with certainty. In the fiscal year 2009 provisions for restructuring and litigation in the amount of T euro 1,018 were reclassified in the long term items. During the past fiscal year it was assumed that these items could be settled in the short term. This could not be achieved and therefore the classification as a long term liability is more appropriate from the point of view of the Company. The provisions for guarantee liabilities 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 T euro 229 (prior year: T euro 371), and provisions for fees and dues of our foreign companies in the amount of T euro 61 (prior year: T euro 102).

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.

in T euro	**01.01.2009**	Use	Release	Additions	Changes in foreign currency	**31.12.2009**
Tax liabilities from taxes on income	3,523	-3,416	-107	1,848	-	1,848

The liabilities for taxes on income were calculated on the basis of the net income of 2009.

(28) Financial liabilities

The financial liabilities were composed as follows as at December 31, 2009:

	Maturity			**31.12.2009**
in T euro	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Loans to banks	1,931	3,662	-	5,593
Current overdraft accounts	13,714	-	-	13,714
Liabilities from financial leasing	513	1,717	4,370	6,600
Total	**16,158**	**5,379**	**4,370**	**25,907**

The maturities of the financial liabilities as at December 31, 2008 are presented as follows:

	Maturity			31.12.2008
in T euro	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**

Bank loans

The Group uses mainly loans in euro at its domestic companies. The agreed fixed rates lie between 4.5% and 5.7% (prior year: 4.5% to 6.3%). For the low level of foreign currency loans of the foreign subsidiaries fixed interest rates were agreed between 1.6% (Japan) and 4.5% (USA.). In the prior year the corresponding interest rates were between 1.6% and 8.8%. The domestic companies used no foreign currency loans. Loans at the foreign companies are converted at the date of the statement of financial position.

A loan with a book value in the amount of T euro 3,407 (prior year: T euro 4,372) is valued at acquisition cost on the basis of the effective interest method. The discount was distributed over the maturity of the loan. Covenants exist for this loan, which are based on the maintenance of certain EBITDA margins of HEKUMA GmbH, Eching. Prior to the end of the fiscal year 2009 it became clear that the conditions could not be maintained. Already in December 2009 a renunciation of the special termination tight was agreed. The bank also renounced the possibility of examining the maintenance of the covenant in 2010 during the course of the year. In the event of a new breach of the covenant, but at the earliest as at December 31, 2010, elexis AG, Wenden must give a guarantee to the bank, whereby elexis AG shall undertake to assume responsibility for the loan. Due to the agreement concluded in 2009 the long term portion of the loan continues to be included under the long term financial liabilities.

The other loans are stated at the repayment amount. As at December 31, 2009 there were credit lines in the amount of T euro 40,809 (prior year: T euro 34,298) of which T euro 19,307 (prior year: T euro 10,069) were taken down through loans and overdrafts and T euro 5,387 (prior year: T euro 5,412) through guarantees / sureties.

Collateral

The liabilities to banks are secured as follows:

in T euro	31.12.2009	31.12.2008
Overdraft loans secured through pledge of assets (of which financial instruments T euro 323 (prior year: T euro 396))	466	639
Loans secured through pledge of shares in HEKUMA GmbH, Eching	3,407	4,372
Total	**3,873**	**5,011**

The collateral can in the event of default in repayment be used for the servicing of the liabilities.

Financial leasing

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

in T euro	31.12.2009	31.12.2008
Due within 1 year	742	881
Due within 1 to 5 years	2,444	2,584
Due after 5 years	6,581	7,159
Total of minimum lease payments	**9,767**	**10,624**
Less interest portion	-3,167	-3,420
Discounted cash value of liabilities from financial leasing	**6,600**	**7,204**

The interest paid on the liabilities from financial leasing amounted to between 3.7% and 6.0% p.a. (prior year: 1.8% to 5.5%).

(29) Trade payables

This item includes liabilities for goods and deliveries to third parties. The amount of T euro 231 of the liabilities (prior year: T euro 565) is due after one year.

(30) Other liabilities

The other liabilities are composed as follows:

in T euro	31.12.2009	31.12.2008
Liabilities from PSV (German pension insurance association) contribution	88	-
Other liabilities - long term	**88**	**-**
Liablities to the personnel	3,786	5,252
Liablities from commission obligations	3,002	2,707
Prepayments received	2,156	1,705
Liabilities from taxes	739	908
Liabilities to participation companies	661	188
Obligations from lack of cost price	430	772
Liablities in connection with social security	287	272
Audit fees	166	206
Other	15	917
Other liabilities - short term	**11,242**	**12,927**
Total	**11,330**	**12,927**

The other liabilities are all due within one year.

Explanations to the consolidated statement of cash flow

(31) Other non-cash effective effects

Other non cash effective effects in the amount of T euro 283 are attributable primarily to income from the release of liabilities.

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.

(32) Financial instruments

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

2009 in T euro	Valuation category- in accordance with IAS 39 *)	Book value 31.12.2009	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 within meaning of IAS 32/39
Assets						
Financial participations	AfS	3,118	3,118	-	-	-
Long term receivables and other assets	LaR	1,640	1,640	-	-	-
Receivables from long term construction contracts	LaR	824	824	-	-	-
Trade receivables	LaR	22,945	22,945	-	-	-
Other short term receivables and other assets		2,405	-	-	-	-
	- LaR	-	1,889	-	-	-
	- n.a.	-	-	3	-	513
Short term cash deposits	LaR	2,000	2,000	-	-	-
Cash and cash equivalents	LaR	26,083	26,083	-	-	-
		59,015	**58,499**	**3**	**-**	**513**
Liabilities						
Financial liabilities (banks)	FLAC	19,307	19,307	-	-	-
Financial liabilities (financial leasing)	- n.a.	6,600	-	-	6,600	-
Liabilities from long term construction contracts	FLAC	118	118	-	-	-
Trade payables	FLAC	7,731	7,731	-	-	-
Other liabilities		11,242	-	-	-	-
	- FLAC	-	4,561	-	-	-
	- n.a.	-	-	-		-
	- n.a.	-	-	-	-	6,681
		44,998	**31,717**	**-**	**6,600**	**6,681**

**) 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).*

2008 in T euro	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 within meaning of 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.	-	-	-		-
	- n.a.	-	-	-	-	899
Short term cash deposits	LaR	-	-	-	-	-
Cash and cash equivalents	LaR	23,489	23,489	-	-	-
		58,667	**57,768**	**-**	**-**	**899**
Liabilties						
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**

**) 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, 2009 amounted to T euro 19,783 (prior year: T euro 10,818). As at December 31, 2009 there was a market value of T euro 5,920 (prior year: T euro 6,747) 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 at the date of the statement of financial position taking into account the corresponding remaining maturities of the liability and the rating of elexis AG.

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

2009 in T euro	**From interest**	**Income from participations**	From subsequent valuation: At fair Value	From subsequent valuation: Foreign currency conversion	From subsequent valuation: Valuation adjustments	**From disposal**	**Net result 2009**
Credits and receivables	528	-	-	- 99	10	50	489
Assets held for sale	-	22	-	-	-	294	316
Financial liabilities valued at acquisition cost	- 1,011	-	-	-	-	-	- 1,011
Result from hedging	-	-	-	-	-	- 75	- 75
Financial receivables / liabilities valued at underlying market value with effect on statement of recognised income and expense	-	-	3	-	-	-	3
Total	**- 483**	**22**	**3**	**- 99**	**10**	**269**	**- 278**

2008 in T euro	**From interest**	**Income from participations**	From subsequent valuation: At fair value	From subsequent valuation: Foreign currency conversion	From subsequent valuation: Valuation adjustments	**From disposal**	**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 underlying market value with effect on statement of recognised income and expense	-	-	-76	-	-	-	-76
Total	**-616**	**29**	**-76**	**-205**	**-383**	**-49**	**-1,300**

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 T euro 1,011 (prior year: T euro 1,216). These are compensated by income from financial assets of the category “credits and receivables” in the amount of T euro 528 (prior year: T euro 600). Income in the amount of T euro 3 (prior year: expenses of T euro 76) was earned from derivative financial instruments from the category “held for trading purposes“. This income was included under other operating income. The expenses in the prior year were included under other operating expense as a capital loss. Furthermore, an amount of T euro 76 attributable to expired hedging was transferred from the shareholders’ equity to the other operating expense.

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 date of the statement of financial position of the financial statements had been 0.1% higher or lower the result would have been T euro 6 (prior year: T euro 2) 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 Management Board.

At the end of the year there was a currency hedge transaction with a volume of T euro 200. This is included in the statement of financial position under other short term assets.

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 amounted to T euro 1,150. The transactions were terminated during the year under report. Changes in the accounting value including deferred taxes stated under other reserves in the shareholders' equity up to termination were realised with effect on the statement of comprehensive income.

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 T euro 25 (prior year: T euro 27). 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:

	31.12.2009			31.12.2008		
in T euro	Liabilities to banks	Trade payables / liablities from long term construction contracts	Other financial liabilities	Liabilities- to banks	Trade payables / liablities from long term construction contracts	Other financial liabilities
Outflow of funds within						
3 months	**13,107**	**7,303**	**4,202**	**2,995**	**10,605**	**3,723**
- from repayment	12,966	7,303	4,202	2,833	10,605	3,723
- from interest	141	-	-	162	-	-
More than 3 up to 6 months	**1,803**	**213**	**158**	**829**	**1,667**	**689**
- from repayment	1,678	213	158	680	1,667	689
- from interest	125	-	-	149	-	-
More than 6 up to 12 months	**2,058**	**252**	**148**	**2,275**	**165**	**60**
- from repayment	1,820	252	148	1,989	165	60
- from interest	238	-	-	286	-	-
More than 12 up to 60 months	**6,503**	**81**	**53**	**8,989**	**565**	**428**
- from repayment	5,520	81	53	7,722	565	428
- from interest	983	-	-	1,267	-	-
More than 60 months	**6,581**	**-**	**-**	**7,160**	**-**	**45**
- from repayment	4,370	-	-	4,791	-	45
- from interest	2,211	-	-	2,369	-	-
Total	**30,052**	**7,849**	**4,561**	**22,248**	**13,002**	**4,945**
- from repayment	26,354	7,849	4,561	18,015	13,002	4,945
- from interest	3,698	-	-	4,233	-	-

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".

No transactions were carried out with members of the statutory bodies or their relatives apart from the regular remuneration mentioned for activities performed.

During the fiscal year 2009 sales in the amount of T euro 2,803 (prior year: T euro1,599) were realised with non-consolidated participation companies of the Group. The transactions are carried out on an arm's length basis. The participation companies are mainly engaged in sales and service activities and are paid in part through commission payments.

Within the framework of restructuring measures in the area of the non-consolidated financial participations the shares in BST Sayona Automations Private Ltd., Mumbai/India were sold by BST International GmbH, Bielefeld to elexis beta GmbH, Wenden. Income of T euro 294 was realised from this transaction, which is stated in the financial result.

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

in T euro	Receivables of the Group from participation companies as at 31.12.2009	Receivables of the Group from participation companies as at 31.12.2008	Liabilities of the group to participation companies as at 31.12.2009	Liabilities of the group to participation companies as at 31.12.2008	Sales of the Group with participation companies 31.12.2009	Sales of the Group with participation companies 31.12.2008
elexis beta GmbH	-	297	21	-	-	-
BST France S.A.R.L., France	32	61	217	140	51	29
BST Italia S. r. l., Italy	68	179	357	2	164	172
BST Sayona Automations Private Ltd., India	225	208	18	35	362	467
BST International Shanghai Ltd,. PR China	871	147	13	3	2,210	930
EMG Automation India Private Ltd,. India	6	-	35	8	16	1
Total	**1,202**	**892**	**661**	**188**	**2,803**	**1,599**

Remuneration of the Management Board and the Supervisory Board

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

in T euro	Fixed	Bonus	Gross remuneration	Other remuneration in kind *	Total
2009	**500**	**210**	**710**	**84**	**794**
2008	500	249	749	82	831

**) 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 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 and, 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, 2009 to T euro 312 (prior year: T euro 273).

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 was paid a total remuneration of T euro 229 (prior year: T euro 371). Of this T euro 229 (prior year: T euro 214) was attributable to the fixed portion and T euro 0 (prior year: T euro 157) 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

Payment obligations result from operating lease contracts, which have the following maturities:

in T euro	31.12.2009	31.12.2008
Within one year	1,298	1,226
Between two and five years	645	954
After five years	-	-
Total	**1,943**	**2,180**

During the fiscal year 2009 T euro 1,423 (prior year: T euro 1,529) was spent for leasing contracts, The leasing contracts are attributable mainly to contracts for the leasing of other operating and office equipment. There were no payment obligations in respect of investment plans which have been started (prior year: T euro 0).

Moreover, sureties and a guarantee for real estate lease payments in the amount of T euro 5,054 (prior year: T euro 5,983) were issued by the Group.

(35) Major events following the date of the statement of financial position

No significant events have occurred following the date of the statement of financial position as at the date of drawing up the consolidated financial statements.

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 Paragraph 2 HGB as at December 31, 2009

elexis Group, Wenden
Presentation of scope of consolidation as at December 31, 2009
(IFRS values)

	Name, registered office	Share in capital %	Held by	Shareholders' equity (T euro)	Result (T euro) [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			
	International				
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/Brasilien	100	2.		
Participations					
	Germany				
10.	elexis beta GmbH, Wenden	100		419	-1,486
11.	ELOTHERM GmbH, Remscheid (in liquidation)				
	International				
12.	BST France S.A.R.L., Verrieres Le Buisson/France	100	1.	126	-102
13.	BST International Shanghai Co. Ltd., Shanghai/PR China	100	1.	588	130
14.	BST Italia S.r.l., Saronno/Italy	100	1.	137	9
15.	BST Sayona Automations Private Ltd., Mumbai/India [2]	51	10. (indirect)	1,130	76
16.	EMG Automation India Private Ltd., Mumbai/India [2]	76	2. (51 %). 15, (49 %)	63	-4

1) Before profit and loss transfer *2) Financial statements as at March 31, 2009*

The data for the affiliated companies are attributable to the fiscal year as at December 31, 2009. The data for the foreign companies are converted to euro at the rate prevailing on the date of the statement of financial position (shareholders' equity) and at the annual average rate (result).

Application of Section 264 Paragraph 3 of the German Commercial Code (HGB)

EMG Automation GmbH, Wenden and BST International GmbH, Bielefeld waive their right in accordance with Section 264 Paragraph 3 HGB to draw up a management report as well as the publishing of annual financial statements as described in Section 325 HGB.

(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:

	2009 Number	2008 Number
Management Board	7,999	8,499
Supervisory Board	151,196	148,996
Total	**159,195**	**157,495**

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 v.d.H. as the sole shareholder of Intec Beteiligungsgesellschaft mbH.

(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 percent. The following announcements were made to us during the fiscal year 2009 regarding the attainment or exceeding of or falling below these shareholding thresholds:

- Polar Capital LLP, London, UK informed us on 27.01.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had fallen below the threshold of 3% of the voting rights on 22.01.2009 and now amounted to 2.96 % (corresponding to 272,377 voting rights). 2,96% of the voting shares (corresponding to 272,377 voting rights) are allocable to the company in accordance with Section 22 Paragraph 1 Sentence 1 No. 1 through Polar Capital European Forager Fund Limited, Grand Cayman, Cayman Islands, British West Indies.
- Polar Capital LLP, London, UK informed us on 27.01.2009 accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had fallen below the threshold of 3% of the voting rights through shares on 22.01.2009 and now amounted to 2.96 % (corresponding to 272,377 voting rights). 2,96% of the voting shares (corresponding to 272,377 voting rights) are allocable to the company in accordance with Section 22 Paragraph 1 Sentence 1 No. 6 of the Securities Trading Law (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 informed us on 27.01.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had fallen below the threshold of 3% of the voting rights through shares on 22.01.2009 and now amounted to 2.96 % (corresponding to 272,377 voting rights)..
- Possehl-Stiftung, Lübeck, Germany informed us on 10.02.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 3% of the voting shares on 06.02.2009 and now amounted on this day to 3.05% (280,868 voting shares). Of these 3.05% of the voting shares (280,868 voting shares) are allocable to it in accordance with Section 22 Paragraph 1 Sentence 1 No. 1 of the Securities Trading Law (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 informed us on 10.02.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 3% of the voting shares on 06.02.2009 and now amounted on this day to 3.05% (280,868 voting shares).
- Possehl-Stiftung, Lübeck, Germany informed us on 23.02.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 5% of the voting shares on 20.02.2009 and now amounted to 6.21% (571,663 voting shares). 6.21% of the voting shares (corresponding to 571,663 voting shares) are allocable to it in accordance with Section 22 Paragraph 1 Sentence 1 No. 1 of the Securities Trading Law (WpHG) through L. Possehl & Co. mbH, Lübeck, Germany.

- L. Possehl & Co. mbH, Lübeck, Germany informed us on 23.02.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 5% of the voting shares on 20.02.2009 and now amounted to 6.21% (corresponding to 571,663 voting shares).
- Possehl-Stiftung, Lübeck, Germany informed us on 09.03.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 10% of the voting shares on 06.03.2009 and now amounted to 11.53% (corresponding to 1,060,684 voting shares). 11.53% of the voting shares (corresponding to 1,060,684 voting shares) are allocable to it in accordance with Section 22 Paragraph 1 Sentence 1 No. 1 of the Securities Trading Law (WpHG) through L. Possehl & Co. mbH, Lübeck, Germany.
- L. Possehl & Co. mbH, Lübeck, Germany informed us on 09.03.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 10% of the voting shares on 06.03.2009 and now amounted to 11.53% (corresponding to 1,060,684 voting shares).
- Possehl-Stiftung, Lübeck, Germany informed us on 10.07.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 15% of the voting shares on 08.07.2009 and now amounted to 15.10% (corresponding to 1,389,170 voting shares). 15.10% of the voting shares (corresponding to 1,389,170 voting shares)are allocable to it in accordance with Section 22 Paragraph 1 Sentence 1 No. 1 of the Securities Trading Law (WpHG) through L. Possehl & Co. mbH, Lübeck, Germany.
- L. Possehl & Co. mbH, Lübeck, Germany informed us on 10.07.2009 in accordance with Section 21, Paragraph 1 WphG (Securities Trading Law) that its share in the voting rights of elexis AG had exceeded the threshold of 15% of the voting shares on 08.07.2009 and now amounted to 15.10% (corresponding to 1,389,170 voting shares).
- In accordance with Section 27a, Paragraph 1 of the Securities Trading Law (WpHG) L. Possehl & Co. mbH informed us simultaneously and under their own name and with the power of attorney of the Possehl-Stiftung of their investment objectives as follows:
  - The investment is a long term financial investment. It does not serve the achievement of trading profits.
  - Depending on the further development of the share price of elexis AG the acquisition of further voting rights might be considered by the disclosing party.
  - The disclosing party does not currently aim to have any influence of the occupation of the administrative, management and/or supervisory bodies of the issuer.
  - The disclosing party does not aim for any major change in the capital structure of the Company, in particular in view of the ratio of shareholders' equity and third party financing and the dividend policy.
  - The funds used for the acquisition of the shares are attributable 100% to the free liquidity of the disclosing party. These are accordingly own funds.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 date of the statement of financial position of December 31, 2009 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:	Annoucement of:
Possehl-Stiftung, Lübeck. Deutschland (über L. Possehl & Co. mbH, Lübeck)	15.10	10.07.2009
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	7.60	10.01.2007
Baden-Württembergische Versorgungsanstalt für Ärzte. Zahnärzte und Tierärzte. Tübingen	8.61	08.05.2002

Shareholding at date of announcement:

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 2009:

• 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 GmbH & Co. KG Harms & Wende QST GmbH PROCON PAS Elektronik GmbH
• Georg Keppeler	Treuhandverwaltung IGEMET GmbH Member of the Board of Directors of AOK Westfalen Lippe
• Willi B. Loose	Icafin SA, Brussels/Belgium
• Dieter Schulze	MS „E. R. Amsterdam" Schiffahrtsgesellschaft mbH & Co, KG
• Prof. Dr. Michael Wackenhuth	Horst Mosolf GmbH & Co. KG., 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 have been made available to the shareholders on the internet page of elexis AG.

(42) Audit fees

In accordance with IDW HFA 1.006 fees paid to the auditors during the fiscal year 2009 are included in the operating expenses in the amount of T euro 272 (prior year: T euro170). The other fees are attributable to support given during the audit of the 2008 financial statements by the German Audit Office for Accounting.

in T euro	**31.12.2009**	31.12.2008
Audit fees	165	165
Fees for other services	107	5
Total	**272**	**170**

Wenden, March 15, 2010

elexis AG, The Management Board

Siegfried Koepp

Edgar M. Schäfer

5. Responsibility statement of the legal representatives

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 statement of comprehensive income 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 15, 2010

elexis AG, The Management Board

Siegfried Koepp Edgar M. Schäfer

6. Auditor's report

We have audited the consolidated financial statements prepared by the elexis AG, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the elexis AG, Wenden for the business year from January 1 to December 31 2009. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and the supplementary conditions of the articles of association are the responsibility of the parent Company's Management Board. Our responsibility is to express 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 § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 and the supplementary conditions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Siegen, March 16, 2010
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Markus Dittmann
Wirtschaftsprüfer
(German Public Auditor)

Maic Kunz
Wirtschaftsprüfer
(German Public Auditor)

7. elexis AG financial statements as at December 31, 2009 (drawn up in accordance with HGB)

Profit and loss account of elexis AG for the periods 01.01.2009 to 31.12.2009 and 01.01.2008 to 31.12.2008

in T euro	2009	2008
1. General administrative expenses	2,384	2,386
2. Other operating income	920	20,143
3. Other operating expenses	480	648
4. Income from profit and loss transfer agreements	9,659	0
5. Other interest and similar income, of which from associated companies: (T euro 721 (prior year: T euro 1,000)	728	1,000
6. Interest and other expenses of which from associated companies (T euro 79) (prior year: T euro 259)	95	361
7. Result from operating activities	**8,348**	**17,748**
8. Taxes on income	1,967	2,707
9. Net income	**6,381**	**15,041**

Balance sheet of elexis AG as at 31.12.2009 and 31.12.2008

Assets	31.12.2009 in T euro	31.12.2008 in T euro
A. Fixed assets	**57,427**	**57,427**
I. Financial assets Shares in associated companies	57,427	57,427
B. Current assets	**18,510**	**19,081**
I. Receivables and other assets	17,720	18,914
1. Receivables from associated companies	17,268	18,182
2. Other assets	452	732
II. Cash on hand and in banks	790	167
C. Prepaid expenses	**20**	**31**
Total assets	**75,957**	**76,539**

Liabilities	31.12.2009 in T euro	31.12.2008 in T euro
A. Shareholders' equity	**70,222**	**68,257**
I. Capital subscribed	23,552	23,552
II. Capital reserve	3,555	3,555
III. Other earnings reserves	36,734	26,109
IV. Net income for the fiscal year	6,381	15,041
B. Provisions	**5,594**	**7,569**
1. Provisions for pensions	227	214
2. Provisions for taxes	1,406	3,087
3. Other provisions	3,961	4,268
C. Liabilities	**141**	**713**
1. Liabilities to banks	0	147
2. Trade payables	52	173
3. Liabilities to associated companies	3	83
4. Other liabilities	86	310
Total liabilities	**75,957**	**76,539**

Wenden, March 15, 2010

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 PricewaterhouseCoopers 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 rounded amounts and percentages, differences could arise in the tables and summaries shown as a result of such rounding for presentation purposes.

8. Definition of key data used / financial glossary

Fixed asset coverage	Shareholders' equity + long term liabilities excl. deferred taxes / fixed assets
Gross margin	Gross profit / sales
CAPEX (Capital Expenditure)	Expenditures for investments incl. financial leasing / depreciation and amortisation on tangible and intangible assets
Days sales outstanding	Trade receivables / sales X 360
Average capital- invested	(Fixed assets + working capital beginning of year + fixed assets + working capital end of year) / 2
Equity ratio	Shareholders' equity / total of statement of comprehensive income
Return of equity	Net income / shareholders' equity (Net income and shareholders' equity after deduction of minority interests)
Investment ratio	Investments excl. leasing / depreciation on tangible and intangible assets
Net liquidity	Liquid funds + securities – short term liabilities to banks
Material ratio	Cost of materials / sales
Personnel ratio	Personnel expense / sales x 360
Selling expense ratio	Selling expenses / sales
Administrative expense ratio	Administrative expenses / sales
Return on capital (ROCE)	EBIT / average invested capital
Working Capital	Current assets (excl. liquid funds) – non-interest bearing liabilities

9. Corporate calendar

Annual report 2009 and telephone conference	March 24, 2010
Capital market conference Baden-Baden	April 23, 2010
Interim financial report 1-3/2010	May 2010
General meeting of shareholders	May 20, 2010
Half year financial report 1-6/2010	August 2010
Small & Mid Cap Konferenz Baader Bank	September 15, 2010
Interim financial report 1-9/2010	November 2010
Equity forum	November 2010
Annual report 2010	March 2011

Imprint

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

Concept, editorial department and layout: CROSSALLIANCE

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elexis AG
Industriestraße 1
57482 Wenden
Germany

Phone: +49-2762-612-130
Telefax: +49-2762-612-135

info@elexis.de
www.elexis.de

elexis

vision for automation