Annual Report 2011

Profitable growth through focused strategies.

elexis

vision for automation

elexis at a glance

In € million	**2011**	2010
Incoming orders	174.0	150.7
Sales (net)	167.4	136.7
of which international in %	*61.1*	*58.2*
Gross profit	61.3	48.1
EBITDA	23.9	14.4
EBIT before goodwill impairment in 2010	19.6	10.6
EBIT margin (in %)	*11.7*	*7.7*
EBIT after goodwill impairment in 2010	19.6	4.0
EBIT margin (in %)	*11.7*	*2.9*
EBT	18.7	3.0
Consolidated net income after the deduction of minority interests	12.6	2.2
Earnings per share (EPS) in €	1.37	0.24
Number of shares in circulation (in million)	9.2	9.2
Cash flow from operating activities	10.9	14.4
Investments	6.4	4.6
Key indicators as at 31.12.		
Working capital	16.5	3.5
Long-term liabilities to banks	6.9	2.2
Net liquidity	24.5	19.4
Equity	79.6	69.1
Balance sheet total	148.7	132.4
Equity ratio (in %)	*53.5*	*52.2*
Employees (reporting date, excl. apprenticies)	858	785
Profitability data		
Return on equity after tax (in %)	*16.7*	*3.4*
Return on capital employed (ROCE in %)	*35.2*	*7.6*

Contents

Letter to the shareholders

Dear shareholders,

The 2011 financial year was a year of transition and change. It brought significant economic growth and new conditions which were influenced not least of all by the uncertainty in the capital and financial markets. As well as the operational developments, in particular the change in the shareholder structure at the centre of elexis AG's activities.

On 9 May 2011 SMS GmbH announced it was making a voluntary public takeover offer of 19.00 euros per share to the shareholders of elexis AG. The offer was subject to a minimum holding of 50 % plus 1 share and the approval of the Federal Cartel Office. The offer period started on 15 June 2011 after the Federal Financial Supervisory Authority (BaFin) had approved the offer document. Based on an off-market agreement of 6 July 2011, SMS GmbH acquired 15.28 % of the shares in elexis AG at a spot price of 20.50 euros per elexis share. As a result, the price offered to the shareholders of elexis AG by SMS GmbH in the voluntary public takeover offer rose from the original 19.00 euros by 1.50 euros to 20.50 euros.

After all of the deadlines had passed, SMS GmbH had acquired 88.95 % of elexis AG's share capital by 1 August 2011. A shareholding of 55.42 % had already been acquired by 19 July 2011. The offer condition of a minimum holding of 50 % plus 1 share had therefore been achieved. The other condition of the offer in addition to the minimum holding, the condition of regulatory approval, was met with Federal Cartel Office's approval on 20 June 2011.

SMS GmbH also acquired further shares after the offer deadline passed and holds as at the end of the 2011 financial year 90.92 % of the elexis AG's share capital. Our free float shareholding fell accordingly to 9.08 %. As a result of the change in the shareholder structure, the elexis share no longer meets the criteria for SDAX affiliation and elexis left the index on 19 September 2011.

At operational level 2011 was a satisfying year for the elexis Group. Incoming orders rose by 15.5 % and totalled 174.0 million euros as at 31 December 2011 (previous year: 150.7 million euros). Sales rose significantly in the period under review by 22 %. In the 2011 financial year the elexis Group achieved sales revenue of 167.4 million euros following 136.7 million euros in 2010. As in previous years, our foreign locations and strong exports again made a significant contribution this year to this increase in sales. In 2011 the elexis Group generated around 61 % (previous year 58 %) of its direct sales revenue abroad.

All of the elexis Group's divisions contributed to this positive performance. The demand for elexis's products is mostly in a late economic cycle. Against this background, the lack of willingness on the part of some of our customers to invest up until the end of 2010 was replaced by a significant increase in demand from these customers in the first half of 2011. In the second half of 2011 this demand levelled out again as expected.

The sense of crisis in the global financial markets filled us with concern. The continuing debt crises in Europe and the USA, the downgrading of some countries' credit ratings, the associated fear of inflation and speculation about currencies and raw materials do not create a healthy climate for business. The measures taken to consolidate government finances in the industrial countries are harming their efforts to achieve growth. The economic barometers started to indicate in the fourth quarter of 2011 that there would be a slowdown in the economy in 2012.

The elexis Group generated earnings before interest and tax (EBIT) of 19.6 million euros in the 2011 financial year. This represented almost a doubling of the EBIT before exceptional items compared to the previous year (2010: 10.6 million euros; after the goodwill impairment: 4.0 million euros). The EBIT margin was 11.7 % following 7.7 % in the previous year (before exceptional items; after the goodwill impairment 2.9 %). Consolidated earnings after the deduction of minority interests totalled 12.6 million euros in the year under review following 2.2 million euros in the previous year. Earnings per share as at 31 December 2011 were 1.37 euros following 0.24 euros in the previous year.

Ongoing quality – Our High Quality Automation Division

The High Quality Automation Division pursues a clear goal: we want to be the specialists for all matters relating to flat material webs. Our products should help customers to achieve permanent process optimisation in current plants and high standards relating to quality assurance and waste prevention. "Sustainable business in industrial production" is what we aspire to and what the name elexis stands for. A promise which provides our customers with significant potential efficiency improvements and an improved energy balance.

With this strategic focus, we were able to return to the pre-crisis level in the 2011 financial year and generated earnings before interest and taxes (EBIT) of 19.5 million euros in this division (previous year: 16.0 million euros). This equates to an EBIT margin of 14.1 % (previous year: 13.5 %).

"Ongoing quality" requires continual product optimisations and a high level of innovation and the willingness to develop new applications and markets. We face the task of constantly finding new solutions for the future for our customers in order to optimise processes and production quality. Against this background, the 2011 financial year was also a year of intensive research and development work. The result: We will be able to present other new and further product developments, particularly in the non-metal sector, to the market at the drupa trade fair in May 2012. Other product ideas and application are currently in the development stage and are being examined in feasibility studies.

Our product portfolio was enhanced not only by our own numerous product developments, but also by a strategic acquisition. The negotiations concerning the acquisition of shares in betacontrol GmbH & Co. KG, Freudenberg, were concluded successfully on 16 December 2011. The transfer of ownership of the company took place with effect of 1 January 2012. The acquisition of betacontrol GmbH & Co. KG has added further thickness measurement sensors to our product portfolio. Together with our subsidiary Protagon P2T Process Technologies GmbH, we possess in the combination of sensor families a “competence centre” for all matters relating to thickness and layer thickness measurement for conveyor belts.

Precision and high cavities – Our High Precision Automation division

Automation solutions are always required when manual operations need to be replaced and optimised or the efficiency of the current production process needs to be improved. Against this background, the sales and innovation offensive in the area of medical technology achieved initial success in the 2011 financial year. The High Precision Automation division has made a positive contribution to earnings for the first time again following the earnings and sales crisis of previous years. An increase in sales of 55 % resulted as at the end of the year in an EBIT of 1.8 million euros (previous year: minus 3.2 million euros before the goodwill impairment).

Outlook: Expectations of growth curbed by economic forecasts

elexis again relied on technologies of the future in 2011 and will continue to pursue the goal of extending or at least maintaining its market and technology leadership in future. Our actions are guided here by profitable growth. It is therefore only consistent to repeatedly scrutinise all of the divisions on the basis of these criteria.

Our growth strategy is based on two pillars:

- Growth in the core competences of automation technology, drive technology and quality assurance
- Growth with new products

In order to give this strategy more of a voice in the organisation, we established a new profit centre with the name “New Products” in the first half of 2011. It is initially intended to be an “incubator of ideas” for new applications and technologies. By outsourcing of these activities to a new “profit centre” we are stating that our new product ideas also have to focus on profitability and growth, even when in the beginning there is nothing more than an idea.

We are convinced that with the current international focus, our clear objective of technology and market leadership and our focused growth strategy, we will continue to grow profitably in the next few years.

However, the current economic forecasts indicate that the global economy will slow down again. The debt crisis in the eurozone and in the USA has not yet been solved and the expectations of growth in the emerging countries are also slowly starting to cool. Global economic conditions are unstable in 2012 and will therefore not create a healthy climate for business.

Although the crisis in the financial markets has not yet spread to the real economy, we expect that the economic expectations will also be gloomy for the German engineering sector in the 2012 financial year. The German Engineering Federation (VDMA) forecasts stagnation for 2012 following an increase in production of 12 % in the past financial year. There is the threat of another recession in the eurozone, with this dependent on the future stability of the euro and the financial markets.

With an equity ratio of 53.5 %, net liquidity of 24.5 million euros, a positive operating cash flow of 10.9 million euros and sustainable earnings power, we are well equipped to meet the challenges of the future. Our new majority shareholder, SMS GmbH, also lends greater stability to the elexis Group at a time of mixed economic and political conditions.

Dear shareholders, customers and friends of elexis AG, we would like to thank you for your support and trust in the 2011 financial year. We look forward to solving the tasks and facing the challenges of the future together with you.

Yours faithfully

The Management Board

Siegfried Koepp	Edgar Michael Schäfer

1. elexis on the capital market

Significant rise in the price of the elexis share in 2011

The national debt crisis had a firm grip on share markets in the past financial year. After a dynamic start to the trading year 2011, the unrest in many Arab countries and the natural and nuclear disaster in Japan in March resulted in a heavy fall in share prices in global share markets. The indices have since recovered. The German leading share index, DAX, climbed in May to its 2011 high of 7,600 points. A dramatic decline started at the end of July with the global loss of confidence in the economic stability of many countries and the banking sector, while at the same time they were arguing in the USA about extending the upper limit for public debt and in the European Union about a new bailout package for Greece and a reform to the rescue fund. The DAX lost around 25 % within 3 months. New speculation about the rescue of the indebted euro countries resulted in the international stock markets being extremely volatile. In addition to this, reports of a feared global economic downturn dampened the mood of investors.

The DAX opened the trading year on 6,973 points and was on 5,898 points when trading finished on 30 December 2011. The index therefore fell by 15.4 % during the year.

The German small caps index in which the shares of elexis AG were listed until 19 September 2011, the SDAX, experienced a similar development. It lost 824 points in the period under review and listed at 4,421 points at the end of 2011. This equates to a fall of 15.7 %.

Due to the voluntary public takeover offer by SMS GmbH, the price of the elexis share was able to free itself from the turbulence in the international share markets. The shares opened trading on 3 January at 13.40 euros. elexis shares stood at their lowest value of 11.62 euros on 16 March following the nuclear disaster in Japan and the associated slump in share markets. The shares were at their highest point on 30 November 2011, when they stood at 23.79 euros. The share closed on 30 December 2011 at a price of 21.25 euros. elexis's share price therefore rose by 58.6 % (previous year: 45.4 %).

On average 19,105 shares elexis were sold per day (Frankfurt XETRA and floor-based trading) over the 254 trading days of 2011 (previous year: 14,776 shares). The market capitalisation of elexis AG on the basis of 9.2 million shares totalled as at 31 December 2011 195.5 million euros (31 December 2010: 121.7 million euros).

elexis AG shares are listed in the strictly regulated Prime Standard of the Frankfurt Stock Exchange.

elexis shares at a glance

Market price (Xetra closing price) in €	January - December 2011	January - December 2010
High	23.79	14.10
Low	11.62	8.26
Beginning of the year	13.40	9.10
End of the year	21.25	13.23
Number of shares (in million €)	9.2	9.2
Market capitalisation as at 31 December (in million €)	195.5	121.7

Dividend distribution

elexis AG's shareholders decided at the Annual General Meeting on 19 May 2011 to pay a dividend of 0.37 euros per share to the shareholders of elexis AG for the 2010 financial year. The dividend payment totalled 3.4 million euros. This equates, based on a closing price of 13.23 euros on the last trading day of the 2010 financial year, to a dividend yield of 2.8 %. The dividend payout ratio was 50 % of the consolidated net income generated in the 2010 financial year (after the deduction of minority interests and before the goodwill impairment).

Dividend proposal for the 2011 financial year

elexis intends to allow its shareholders to participate appropriately in the success of the company again this financial year. With the establishment of the “New Products” profit centre, we will focus more on researching new technologies and developing new prototypes and products in the next few years. The Management Board and Supervisory Board intend to consider this additional investment in new products in the dividend payout ratio and in so doing secure elexis’s innovation capability and technology lead. It will be proposed to the Annual General Meeting in May 2012 that a dividend of 20 % based on the consolidated net income after the deduction of minority interests is paid out. This equates to a dividend payment of 2.484 million euros or 0.27 euros per share. The dividend yield based on the year-end closing price is 1.3 %.

New shareholder structure

On 9 May 2011 SMS GmbH announced its intention to acquire the shares of elexis AG at a spot price of 19.00 euros by way of a voluntary public takeover offer. Due to the off-market acquisition of a 15.28 % shareholding at 20.50 euros, the spot price for all shareholders rose by 1.50 euros to 20.50 euros. This offer was accepted by 1 August 2011 by a large majority. SMS GmbH holds as at the end of the financial year 90.92 % of elexis AG’s share capital. 9.08 % of the share capital is accounted for by the free float.

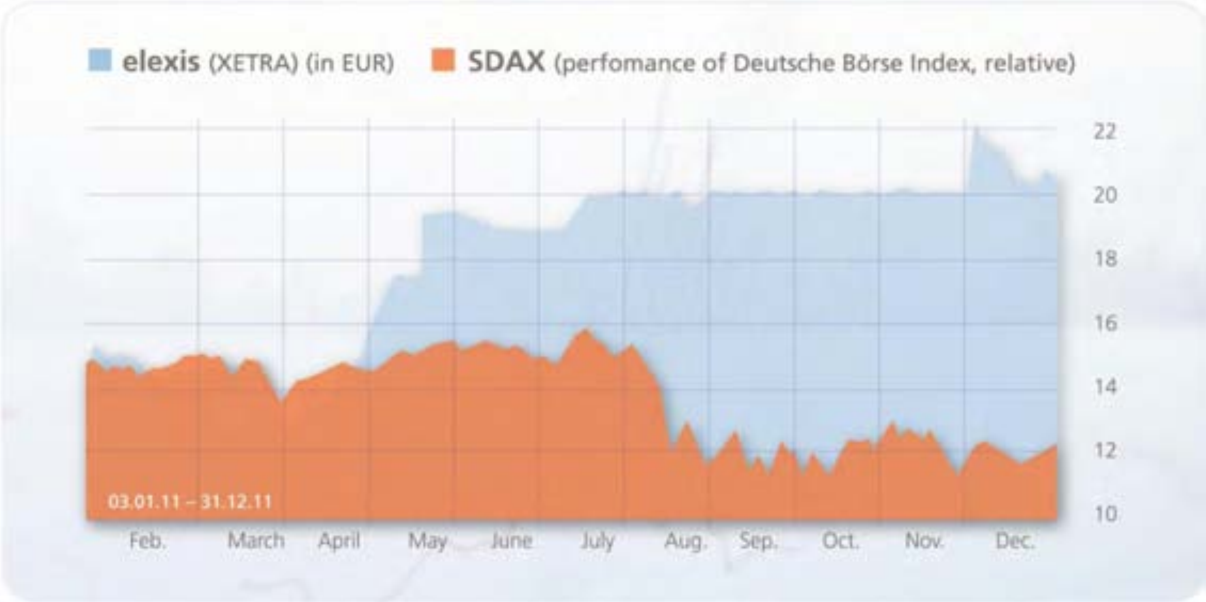
As a result of the change in the shareholder structure, the elexis share has no longer been listed on the SDAX small caps index since 19 September 2011.

Investor relations

Communication again focused on elexis AG’s shareholders in the 2011 financial year. In addition to the reporting obligations imposed by law and the stock market authorities, elexis AG informs institutional investors and financial analysts about the Group’s current business development in individual and group discussions held at conferences and roadshows. The Investor Relations department was also in regular contact with the elexis Group’s private investors in this period.

In addition to this, the Management Board presented the Group's operating business and strategic targets at the annual balance sheet press conference and at numerous capital market conferences. The events we visited included the Close Brother Seydler AG Conference, Bankhaus Lampe’s Investor Conference and the Equity Forum in Frankfurt. In addition to this, roadshows took place in the international financial centres of Frankfurt, Hamburg, Stockholm and Oslo in the year under review.

Share price development in 2011



2. Responsibility

2.1. Report of the Supervisory Board

During the 2011 financial year the Supervisory Board performed at all times the tasks assigned to it in accordance with the law and the articles of association. The Supervisory Board regularly advised the Management Board on the running of the company and monitored its actions. We were involved in all decisions that were of material importance to the elexis Group. Written and verbal reports by the Management Board to the Supervisory Board formed the basis for this involvement. The reporting covered all essential aspects of the public takeover offer and business development, in particular sales and income development, the risk situation and the risk management. As a member of the Supervisory Board (from 1 September 2011) and from 23 September 2011 Chairman of the Supervisory Board, I was also in constant contact with the Management Board. Discussions were also held in the same manner and intensity with Dr. Dirk Wolfertz, who held the position of Chairman of the Supervisory Board until 31 August 2011. Any events of particular importance to the elexis Group's position and development were always discussed promptly. All actions taken by the Management Board subject to approval by the Supervisory Board were examined, discussed and decided on.

Due to the particular level of consultation required in relation to the takeover offer by SMS GmbH, the Supervisory Board came together for a further five extraordinary meetings in addition to the four regular meetings in the year under review. In addition to this, decisions were also made on a circular correspondence basis. The attendance level of its members was almost 100 %. As is our tradition, we held our Supervisory Board meetings at selected locations of the elexis Group in order to form our own opinion on the company's production conditions and product portfolio. We visited the production site in Wenden in May 2011 and the final meeting in the financial year was held at HEKUMA GmbH in Eching. Speeches and presentations by the local managers, invited to our meetings as guests, completed the overall impression of the personnel, economic and financial position of the subsidiaries.

Takeover offer made by SMS GmbH: On 9 May 2011 SMS GmbH announced its intention to acquire a majority shareholding in elexis AG with a voluntary public takeover offer. The spot price offered to the shareholders was 19.00 euros per share. The Management Board and Supervisory Board intensively discussed, examined and assessed SMS GmbH's offer independently of one another. Both bodies initially came to different conclusions concerning the appropriateness of the office price and gave their reasons in a statement in accordance with § 27 German Securities Acquisition and Takeover Act (WpÜG). Based on an off-market agreement of 6 July 2011, with which SMS GmbH acquired a 15.28 % shareholding in elexis AG at a spot price of 20.50 euros per elexis share, the office price rose from originally 19.00 euros by 1.50 euros to 20.50 euros.

Following the increase in the offer price, the spot price offered was in the lower region of the range considered appropriate by the Supervisory Board. Against this background, the Supervisory Board recommended that SMS GmbH's takeover offer should be accepted. All of the members of the Supervisory Board accordingly offered their shares to SMS GmbH.

Change in the composition of the Supervisory Board: As a consequence of SMS GmbH's acquisition of the majority holding Dr. Dirk Wolfertz (Chairman), Dieter Schulze, Klaus Schulze and Prof. Michael Wackenhuth resigned from their positions on the Supervisory Board with effect of 31 August 2011.

The District Court of Siegen appointed Mr. Ulrich Harnacke, Dr. Kay Mayland, Dr. Joachim Schönbeck and Mr. Eckhard Schulte as new members of the Supervisory Board with effect from 1 September 2011. Dr. Mayland, Dr. Schönbeck and Mr Schulte are members of the Management Board of SMS GmbH (Dr. Mayland until 31 December 2011). Ulrich Harnacke is an auditor and independent financial expert in terms of § 100 para. 5 of the German Stock Corporation Act.

The existing Supervisory Board members, Karl Heinz Gorgas and Willi Loose, and the current employee representatives will remain on the Board in order to ensure the continuity of the Supervisory Board's work.

The Supervisory Board elected Mr. Eckhard Schulte as its Chairman at its meeting on 23 September 2011. Mr Harnacke was elected as a member of the Audit Committee and Dr. Schönbeck will join the Nomination Committee.

We thank the departing members for their work.

Reduction in the size of the Supervisory Board: In correspondence dated 13 October 2011, which the Management Board of elexis AG received on 14 October 2011, SMS GmbH requested in accordance with §122 para. 1 of the German Stock Corporation Act (AktG) that a General Meeting be called with a view to reducing the size of the Supervisory Board through an amendment to the articles of association.

The Extraordinary General Meeting took place on 12 December 2011. The proposed amendment to the articles of association, to reduce the Supervisory Board to a total of six members at the end of the General meeting which ratifies the acts of management for the 2011 financial year, was accepted by 100 % of votes.

The next Supervisory Board election, when the term of office of its members and the four shareholder representatives to be elected comes to an end, will be held at the Annual General Meeting in the 2012 financial year. The employee representatives will be elected by the employees in accordance with the German One-Third Participation Act.

Emphasis of Discussions: In addition to the discussions concerning SMS GmbH’s takeover offer, our work focused on the business performance of the segments and the current economic conditions. The debt crises in Europe and the USA, the resulting uncertainty in capital markets and speculation were the central themes of our discussions. The question was whether the existing uncertainty in the financial markets would have an impact on the real economy and therefore the business performance of the elexis Group.

We discussed these general conditions for the High Quality and High Precision Automation divisions and their effects on the sales and earnings position. The shift in economic growth markets towards Asia and Latin America continued to play an important role.

The Supervisory Board has critically monitored and constructively followed the business performance of the High Precision Automation division.

Furthermore, we in the Supervisory Board held comprehensive discussions with the Management Board on the issue of "growth through acquisitions". The focus of the discussions was on the acquisition strategy and the related goals of the elexis Group. The acquisition of betacontrol GmbH & Co. KG is part of this acquisition strategy to expand the product portfolio of quality assurance systems.

Within the scope of the current strategy discussions, the Supervisory Board and the Management Board have also discussed the prospects for growth with the development of new products. The Supervisory Board has also expressly welcomed the establishment of an independent “New Products” profit centre. This shows that the elexis Group intends to help to shape the technological future as a technology leader and at the same time does not lose sight of the goal of “profitability”. The Management Board reported in the Supervisory Board meetings on the major research and development projects and the planned product launches.

The Management Board regularly informed us of the sales and earnings position and on the risk management. During the meeting held on 7 December 2011 we approved the budget for 2012 and the plans for 2013 and 2014. The reasons for deviations from earlier plans and forecasts were explained to us in detail.

Corporate Governance: Compliance with the Corporate Governance Code is particularly important for the work of the Supervisory Board. The Supervisory Board concluded a clearly defined target-setting process in the 2010 financial year, and this remains the basis of our work. The target-setting process is also included in the Declaration of Governance and can be viewed in the Investor Relations area of the elexis website. The Supervisory Board also analysed the efficiency of its individual members' work, reviewed these analyses and discussed the results in the Board. These efficiency measurements led to no significant objections. The results of this procedure will be included in a continual optimisation process.

Committees and Audit: Apart from the Presidium, the Supervisory Board has established two committees (an Audit Committee and Nomination Committee), whose members are listed in the Notes and in the Declaration of Governance. The Declaration of Governance also includes detailed information on the committees' areas of responsibility. The Declaration of Governance can be viewed on the company’s website at www.elexis.de.

The Nomination Committee did not meet in 2011 as the committee was not concerned with personnel matters relating to the Supervisory Board. Appointments by the District Court of Siegen resulted in a change in the composition of the Supervisory Board in 2011. The Audit Committee regularly exchanged information with the Board members regarding the quarterly financial reporting. The Audit Committee’s proposals and suggestions were also implemented promptly. Furthermore, the Audit Committee was in contact with the financial auditors with regard to the annual audit. The Presidium of the Supervisory Board met once to asses the targets set for the Management Board for the financial year.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main was assigned the task of auditing the annual financial statements of elexis AG, the consolidated financial statements and the combined management report and Group management report of elexis AG for the financial year to 31 December 2011. PricewaterhouseCoopers was elected as the company’s auditor at the Annual General Meeting on 19 May 2011. In consultation with the financial auditors, the Supervisory Board decided that the focus of the audit should be on the following areas: impairment of goodwill, development costs, risk management, compliance and management of accounts receivable. In its audit report, the auditor confirmed compliance with all legal regulations and unreservedly certified elexis AG’s annual financial statements, the Group’s consolidated financial statements, elexis AG's management report and the Group management report. Regarding the system for the early identification of risks, the auditors stated that the Management Board has taken the measures required in accordance with § 91 para. 2 of the AktG and § 289 of the HGB. These required in particular that a risk monitoring system be set up that is appropriate for recognising at an early stage developments which might threaten the continuation of the company and the Group.

The Management Board explained the consolidated financial statements, the individual financial statements and the management report at the meeting of the Audit Committee on 9 March 2012 and at the Supervisory Board's balance sheet meeting on 22 March 2012. The main findings of the audit were presented, at both meetings, by the responsible auditor. After detailed and intense discussion with the auditors, and after examining the documents itself, the Audit Committee recommended that the Supervisory Board approve the financial statements and the Management Board's proposal concerning the appropriation of earnings.

The members of the Supervisory Board were also provided with the dependence report, which shows the economic and operational relationships between the SMS group and the elexis Group. The Supervisory Board examined the report and had no objections.

The Supervisory Board also examined elexis AG’s annual financial statements, elexis AG’s combined management report and Group management report for the financial year to 31 December 2011 and the Management Board's proposal concerning the appropriation of earnings and raised no objections.
The annual and consolidated financial statements were approved by the Supervisory Board on 22 March 2012. elexis AG’s annual financial statements for the 2011 financial year are therefore adopted.

On behalf of the Supervisory Board I would like to thank the departing and current members of the Supervisory Board, the Management Board, the managing directors of the affiliated companies and all managers and employees of the elexis Group for their commitment during the past financial year.

Wenden, 23 March 2012

The Supervisory Board

Eckhard Schulte
Chairman

2.2. Corporate Governance

Corporate governance - guidelines for business

Corporate governance means managing our company in a responsible manner. The basis for corporate governance at elexis Group is a positive set of values and absolute transparency.

The objective of corporate governance is to sustainably increase the company's value and to create value in the interest of shareholders, employees and society. This objective is embedded in framework conditions contained in the Corporate Governance Code, among other documents.

The German Federal Government originally adopted the German Corporate Governance Code on 26 February 2002. Generally speaking it is updated on a yearly basis. No updates were made in 2011. The Code sets out the essential legal regulations and rules for managing and supervising listed companies in Germany and features nationally and internationally recognised standards for proper and responsible corporate management.

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

We disclose further information on our corporate governance practices on our website at "www.elexis.de/Investor Relations". At this address you can also find our Declaration of Compliance with the Code, our Articles of Association, the Annual Document, an Overview of the Director Dealings and our Compliance Programme.

In the Declaration of Governance we also provide information on the work and objectives of the Supervisory Board. The Declaration of Governance can also be viewed at "www.elexis.de/Investor Relations".

Shareholdings and transactions requiring disclosure

Apart from the regulations governing securities, achieving the greatest possible transparency with director dealings is a fundamental part of the corporate governance regulations.

Where any bodies, managers or their close associates/relatives have conducted share transactions during the period under review, these transactions met the normal market standards. There are no known conflicts of interest.

In the year under review, partly due to SMS GmbH's public takeover offer, numerous director dealings were reported and announced throughout Europe in accordance with the requirements of the German Securities Trading Act (WpHG). According to § 15 of the WpHG, members of the Management board, the Supervisory Board and other persons with insider knowledge, and their close associates/relatives are obliged to disclose any share purchases or disposals in elexis AG where such transactions exceed a total value of Euro 5,000. The Europe-wide publication requirement and all other transactions requiring disclosure are detailed on our website under Investor Relations / Director Dealings.

The Management Board and the Supervisory Board offered all of their shares to SMS GmbH following the public takeover offer. The members of the Management Board and Supervisory Board currently do not hold any elexis shares.

Declaration of compliance in accordance with § 161 of the AktG:

The Management Board and Supervisory Board of elexis AG declare after dutiful examination that the recommendations of the “Government Commission for the German Corporate Governance Code” in its version of 26 May 2010 (the "Code”) have been complied with since the last declaration of compliance on 23 March 2011, with the exceptions of the deviations listed in the declaration, and continue to be complied with, with the exception of the deviations listed below with reasons:

No. 2.3.3

Due to the legal regulations of the Shareholders Directive Implementation Act (ARUG), a provision has been included in elexis AG’s articles of association providing for postal voting for the Annual General Meeting. This option has not been used to date. The company believes that the shareholders have ample participation possibilities thanks to the option of appointing voting representatives.

No. 3.8 para. 3

elexis AG has taken out a D&O insurance policy has for the members of the Supervisory Board. According to the requirements of the Code, the excess should be at least 10 % of the damage up to at least the amount of one and a half times the fixed annual remuneration of the respective member of the Supervisory Board. The current insurance policies for the Supervisory Board do not meet these requirements; when taking out the policies the company was of the view that the introduction of such an excess might make it difficult in future to attract qualified Supervisory Board members and that the already high quality work of the Supervisory Board and the high level of diligence of the members of the Supervisory Board would not be improved as a result of this. It is planned though that the insurance policies will be adapted to meet the recommendations of the Code the next time they are extended.

No. 5.4.1

The Code provides in no. 5.4.1 para. 2 that the Supervisory Board has to state specific targets relating to its composition, which, taking into the specific situation of the company, consider the international activity of the company, potential conflicts of interest, an age limit to be set for the members of the Supervisory Board and diversity. These specific targets should provide in particular for an appropriate participation of women. The Supervisory Board has, contrary to this recommendation, not set any fixed age limit for its members. The Supervisory Board is of the view that, with regard to the assessment of suitable candidates by the Nomination Committee and any proposal made for the election of the entire Supervisory Board to the Annual General Meeting, the personal qualifications of each member representing the shareholders should be a prime selection criterion, regardless of his or her specific age. Any age-related factors shall be considered appropriately when selecting members and making proposals for election to the Annual General Meeting.

The Supervisory Board has drafted targets for its composition and reported on these in the Corporate Governance report included in the 2010 annual report. It has initially restricted itself to setting general targets. However, specific targets in terms of the Code have not yet been set as, for example, no final agreement has been achieved yet on what percentage of members of the Supervisory Board should possess which characteristics and capabilities. In addition to this, no report has been prepared yet on the measures to be implemented to achieve the relevant targets. On the one hand this is because these targets have not yet been finally set, and on the other hand because since the last declaration of compliance, the Supervisory Board has not yet had the opportunity to have an influence on its composition by making a proposal for election to the Annual General Meeting. The Supervisory Board and its Nomination Committee will strive, when selecting the candidates taking into account the specific situation of the company and considering the agreed general targets, to achieve in particular an appropriate participation of women on the Supervisory Board when it makes its proposals for election to the 2012 Annual General Meeting.

The same principles apply for any new appointments to the Management Board. Its current membership will run until 30 April 2015 or 31 May 2015.

No. 5.4.6

The Chairman and the Deputy Chairman of the Supervisory Board each receive separate remuneration. Membership of committees of the Supervisory Board is also currently remunerated; however, the chairmanship and the deputy chairmanship of any of the committees of the Supervisory Board are not remunerated additionally. The Supervisory Board is of the view that membership of a committee of the Supervisory Board should in future no longer be remunerated additionally as participation in committees is among the primary duties of the Supervisory Board and individual responsibility profiles of its members and therefore does not justify additional remuneration. It is therefore intended that a proposal will be made at the company's next Annual General Meeting on 16 May 2012 to amend the company's articles of association so that, against the recommendation of no. 5.4.6 para. 1 clause 3 of the code, membership of a committee of the Supervisory Board shall in future no longer be remunerated separately.

Wenden, March 2012

For the Supervisory Board: Eckhard Schulte

For the Management Board: Siegfried Koepp, Edgar M. Schäfer

2.3. Remuneration Report

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

The Supervisory Board presented the following remuneration system for the Management Board to the Annual General Meeting on 20 May 2010 for its approval. It was approved with 97.61 % of the votes. There have been no amendments to the remuneration system since this time.

Remuneration system for the Management Board of elexis AG

The current remuneration system takes into account that the members of elexis AG's Management Board also manage and are responsible for the High Quality Automation division. With regard to the appropriateness of the remuneration of the Management Board, the range of tasks of the individual board members, 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 other 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" provision). The contracts of the Management Board include, moreover, no further remuneration components such as, for example: payments from third parties and/or affiliated companies of the Group, assumption of office payments, share-based remuneration models (e.g. share options), pension schemes, pension claims, etc.

In the event of a premature termination of membership on the Management Board by the Supervisory Board, its members will receive a severance payment worth no more than two full years' pay and no more than the amount corresponding to the remaining time on their contract.

The remuneration structure consists of a performance-related (bonus) and a non-performance-related (fixed remuneration, fringe benefits) salary component. The performance-related component consists of a bonus, which also considers an assessment basis of several years. There are no performance-related variable salary components beyond this. The non-performance-related share of the remuneration system comprises a monthly fixed sum and fringe benefits in the form of payments in kind. The payments in kind relate to insurance premiums and the private use of company vehicles. As a component of remuneration, these fringe benefits must be declared for tax purposes by the individual members of the Management Board. With regard to the fixed share and the bonus, the Chairman of the Management Board receives a supplement of approximately 50 % compared to his colleagues in the Management Board if the targets are met in full.

The performance-related share of remuneration also includes 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 therefore a balance between the long-term-oriented success of the company and the key performance indicators used in the Group.

Extraordinarily positive results are not taken into consideration when determining the bonus, unless this is already planned in the budget. On achievement of the targets the agreed bonus of 100 % is due. In the event of failure to meet the target by 40 % or more, no bonus is paid. If the target is exceeded, however, the bonus entitlement is limited to 140 % of target achievement. There is no right to claim variable remuneration beyond 140 %.

There are no pension provisions for the members of the Management Board in office. The provision for current pensions and entitlements to pensions made for a previous member of the Management Board and his survivors totalled 441,000 euros as at 31 December 2011 (previous year: 339,000 euros). 377,000 euros of this are covered by plan assets.

The following disclosures of remuneration for individual members of the Management Board of elexis AG include in each case the expenses recognised in the profit and loss accounts. The remuneration totalled 936,000 in the 2011 financial year and was broken down as follows:

Financial Year 2011 in €k	Fixed	Bonus	Gross remuneration	Other payments in kind *	Total
Siegfried Koepp	320	171	491	54	545
Edgar Michael Schäfer	220	126	346	45	391
Total	**540**	**297**	**837**	**99**	**936**

**Use of company car, insurance contributions*

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

Financial Year 2010 in €k	Fixed	Bonus	Gross remu-neration	Other pay-ments in kind *	Total
Siegfried Koepp	308	120	428	49	477
Edgar Michael Schäfer	210	85	295	43	338
Total	**518**	**205**	**723**	**92**	**815**

**Use of company car, insurance contributions*

Moreover, a D&O insurance policy has been taken out for the members of the Management Board which meets the legal requirements as regards excess to be paid by the members of the Management Board in accordance with the "VorstAG" (the German law regulating the appropriateness of Management Board remuneration).

Remuneration of the Supervisory Board

The remuneration for the Supervisory Board was determined by the Annual General Meeting on 25 June 2004 and is governed in §15 of the articles of association of elexis AG. It is based on the responsibilities and activities of the members of the Supervisory Board as well as on the economic situation and performance of the Group.

Apart from the reimbursement of their expenses, the members of the Supervisory Board receive fixed and variable remuneration. For the 2011 financial year the fixed remuneration for each member of the Supervisory Board was 15,000 euros (previous year: 15,000 euros), while the Chairman received 30,000 euros (previous year: 30,000 euros) and his deputy 23,000 euros (previous year: 23,000 euros). The Chairman of the Supervisory Board therefore receives twice and the Deputy Chairman 1.5 times the fixed remuneration. The chairmanship and membership of the committees of the Supervisory Board are remunerated separately in accordance with the German Corporate Governance Code. However, there is no separate remuneration for the chairmanship or deputy chairmanship of a committee. For activities in the committees, individual members received amounts between 2,000 euros (previous year: previous year: 8,000 euros) and 15,000 euros (previous year: 15,000 euros) taking into account the time spent. This remuneration structure provides that 0.5 times the annual fixed remuneration is paid for membership of committees. In the event of membership of several committees, the additional remuneration is limited to 1 times the annual fixed remuneration. The Chairman and the Deputy Chairman receive no further remuneration for their participation in committees. The payment of the meeting fee is not an integral part of the Supervisory Board remuneration.

In addition, the members of the Supervisory Board receive performance-related remuneration each year. The performance-related remuneration of the members of the Supervisory Board amounts to 3 % for each 1.00 euro in excess of the exempt amount, if the consolidated net income in the company's consolidated financial statements is greater than 2,500,000 million euros and the balance sheet profit is greater than 4 % of the lowest issue amount of the shares (§ 113 para. 3 clause 1 of the German Stock Corporation Act (AktG)). The variable remuneration components are distributed to the individual members of the Supervisory Board at the same ratio as their fixed remuneration structure and amounts up to a maximum of 1 times the annual fixed remuneration.

For the 2011 financial year remuneration totalled 384,400 euros. This is distributed as follows to the members of the Supervisory Board:

in €k	Fixed	Variable remunaration	Total	Total prevoi-us year
Eckhard Schulte (since 1 September 2011)	14.1	10.0	24.1	-
Karl Heinz Gorgas	30.0	15.0	45.0	30.0
Ulrich M. Harnacke (since 1 September 2011)	7.0	5.0	12.0	-
Georg Keppeler	33.8	22.5	56.3	33.8
Stefan Köster	22.5	15.0	37.5	22.5
Klaus Kramer	15.0	15.0	30.0	15.0
Willi B. Loose	22.5	15.0	37.5	22.5
Dr. Kay Mayland (since 1 September 2011)	5.0	5.0	10.0	-
Dr. Joachim Schönbeck (since 1 September 2011)	7.0	5.0	12.0	-
Dieter Schulze (until 31 August 2011)	15.0	10.0	25.0	22.5
Klaus Schulze (until 31 August 2011)	15.0	10.0	25.0	22.5
Prof. Dr. Michael Wackenhuth (until 31 August 2011)	10.0	10.0	20.0	15.0
Dr. Dirk Wolfertz (until 31 August 2011)	30.0	20.0	50.0	45.0
Total	226.9	157.5	384.4	**228.8**

Moreover, the members of the Supervisory Board have not received any further remuneration or benefits from elexis AG for services personally rendered, such as consultancy and intermediary services, either in the year under review or in the previous year.

The remuneration of the Supervisory Board is due for payment following after the Annual General Meeting, which has to decide on the appropriation of profit for the past financial year.

3. Combined Management Report

The management report and the Group management report of elexis AG have been prepared in the following presentation in accordance with § 315 para. 3 of the HGB. Additionally, due to the existing loss assumption agreement between elexis AG and EMG Automation GmbH, the exemption regulations of § 264 para. 3 of the HGB were used to varying degrees. elexis AG is a management holding company without its own operating business. The position of elexis AG as the holding company can therefore only be assessed in connection with the position of the elexis Group. In the segment reporting all of the operating activities which have an impact on the business performance of elexis AG are assessed and commented on accordingly.

3.1. Composition and structure of the Group

3.1.1. Group structure

elexis AG acts exclusively as a pure management holding company. The two members of the Management Board are at the same time the managing directors of the High Quality Automation division. The holding company employs one person for Investor Relations, Compliance and M&A as well as a Controller. The operating business is managed exclusively by the respective direct and indirect subsidiaries.

EMG Automation GmbH, Wenden, and BST International GmbH, Bielefeld, with their respective subsidiaries, make up the **High Quality Automation** division. The product range consists of control technology, quality assurance systems and drive technology. These serve a wide range of different markets relating to flat materials, port technology and mining. HEKUMA GmbH, Eching, produces technologically sophisticated automation solutions for plastics processing and forms the **High Precision Automation** division. The company names of BST, EMG and HEKUMA have become firmly established with our customers as brand names standing for quality, precision, durability and innovation.

P2T Protagon Process Technologies GmbH in Rengsdorf is also part of the consolidated group of companies. A further six foreign associated companies which are mainly responsible for sales and services, but which also perform production and assembly activities, are also included in the consolidated group of companies. These are BST International (Shanghai) Co. Ltd., BST Japan Ltd., BST PRO MARK Inc., EMG Automation (Beijing) Ltd., EMG USA Inc. and EMH Eletromecânica e Hidraulica Ltda.

In addition to the consolidated associated companies, the elexis Group comprises a further nine non-consolidated associated companies, including the newly established elexis Business Centre in Shanghai (elexis Automation (Shanghai) Co., Ltd.).

The Group structure changed in the 2011 as a result of a reorganisation under company law. The shareholder structure was reorganised gradually in several steps, which can be summarised as follows:

The operating business of Hekuma GmbH (old) was separated into a new company, HEKUMA Automation GmbH. A control and profit and loss transfer agreement was then concluded between the two companies. Following this, the subsidiary Elexis Beteiligungsgesellschaft mbH (Elexis BG), which had previously acted as an intermediate holding company, was merged with Hekuma GmbH (old). After completion of the merger, HEKUMA Automation GmbH was renamed HEKUMA GmbH and Hekuma GmbH (old) was renamed elexis Beteiligungsgesellschaft mbH (elexis BG), in order to ensure that the various rights holders continued to operate in the market under the known name. At the same time the company's head office relocated to Wenden. A second reorganisation step saw the merger of EMG Automation GmbH with elexis BG and this company being renamed as EMG Automation GmbH. These re-organisational steps slimmed down and greatly simplified the structure of the elexis Group. EMG then raised capital from its own resources in accordance with § 57c of the German Limited Liability Company Act (GmbHG).

An overview of the Group structure is presented below:

3.1.2. Capital structure and control in accordance with §§ 289 para. 4 and 315 para. 4 of the HGB and report of the Management Board in accordance with § 176 para. 1 clause 1 of the AktG

The share capital of elexis AG totalled 23,552,000 euros as at 31 December 2011 and was divided into 9,200,000 no par value bearer shares. An arithmetic share of 2.56 euros in the share capital is attributable to each no par value share.

Following the voluntary public takeover offer by SMS GmbH, the shareholder structure of elexis AG changed significantly in the 2011 financial year. The previously registered shareholders Tito Tettamanti, Lugano (15.28 %), L. Possehl & Co. mbH, Lübeck (15.1 %), LBBW Asset Management Investmentgesellschaft mbH, Stuttgart (7.6 %), DWS Investment GmbH, Frankfurt (5.46 %), First Eagle Investment Management, LLC, New York (3.92 %) and Union Investment, Frankfurt (3.29 %) offered their shares to SMS GmbH or sold their shares during the course of the 2011 financial year.

SMS GmbH holds as at the end of the financial year 90.92 % of elexis AG's share capital. SMS GmbH therefore holds a majority of the voting rights, which gives it the legal power of control.

There are no holders of shares with special rights. The holdings in the company's share capital are presented in detail in the Notes under No. 38.

There is no control agreement between SMS GmbH and elexis AG. However, elexis AG is directly dependent on SMS GmbH, Düsseldorf, and indirectly dependent on Siemag Weiss GmbH & Co. KG in accordance with § 312 of the AktG. The Management Board of elexis AG has therefore prepared in accordance with § 312 para. 1 of the AktG a report of the Management Board on the relationships with Siemag Weiss GmbH & Co. KG and its affiliated companies for the period of control from 19 July to 31 December 2011.

With the resolution of the Annual General Meeting of 20 May 2010, the Management Board of elexis AG was authorised to acquire own shares to a total of up to 10 % of the current share capital by 19 May 2015. At the same time, the same authorisation from the previous year was cancelled. For the rest, the powers of the Management Board are based on the legal regulations and the rules of procedure issued by the Supervisory Board.

The resolution of the Annual General Meeting of 20 May 2010 authorised the Management Board 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 more occasions up to a maximum of 11,776,000.00 euros (authorised capital). The authorisation is subject to the approval of the Supervisory Board and is valid until 30 June 2012. The same authorisation valid until 23 June 2010 was cancelled by this resolution.

§84 and § 85 of the AktG as well as §31 of the Employees' Participation Law (MitbestG) are applicable with regard to the appointment and dismissal of the Management Board. §133 and § 179 AktG are applicable for changes in the articles of association.

At the Extraordinary General Meeting on 12 December 2011 it was decided by way of an amendment to the articles of association to reduce the Supervisory Board to six members after the end of the General meeting which ratifies the acts of the Supervisory Board for the 2011 financial year. Four of the Supervisory Board members will be elected by the General Meeting and two by the employees in accordance with the provisions of the German One-Third Participation Act (Drittelbeteiligungsgesetz).

There are no agreements with the majority shareholder which are subject to a change of control as a result of a takeover offer. There are also agreements with the parent company as regards compensation for the members of the Management Board or the employees in the event of a takeover offer.

3.2. Business development and general conditions

3.2.1. General economic development, relevant markets, sectors

Debt crisis affected economic development

The global financial and economic crisis was initially considered to be over in 2011. However, as a result of the expansive monetary policies to overcome the crisis in the global recession, some countries again faced major challenges in 2011.

Uncertainty relating to credit ratings, currencies and austerity plans peaked in the international financial markets in the fourth quarter of 2011. At the centre of the concerns relating to debt were the USA and some of the member states of the European Union. As a consequence of this, the situation in the financial markets worsened significantly and the financing costs of some states increased considerably.

Greece is the problem child in the European Union. But the credit ratings of Ireland, Italy, Spain and Portugal were also lowered by leading rating agencies. In January 2012 France and Austria also lost their top ratings with the rating agencies. This resulted in great uncertainty concerning the stability of the euro and gave rise to currency speculations. Leading industrial nations such as Germany and France also got caught up in the speculations due to the financial integration in the European Union. Recently there was also talk of the credit rating for the whole eurozone being lowered. To sustainably protect the euro, further measures for the stability of some countries were necessary during the course of 2011. The euro summit in the fourth quarter of 2011 was an important signal for the stability of the eurozone.

There were very mixed developments with regard to economic power in the European Union during the course of 2011. The divide between North and South became ever wider. Economists at the Kiel Institute for the World Economy (IfW) explained in their winter forecast in 2011 that the economy in the eurozone not including Germany had come to a standstill. For 2011 as a whole, the economic analysts expect an increase in gross domestic product (GDP) in the European Union of 1.6 %, with Germany contributing 2.9 % and France 1.6 %.

The US economy also faced major challenges during the course of the year. High oil prices and the economic effects of the natural disaster in Japan had a negative impact on economic expectations. Once these factors alleviated, the US economy began to pick up, but remained at an overall subdued level. Over the year the IfW is expecting GDP to increase by 1.7 % in the USA. The situation in the job market stabilised by the end of 2011, although the unemployment rate remained at a high level. The American government continued its expansive monetary policy, which ultimately resulted in the upper limit for debt being reached in August 2011. Due to the necessity of a harsh austerity programme, the American government faced huge challenges. In the end the political parties agreed to raise the upper limit for debt and in so doing prevented the state from becoming bankrupt. The austerity packages that were passed remained below expectations though.

Slower rate of growth in emerging countries, but at a high level

Compared to the advanced economies, demand in the emerging countries remained strong, but at a lower level. The emerging economies in China, India and Latin America were not left entirely unscathed by the effects of debt crisis. The economic uncertainty in leading nations such as the USA and Japan slowed growth in the emerging countries due to on the whole lower export rates. The progressive monetary policy and spending programmes that were in place in 2010 also disappeared in 2011.

Brazil

Brazil is the seventh largest economy in the world and is one of the world's richest countries in terms of raw materials. In particular the emerging countries in Asia have ensured significant growth in recent years (2010: GDP up by 7.5 %) by buying Brazilian raw materials. The upward revaluation of the regional currency and rising wage costs have weakened the competitiveness of Brazilian industrial companies though. As a result economists are only expecting GDP to increase by 3.5 % in 2011. Due to the relatively low level of debt and the stable budget position, the South American country has the ability to stimulate demand in the economy. Unemployment has also fallen noticeably in the past two years.

Russia

The economists at the IfW forecasted GDP growth of 4.0 % for the Russian Federation for 2011. GDP is therefore likely to be above the previous year's level of 3.5 %. The reason for this growth in the Russian Federation lies in the sustained high price of oil. The temporary explosion in food prices has died down and the successful harvest of 2011 facilitated a fall in prices. Basically a change in the price of oil and a repeat of the turbulence in the financial markets continue to present a risk for the development of the Russian economy.

India

A restrictive economic policy in India resulted in a significant slowdown in economic growth. Following GDP growth of more than 10 % in 2010, the rate of growth in India fell in the past year to an anticipated 6.7 %. A restrictive monetary policy was one of the main measures to dampen the high level of inflation and the medium-term expectations of inflation. Recently the Central Bank set the base rate at 8.5 %. The current budget deficit, which according to the analysts of the IfW is likely to be above 3 %, is weakening economic expectations.

China

Due to a fall in exports, there has been a slight slowdown in economic growth in China. With a forecasted increase in gross domestic product of 9.5 % in 2011 (previous year: 10.3 %), growth remained above average though. Domestic consumption remained strong. Concerns of rising inflation, driven by energy, food and property prices, dominated Chinese economic development and also reflected a tight monetary policy. Although the rate of growth will slow down in the next few years, China will remain one of the highest-growth regions in the world in the next few years. However, it faces risks such as a burst in the property bubble.

Slower growth in the global economy

The global economy grew strongly in 2010 at 5.1 %. The recovery in global production faltered though in 2011. The analysts at the IfW are only expecting an increase in gross domestic product of 3.8 % for 2011. The natural disaster in Japan and the significant rise in raw material prices in the first half of 2011 created on the whole a negative climate for business. The improved economic conditions resulted in an increase in global production in the second half of the year.

The Baltic Dry Index, which measures global freight shipments and is therefore used to assess global trade, was up and down and at the end of 2011 stood at 1,738 points, slightly below the previous year's level (1,773 points).

German engineering industry largely unaffected by the debt crises

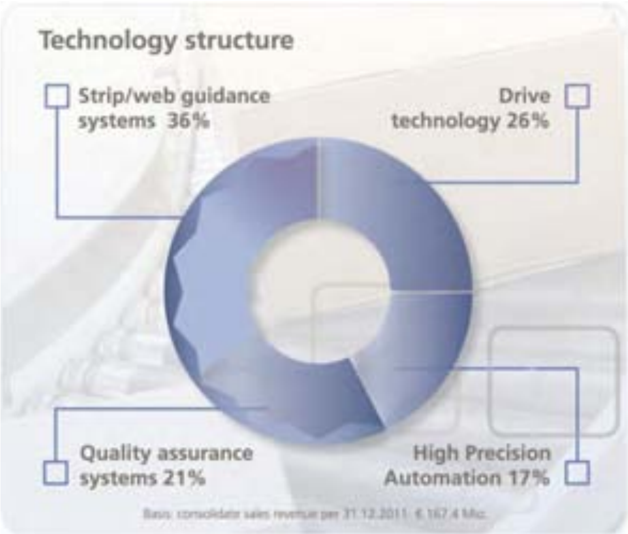
The first half of 2011 was characterised by steady growth in the German engineering industry. The sectors of the engineering industry with late cycles also benefited fully for the first time from the economic recovery. Following the initial catch-up effects, demand fell off slightly in the second half of 2011, but remained overall at a solid and stable level.

Although the uncertainty in the financial markets did not spread to the real economy in 2011, the mood of the global economy increasingly deteriorated. By the end of 2011, the Ifo business climate index registered a fall of around 12.2 points. It remains to be seen whether the negative mood will have an impact on the real economy. Based on experience, investment activity in the German engineering industry is about six months behind the trends in the global economy.

The German engineering industry experienced as at the end of 2011 an increase in incoming orders of 10 % according to the estimates of the German Engineering Federation (VDMA). Therefore some key sectors were able to return to their pre-crisis level.

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

Products in line with core competences



The service portfolio of the elexis Group focuses on control technology, quality assurance systems, drive technology and handling automation in injection moulding processes. This orientation follows the megatrend of "industrial production”, a global trend towards the automation of production processes. The markets and megatrends such as mobility, health, raw materials, new consumption patterns and packaging continue to show growth potential and provide room for innovation.

High Quality Automation Division - “Ongoing quality”

Control technology

In the area of control technology, elexis AG has developed ongoing conveyor belt solutions. The so-called strip and web guidance systems ensure that material webs run in a straight, optimally-guided and controlled manner through the production process even at high speed. A complex system of sensors, electronic components, control elements and actuators is responsible for this.

It is essential that the control components function without any errors for the entire production system to work properly and effectively. Beyond the steel and film-processing industries, this technological principle can be applied to all processes concerning “conveyor belts carrying flat materials”. For that reason, elexis control technology can be found in the steel and aluminium industry as well as in the packaging industry, the converting sector, the production of non-woven fabric products, the rubber and tyre industries and in film production. The products are mature products that are proven in the market. Ongoing value analyses continuously lead to improvements in established product ranges.

Quality assurance systems

With the combination of control technology and quality assurance systems (QA systems), elexis AG's companies can provide high technological expertise from a single source. With this strategic alignment, elexis secures clear competitive advantages and to a degree unique selling points. The expansion of quality assurance systems is a priority for the elexis Group.

Quality assurance systems in the metal industry

The range of quality assurance systems for the metal industry primarily concentrates on the testing of physical qualities. The non-contact measurement of tensile strength (ImpocPro), roughness parameters (Sorm 3plus) and magnetic strip stabilisation (eMass) are the technological basis in the product portfolio.

The basic portfolio is constantly being supplemented by new and further product developments. The products eWipe (electronic wiping equipment) and eBacs (electronic baffle blade system) round off the needs of hot-dip galvanising systems for steel. Additional software add-ons for strip width optimisation (Swop) are useful additions to the range of quality assurance systems for steel.

With the acquisition of the majority shareholding in Protagon P2T Process Technologies GmbH in 2010, a micro-hole detection system was added to the product portfolio.

Quality assurance systems in the non-metal industry

Ever-faster print speeds, wider web widths and at the same time rising quality standards are a challenge for quality assurance in the non-metal industry. The quality assurance systems for printed webs are able to continuously inspect the whole web width for print errors. This takes place without reducing the printing speed of rotary printing machines.

From semi and fully-automated web monitoring systems for basic and sophisticated monitoring tasks to 100 % real-time error-detection systems, the elexis Group offers a full range of quality assurance systems. In the process we distinguish between the following system solutions:

- Web-monitoring and print-management solutions on a video basis for high-speed processes
- Printing error detection and monitoring systems
- Colour measurement systems
- Register controls for the highest quality standards in the printing process

Sensors for layer thickness and thickness measurement in the film, rubber and converting industries round off the range of sensor systems in this area.

Drive technology

Hoisting and conveyor technology can be seen in addition to the many application areas in general engineering as a main application area for the industrial brakes that are on the market. The current drive and brake problems can be solved with the drum or double shoe brake that is still currently used today and with industrial disk brakes.

elexis AG's product and system solutions are making a significant contribution here. With the ELDRO® and ELHY® air brake brands the elexis Group has been setting the technological standard in the brake business since 1946. In spite of the predominance of electrical or electronic components in modern equipment, the mechanical safety brake with the electro-hydraulic brake thrusters still fulfils today the most important task of providing the last link of safety for man and machinery in the event of a power failure.

The BRAKEMATIC® control solution supplements the product range for electro-hydraulic drum and disk brakes.

Special solutions for hydraulic brake systems are solved with the hydraulic compact drive (HKA). Due to its complexity and compact design, it is designed specifically for use in hydraulic brake systems. In HKA all of the necessary components such as a drive motor, hydraulic pump, valve block, storage container, emergency actuation and a switch housing to generate the hydraulic pressure necessary to open or close hydraulic brakes are included.

High Precision Automation division – “fast production processes learn to sprint”

The High Precision Automation 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 this area is the development of the most efficient production system possible for the customer. Characteristics such as reliability, precision, speed, a high number of cavities and durability are essential guidelines when designing such a system.

elexis systems engineering stands optimised production processes and product quality. With reliable processes, 100 % quality control, high reliability, careful product handling, minimal levels of waste and the stable performance of the systems, a high level of reliability for precision products is guaranteed.

Attention for elexis products

Products and innovations were presented to the public at numerous trade fairs in 2011. For the High Quality Automation division, the METEC metallurgy trade fair in June 2011 in Düsseldorf was a highlight. The METEC was also the forum for discussions concerning strategies for the metallurgic technologies of the future. It was evident that elexis’s quality assurance and waste prevention products are in line with the trend of future-oriented process optimisation in the steel industry. Accordingly, interest in our exhibition areas was high.

One of the most important packaging industry trade fairs, LabelExpo, took place in Brussels in September. We presented our control technology product range and proven error-detection systems for label printing. The maintenance of close customer relations in this sector was also of importance. The companies of the elexis Group are becoming increasingly established as competent solution providers for all matters relating to conveyor belts.

The most important trade fair for the High Precision Automation division, the FAKUMA trade fair in Friedrichshafen, took place in the fourth quarter of 2011. Numerous items of measuring equipment in the area of medical technology were introduced to the public. The appearances at the following international trade fairs can be considered a success: MD&M West (USA), Pharmapack 2011 (France), Medtech Europe (Stuttgart), Arburg Technologietage (Arburg) and Engel Medical Days (USA).

Product range continually developed

High Quality Automation division

The portfolio of control technology and quality assurance systems is continually developed and optimised.

For example, in collaboration with our Brazilian subsidiary EMH we have been able to use our existing HKA linear drive technology in conveyor belt control systems. The elexis technology prevents the conveyor belt from going askew. This in turn prevents damage to the conveyor and too much material being fed onto the conveyor belt.

In order to strengthen our product profile in the area of energy efficiency, we launched an industry-ready electromechanical drive onto the market in the first half of 2011 under the product name ELA. This drive replaces conventional hydraulic drive solutions which are used in the actuation of lifting platforms in HGV transportation. For this drive we have received a large-scale production order for 500 drives. Sales activities will be further intensified.

Additional quality assurance products are currently being developed. In collaboration with our customers, Initial prototypes are in the test phase. Further product developments relating to conveyor belts will be introduced to the market at drupa 2012.

High Precision Automation division

After the High Precision Automation division launched numerous new medical technology products onto the market in the 2010 financial year, the product portfolio was further optimised in the past financial year.

At the centre of the optimisation work was the automated handling of inserts. Here the priority was on the transfer of knowledge between the design of automotive and medical technology systems. Systems in the automotive sector require the highest precision and reliability where metal parts and plastic housings are joined together. The expertise gained in grab technology was an essential requirement for product optimisation in other application areas.

Product policy in line with core competences

Product policy of the High Quality Automation division

elexis has secured an important market position in attractive niche markets and sectors with its technological competence and its high degree of innovation. At the same time the product range is in line with the megatrends of demand. The company’s product policy pursues the strategy of serving the major areas of future demand by continuing the high degree of innovation and in so doing conquering new markets and sectors. The overriding priority is to expand our quality assurance systems. All processes relating to flat material webs are being considered. In 2011 efforts were made to extend the existing application knowledge to other production processes for flat material webs. The research and development activity of the elexis Group will continue to be in line with this product policy in future.

It is only consistent that the existing range of quality assurance sensors is added to by acquisition. With the acquisition of 100 % of the shares in betacontrol GmbH & Co. KG, the elexis Group will add isotope and infrared sensors to the product portfolio in the 2012 financial year. These sensors are used primarily in the film and converting industry. The negotiations concerning the acquisition of shares in betacontrol GmbH & Co. KG, Freudenberg, were concluded successfully on 16 December 2011. The transfer of ownership of the company took place with effect of 1 January 2012.

Against the background of the product and technology strategy presented, i.e. concentration on the core competences with flat material webs, in 2011 discussions were opened with our longstanding customer, Drehmo GmbH in order to verify the potential prospects for the actuator product group outside of the elexis Group. Actuators are certified safety components that are used in particular in energy production and water management and therefore do not belong to the strategic core competences of the elexis Group. These talks have not yet been concluded.

We associate growth in particular with high innovation excellence and technology leadership. Against this background, we have focused with the “New Products” profit centre on the development of further products on the basis of “sustainable business”. In doing so we have anchored the will and incentive to generate profitable growth with our product ideas in our organisational structure.

Product policy of the High Precision Automation division

The High Precision Automation division's product policy focuses on technological competence and application knowledge. Based on the available key technology, here primarily automation steps for complex inserts, a continuous transfer of know-how across all sectors has been implemented. Here particular focus was placed on expanding the medical technology segment and the further modularisation of products. The increasing modularisation of products provides the best basis for market entry in the Asian sales regions.

In the 2011 financial year key milestones were set for this product policy. These now need to be extended in the next few years.

» 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 is 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 futureorientated 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.

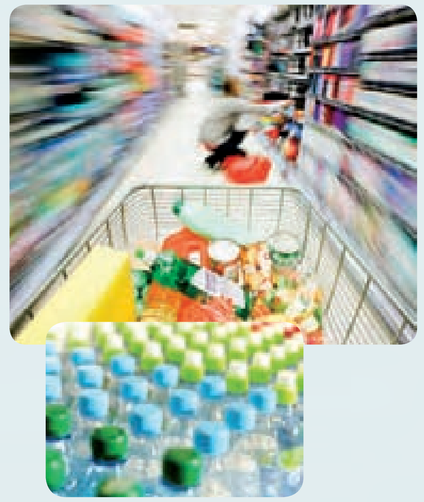
Industrial production

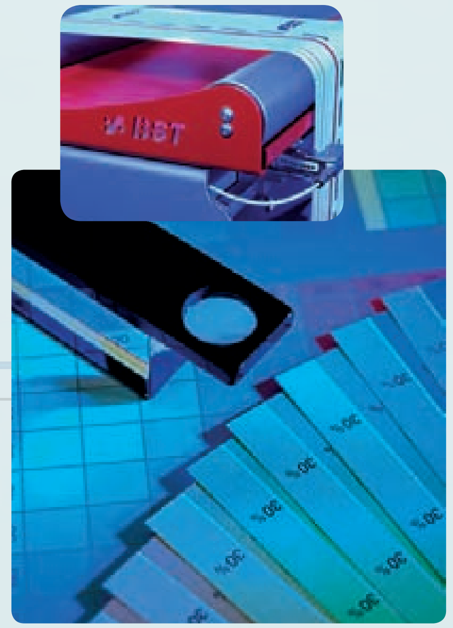
New models of consumtion

Mobility

Health

Climate change / environment





3.2.3. Procurement and procurement policy

Procurement and procurement policy facing ongoing challenges

The procurement situation in the 2011 financial year was characterised in the first half of 2011 by drastic price increases and material shortages. With the continuing uncertainty in financial markets and the associated concerns of an economic downturn, the procurement situation eased significantly in the second half of the year.

Raw material development

Raw material development only concerns the companies of the elexis Group indirectly, but is an important indicator for the impending price developments in the procurement market. The Thomson Reuter / Jeffries CRB Index is one of the most important indicators for impending price developments. Following a significant upturn in the first half of 2011, the raw materials boom reached its peak in late spring 2011. The continuing sense of crisis in the financial markets started to affect raw material prices in the second quarter. At the end of 2011 the CRB Index was even below the previous year's level.

Up and down in the procurement policy

A shortage of components was the challenge for the first half of 2011. After some of the elexis Group's suppliers had significantly reduced their production capacity in the recession, they were not always able to fully meet the rise in demand. The natural and nuclear disaster in Japan also made things difficult for the procurement policy as whole supply chains in Japan were disrupted. As a result of the disaster in Fukushima, Japan, electronic parts and components, rubber seals, friction bearings and ball-bearings were affected by supply bottlenecks. elexis consequently increased its stock of critical parts. However, the tense procurement situation still resulted in occasional production delays in the first half of 2011.

With the continuing uncertainty in financial markets, the fear of a new economic downturn increased, and as a result the procurement situation became tenser. Some advised price increase were avoided in the second half of 2011. Critical parts were also procured from suppliers without any delays. The overall significant increase in stocks in industry had a direct impact on the demand situation of our suppliers in the second half of the year, as reduction in stock levels took priority over new orders.

Changes in credit ratings of suppliers

The mixed conditions again resulted in financial changes among our suppliers in the 2011 financial year. We have constantly reviewed the credit rating of our suppliers. This is a structured process within our strategic purchasing. In the 2011 financial year we did not have any procurement problems that were attributable to negative changes in the credit ratings of our suppliers.

3.2.4. Production

Transparent Optimised Processes Flexible Intelligent on-Time (TOP.FIT)

With the TOP.FIT team, elexis called for the Continual Improvement Process (CIP) to be actively developed in the company in 2005. TOP.FIT (Transparent Optimised Processes Flexible Intelligent on-Time) was the motto used for these activities. Two CIP employees are responsible for these activities. It is their task to identify process weaknesses and to create continuously efficient processes and standards. The following basic principles are applied:

- Reductions in throughput times
- Improved productivity and efficiency across all stages of the value chain
- Standardisation of processes
- Minimisation of inventory
- Employee flexibility
- Simplified logistics procedures
- Encourage personal responsibility among employees
- Cleanliness and tidiness a matter of course

elexis AG is continuing the Continual Improvement Process (CIP) across all stages of the value chain at all of its German sites. Process optimisation in our foreign production sites started with Brazil in the first half of 2011 and we have already started to see results. For example, the space requirement in the brake assembly area was reduced by 25 %. In the second half of 2011 the production processes of our subsidiary in Japan were tested. After an analysis of the initial state of the production processes and process flows, a new production layout for the repair area was developed and implemented. The CIP will be continued in the 2012 financial year throughout the elexis Group.

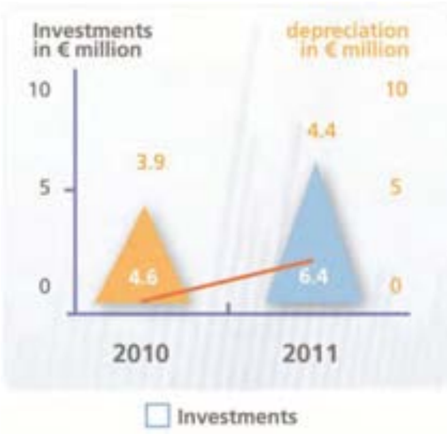
High Quality Automation division

In the High Quality Automation division the increases in incoming orders were absorbed with only a moderate increase in personnel. Production was also actively controlled with the current flexitime and working lifetime models. The ongoing value analysis work and CIP has had a positive impact on production. The current CIP standards were also imposed on our foreign subsidiaries in Brazil and Japan in the 2011 financial year.

High Precision Automation division

In the High Precision Automation division capacity was utilised to a good level in 2011 in all areas. However, the increase in incoming orders resulted in greater use of external services in construction and assembly in order to meet promised delivery deadlines. Against this background, more personnel and temporary staff were recruited. Fluctuations in production were also absorbed by flexible working hours.

3.2.5. Investments



Investment policy focused on the future

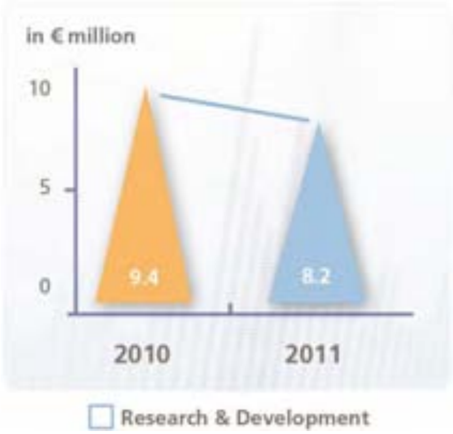
In the 2011 financial year the elexis Group's investments in property, plant and equipment were above the level of depreciation. Investment decisions were made based on the criteria of efficiency, costs and the assurance of production.

Investment expenditure during the period under review was concentrated on replacement investments in machinery and future-oriented investments in research and development. The development focus of our product policy lies in the new development of further quality assurance systems. In the 2011 financial year investments were made in new developments with development partners in the non-metal sector; these will be presented to the market at drupa 2012. In addition to this, some production hall roofs were renovated at the production site in Wenden in the 2011 financial year with the aim of improving energy efficiency in the area of production. In the previous year, expenditure relating to the acquisition of the majority shareholding in P2T Protagon Process Technologies GmbH was also reported under investments.

In order to support the current business processes, the decision was made in the 2011 financial year to modernise the Group-wide IT system. The modernisation of the IT systems is planned for 2012/2013.

In 2011 the elexis Group financed its investments primarily through its current cash flow. The company reported a capital expenditure (Capex) of 141.2 % (previous year: 118.7 % before the goodwill impairment) in 2011.

3.2.6. Research and development



Research and development, the basis for our technology leadership

Research and development are of fundamental important for a technology-driven company such as elexis. The quick implementation of presentable results from these areas allows us to constantly bring out highly innovative products, processes and services. Innovations which provide us with technology leadership in attractive market niches and in so doing bring sustainable success to the Group.

Innovation needs more than inventive spirit and the drive of researchers. Innovation always needs a vision and a feel for markets. At elexis this knowledge is based on close cooperation between the customer, customers and other partners. In addition to cooperation partners, these include research institutes and universities. Together with them, elexis is managing to seize on promising projects at an early stage and actively help to shape the market. Our goal in research and development is clear: we consider it our duty to develop solutions for our customers.

This included the following key tasks in research and development in 2011:

- Establishment of a fully developed and extensively tested technology
- Improvement of the reliability and availability of our customers' production equipment
- Process optimisation and increasing customer benefits through innovation
- Development of new technological standards
- Integration of scientific and technological knowledge and processes
- Optimally adapted solutions taking account of regional markets
- Show of a quick return on investment for our customers

Derived from our basic development goals, the focus of our research and development activity for innovative and technological processes lies in the optimising of processes, the raising of efficiency and improving the energy balance in "industrial production".

The efficient use of scarce resources and raw materials are also important here. Innovations in the industrial production sector are therefore a high priority for elexis. They are rightfully considered to be a megatrend and a driver of technological innovations in the elexis Group. Against this background, development activities were pushed once again in the 2011 financial year.

In the non-metal sector extensive new and further developments for the upcoming drupa 2012 were the focus of activities in the period under review. drupa is the world's largest trade fair for the print industry and provides an established and renowned platform the launch of new products every four years.

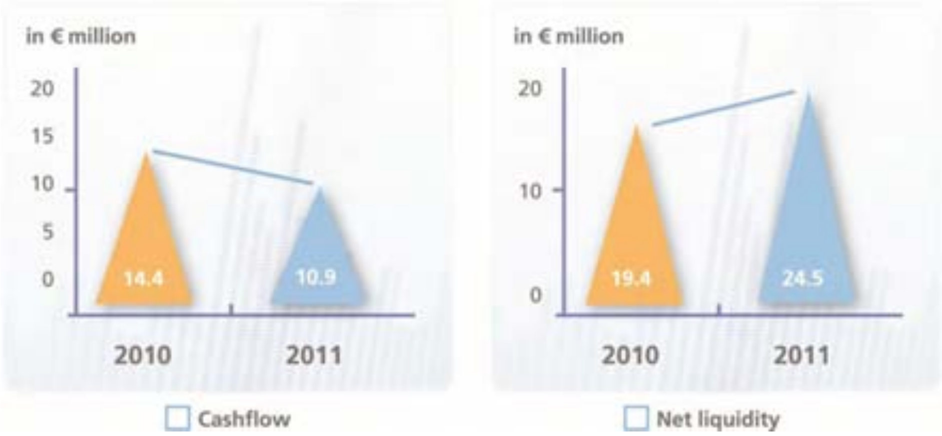
In the metal sector the transfer of application knowledge to new markets (e.g. hot-strip mill) was the focus of development activities. In the process new technologies were used. In collaboration with our customers, prototypes were developed in the past financial year and these are currently in the test phase.

The ELA electromechanical linear drive managed the transition from a prototype to large-scale production in the 2011 financial year. Work continually took place, and is taking place, on further drive concepts as a replacement for hydraulic components.

In the "New Products" profit centre, work concentrated on the research of new market trends, in particular relating to "green raw materials" and "alternative energy concepts". Together with partners we are using our competence in mechanics, electronics and control technology to bring projects in these areas to market readiness and in so doing develop new areas of business.

elexis aims with all new developments to achieve technology leadership. This aspiration never allows us to rest and demands that we constantly improve. Innovation means not only concentrating on new developments for elexis. It also means optimising what is currently available. In addition to areas of focus stated above, in 2011 the entire existing product portfolio was analysed and further developed in the market and in the application areas throughout the elexis Group. Process flows that have been introduced were continually optimised.

3.2.7. Financing

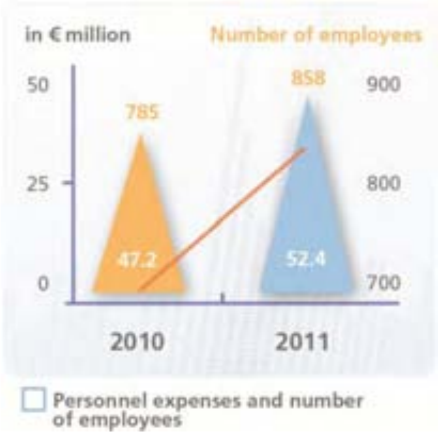


Financing policy stands for continuity

The German companies of the elexis Group are predominantly self-financed. Our foreign subsidiaries also primarily possess their own credit lines. Where necessary elexis AG issues the necessary guarantee and joint liability declarations in order to secure the provision of credit lines. The elexis Group's ongoing financing was ensured at all times.

The liquid funds, partially unused overdraft credit lines and a low borrowing ratio in conjunction with the strong equity base continue to provide the elexis Group with a stable financial position. Furthermore, we also occasionally use leasing agreements in order to finance certain projects. Other money and capital market instruments are used only to a limited degree.

3.2.8. Personnel



Employees our most important assets

2011 was a year of transition and growth. As a result the elexis Group recorded a moderate increase in employees. As at 31 December 2011 the elexis Group employed 858 people following 785 people in the previous year. This equates to a change of 9 %. Around a third of our employees work in our foreign companies. With an increase in sales, the return per employee rose significant despite the increase in personnel. The number of apprentices totalled 74 (previous year: 77). With the apprentice ratio remaining high, the elexis Group was once again above the average for the Federal Republic in the German engineering industry.

Qualified skilled workers are much sought after by industry. In order to be able to continue to recruit specialist and management personnel from our own ranks in future, the elexis Group is represented at many job and training fairs. Here the company is presented as an attractive employer. The extensive training opportunities offered by elexis Group are a major advantage when recruiting young people.

At the centre of our training programme are a range of measures such as the promotion of the dual training system, opportunities to work in the various international Group companies as well as attractive offers for further training. The provision of work placements for students and the supervision of dissertations also help us to tie qualified young people to the company. Within the scope of annual appraisals, employees also have the opportunity to individually determine personal development prospects and further education measures. These activities are supported organisationally by the “elexis Academy” project. A performance-related remuneration system and progressive social contributions are also an integral part of elexis’s convincing personnel policy.

Growing demands as a result of globalisation, competition and innovation require qualified and motivated employees. elexis’s personnel policy is based on the conviction that the recognition of personal commitment and a positive work environment improves employee motivation. For this reason the elexis Group expressly promotes the personal initiative and development of ideas by employees. The “Ideenschmiede” (idea incubator) has been an integral part of our corporate culture for many years.

Winners of the 2011 draw of "Ideenschmiede EMG Automation GmbH"

In order to strengthen the support for and the loyalty of employees, elexis initiated the "TOP.JOB" project in the 2009 financial year and again filled it with life in the 2011 financial year. The aim of the "TOP.JOB" project is to make elexis an even more attractive employer for potential new employees and to increase job satisfaction among existing staff. Among other things, this means:

- Arousing interest in technology in the kindergarten
- Creating an attractive working environment
- Filling the "best talent" in all age groups with enthusiasm
- Long-term employee loyalty
- Target-oriented cross-departmental and cross-position extension of professional and social skills
- Maintaining existing knowledge and know how

These objectives are an ongoing process which we continually challenge based on current conditions. Accordingly the initiatives we offer are constantly adapted and revised. Other projects within the scope of the "TOP.JOB" initiative, though, such as "Girls Day", have already become a permanent feature. "Girls Day 2011" gave many girls from nearby schools the rare opportunity to gain direct experience of technical professions in practice. This offer has been repeatedly taken up with great interest.

3.2.9. Environmental protection

Environmental protection, an integral part of our corporate policy

Protecting the natural environment and using resources in a sustainable manner are a key responsibility and challenge for the elexis Group. We consider it our duty to comply with legal regulations and local laws. We also exploit all economically viable opportunities to sustainably reduce our impact on the environment. Our environmental policy focuses on the effective use of energy and raw materials. The prevention of waste is just as important as its re-use or cost-effective disposal. At all sites of the elexis Group, the responsibility for compliance with and the monitoring of legal environmental regulations lies with the head of strategic quality management. We consider legal regulations to be minimum requirements.

From the point of view of environmental protection, we also analyse the product quality of external suppliers. The elexis Group's very high environmental standards apply to them as well. The efficient use of resources and the highly efficient use of energy are two of the fundamental requirements for our own production processes. At the same time we are considered with our innovative products to be genuine problem solvers and a reliable partner in matters relating to environmental and climate protection.

In particular the quality assurance systems make an important contribution to cost-efficient climate protection by reducing waste in the customer's production process. This effect results in a reduction in the use of materials and therefore indirectly lowers CO_2 emissions. Sustainable environmental protection is consistent with the global competitiveness and the long-term safeguarding of jobs in the elexis Group.

3.3. Analysis of business development based on key indicators

Incoming orders follow the cyclical trend of the German engineering industry

Over 3,000 companies active in a range of sectors with lagging economic cycles are represented in the German Engineering Federation (VDMA). The VDMA's incoming orders trend shows a representative average across the whole engineering industry. elexis AG's product portfolio is structured similarly: product areas with early and late cycles stand side by side on an equal footing. In addition to this, the products and components of elexis AG can be used in a range of industries.

elexis AG's incoming orders rose compared to the previous year by 15.5 % and totalled 174.0 million euros. In 2010 incoming orders totalled 150.7 million euros. elexis AG's business performance therefore followed as in previous years the cyclical trend in the German engineering industry. The VDMA reported as at the end of 2011 an increase in incoming orders in the German engineering industry of 10 %. elexis AG's sales rose compared to the previous year by around 22 % and totalled 167.4 million euros (previous year: 136.7 million euros).

Less susceptible to economic fluctuations

Technology and market leadership provide a strong foundation for the success of the elexis Group. Success in these areas is attributable to two core areas: international sales, production and services structures and a balanced technology portfolio. Both secure profitable growth.

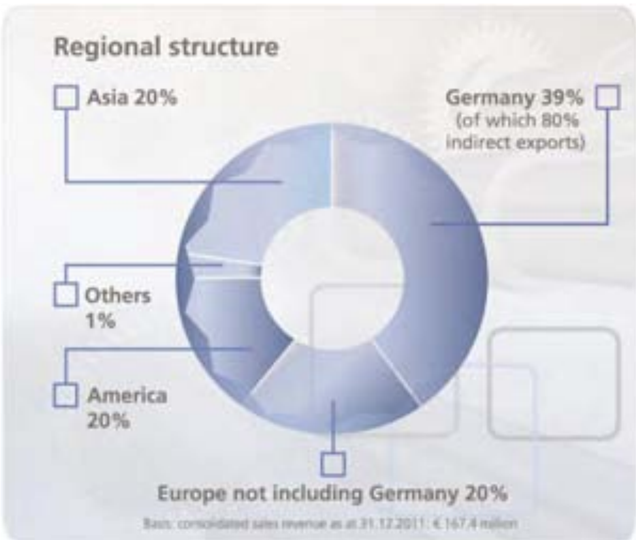
The elexis Group has extensive technological knowledge, ranging from current basic drive technology to key technologies (control technology and high precision automation) and to pioneering technologies in the area of quality assurance systems. This knowledge needs to be used in our technology portfolio and in the regional structure so that we are able to compensate for economic fluctuations at all times.

The current shift in demand towards the emerging countries shows the benefits of our business model.

The elexis Group’s international sales and service offices allow us to handle an increasing number of enquiries from emerging countries locally. A quality of service which made itself felt with a high export ratio of 61.1 % (previous year: 58.2 %).

However, the technological requirements and needs in emerging countries have not yet reached the standard of industrial nations. While automated production process are standard in industrial nations, production processes in countries such as China, India and Latin America are being optimised and automated slowly. However, in these countries too there is a strong tendency to make processes more efficient and to replace manual work processes with automated processes. Technological solutions in the high-end sector, such as those produced in the High Precision Automation division, are yet to be launched onto the market. The nascent demand in this product area is compensated for by a high level of orders in the remaining product areas of the elexis Group.

The regional structure for the 2011 financial year is broken down as follows:



Significant improvement in profitability ratios

The ROCE (Return on Capital Employed) at the end of the 2011 financial year was 35.2 % and the return on equity after taxes was 16.7 %. The previous year's profitability ratios were negatively affected by the goodwill impairment in the High Precision Automation division. Their suitability for comparison purposes is therefore limited. The previous year's ROCE was 7.6 % and the return on capital was 3.4 %.

Internal earnings targets achieved

The Management Board announced at the 2011 Annual General Meeting that the aim was to generate an EBIT margin of between 11.5 and 13.5 %. The elexis Group achieved this internal target with an EBIT margin of 11.7 % (previous year: 7.7 % before goodwill impairment).

The elexis Group generated as at 31 December 2011 earnings before interest and taxes (EBIT) of 19.6 million euros following 10.6 million euros in the previous year (before goodwill impairment). Net income after the deduction of minority interests totalled 12.6 million euros as at the balance sheet date (previous year: 2.2 million euros after the goodwill impairment). Earnings per share totalled 1.37 euros as at 31 December 2011 following 0.24 euros in the previous year.

All of the divisions in the elexis Group made a positive contribution to earnings. The business performance of the individual segments was as follows:

High Quality Automation benefited from catch-up effects and international focus

High Quality Automation

Overview of the High Quality Automation division:

€ million	2011	2010	Change
Incoming orders	142.9	125.9	14 %
Sales (net)	138.6	118.0	17 %
EBITDA	23.4	19.7	19 %
EBIT	19.5	16.0	22 %
EBIT margin (in %)	*14.1*	*13.5*	
Employees (reporting date, not including apprentices)	723	653	11 %

The High Quality Automation division contributed over 80 % to the sales of the elexis Group and is therefore the mainstay of elexis AG's business. All of the product areas and companies in this segment recorded a high level of demand in the 2011 financial year. In particular the first half of 2011 was characterised by catch-up effects as a consequence of the last recession.

BST International GmbH started the 2011 financial year with a high level of orders. It was only in the second half of the year that demand fell slightly, as expected, but it remained overall at a high level. The order volume was spread equally among end customers and OEMs. BST International GmbH is represented with subsidiaries in the USA, Brazil, China, India, Italy and France and was able to extend its important international market position. It also expanded successfully into other markets in the converting, non-woven fabric and film industries.

EMG Automation GmbH only came out of the bottom of the last recession in mid-2010 with the control technology and quality assurance system products and picked up again in the 2011 financial year. Major projects advised in the steel industry reached their implementation phase. The global economic and financial crisis resulted however in changing structures in the steel industry. While in previous years steelworks construction was dominated by European producers, in the past financial year Asian machine builders gained a greater market presence. EMG Automation GmbH is represented with subsidiaries and representative offices in the USA, Spain, Brazil, Russia, India and China and was able to meet the changing market conditions at all times.

The drive technology product group also benefited from the speedy recovery of the economy in 2011, which was followed by a rise in global shipping activity. This resulted in stable demand from customers in the "port" sector. Incoming orders from the energy and mining sectors remained steady.

In the 2011 financial year EMG Automation GmbH also established the "New Products" profit centre. The profit centre consolidates our activities relating to new technologies and product ideas. All activities in the elexis Group must have an anticipated EBIT margin of at least 10 %. New product ideas are also measured by these requirements. The establishment of an independent profit centre underlines this objective. The first product launched and brought to marketing phase in this profit centre was the electromechanical linear drive ELA. In the 2011 financial year we have also extended our personnel capacity for this product group and invested in a targeted manner in R&D activities. Against this background, this product division's contribution to earnings was low in the past financial year.

Across all product areas, incoming orders in the High Quality Automation division rose by 14 % to 142.9 million euros as at 31 December 2011. Incoming orders in the previous year totalled 125.9 million euros. Sales followed on later on the back of incoming orders and increased as at the balance sheet date by 17 %. With prices remaining on the whole stable, the increase in sales is attributable to the significant increase in demand. As at 31 December 2011 sales totalled 138.6 million euros following 118.0 million euros in the previous year. This segment generated earnings before interest and taxes (EBIT) of 14.1 % (previous year: 13.5 %) or 19.5 million euros (previous year: 16.0 million euros).

High Precision Automation set new course in international sales

High Precision Automation

Overview of the High Precision Automation division:

€ million	2011	2010	Change
Incoming orders	31.1	24.8	25 %
Sales (net)	28.9	18.7	55 %
EBITDA	2.2	-2.8	
EBIT before goodwill impairment	1.8	-3.2	
EBIT margin (in %)	*6.2*	*-17.1*	
EBIT	1.8	-9.8	
EBIT margin (in %)	*6.2*	*-52.4*	
Employees (reporting date, not including apprentices)	131	128	2 %

2010 was characterised by an innovation offensive, while 2011 was characterised by a sales offensive. New medical technology products were presented at numerous trade fairs in the USA, France and Germany.

Due to the technological requirements in automation processes, the customer base in this segment has to date been concentrated in the USA and Europe. With the product launch of modular systems on the one hand and rising hygiene, efficiency and automation standards on the other, a market is now gradually opening up in Asia.

Our answer to this new market environment was a targeted sales offensive in China. On numerous sales trips, our employees presented the whole range of handling automation systems. The target group was Chinese manufacturers of injection moulding machines and end customers in the medical technology and automotive sectors. These activities have resulted in numerous project enquiries and initial orders from Asia in the past financial year.

It was pleasing to note that there was also increased demand from regular customers in the automotive, packaging and consumer goods sectors for HEKUMA GmbH’s automation solutions. The reluctance to invest seen in the recession disappeared and the existing customer relations were resumed. All of the regular customers were retained after the recession. The main areas of demand lie in the upgrading and optimisation of existing lines. New production lines are not planned by our customers due to the mixed business environment, particularly in the USA.

Sales activities in this segment resulted in an increase in incoming orders of 25 % compared to the previous year. As at 31 December 2011 incoming orders totalled 31.1 million euros following 24.8 million euros in the previous year. The sales followed around 9 months later and totalled as at the end of the year 28.9 million euros (previous year: 18.7 million euros). This equates to an increase of 55 % compared to the previous year. The sales offensive in 2011 resulted, with prices on the whole remaining stable, in a significant increase in systems sold.

The previous year's earnings were negatively impacted by the goodwill impairment. Earnings before interest and taxes (EBIT) totalled as at 31 December 2010 minus 9.8 million euros. The EBIT before partial goodwill impairment was minus 3.2 million euros. In the 2011 financial year the High Precision Automation division returned to profit. As at 31 December 2011 this segment generated an EBIT of 1.8 million euros. The EBIT margin was 6.2 % (previous year: minus 17.1 % before goodwill impairment; minus 52.4 % after goodwill impairment).

This improvement is the result of an increase in demand and the restructuring of internal processes. However, the earnings performance of the past was not repeated. This is a consequence of the product mix, which mainly featured initial orders in the medical technology sector in the past financial year. The share of construction-intensive and therefore low-margin automotive orders remained high in the past financial year.

Both divisions extend activities in China

Asia, and in particular China, will remain the engine of economic growth and therefore a core market for the products of the elexis Group. The existing production and assembly capacities in Shanghai and Beijing were expanded in the 2011 financial year and as a result the value chain was extended significantly in China. In addition to this, Chinese customers have also had the opportunity since the opening of the elexis Business Centre in Shanghai in the fourth quarter of 2011 to examine automation solutions from elexis locally.

Takeover process affected result of the holding company

The central departments

The central departments only manage elexis AG. As a holding company, elexis AG is responsible for the control and the strategic direction of the elexis Group and does not exercise any operating business. Including both board members, elexis AG employed four people as at 31 December 2011.

In the holding company the EBIT before income from investments was minus 1.7 million euros (previous year: minus 2.2 million euros). This includes the legal and consultancy costs incurred in relation to the takeover offer made by SMS GmbH of 0.8 million euros. All other expenses items remained virtually the same.

The legal dispute with the insolvency administrator Elotherm GmbH was halted in April 2011 against payment of 2.0 million euros by way of settlement. Provisions were adequate, therefore there were no additional charges. The surplus provisions of 0.66 million euros were released.

3.4. Position of the Group

3.4.1. Asset position

€ million	2011	2010
Balance sheet total	148.7	132.4
Equity ratio (in %)	53.5	52.2
Investments incl. financial leasing	6.4	4.6
Investment ratio (in %)	158.6	43.3
Fixed asset coverage (in %)	217.6	194.4
Working capital	16.5	3.5
Inventory turnover (in days)	49	61
Debtor days	62	55

The asset position is affected primarily by goodwill and current assets in the form of inventories and trade receivables.

Goodwill and intangible assets

All goodwill is subjected to an impairment test at regular intervals. The basis for the evaluation of the goodwill impairment is the underlying earnings plan for the next three years.

Goodwill in the High Quality Automation division totalled 3.3 million euros (previous year: 3.3 million euros) and related to BST PRO MARK Inc, EMH Eletromecânica e Hidráulica Ltda and P2T Protagon Process Technologies GmbH. Goodwill in the High Precision Automation segment totalled 16.4 million euros as at 31 December 2011 (previous year: 16.4 million euros).

Intangible assets increased from 4.4 million euros in the previous year to 6.2 million euros as at 31 December 2011. The increase is primarily attributable to capitalised development activities, including for planned product launches at drupa 2012.

Deferred tax assets

Deferred tax assets totalled 4.7 million euros as at 31 December 2011 following 6.8 million euros in the previous year. This fall is the result of the utilisation of tax loss carry forwards.

Current assets

Current assets increased in total by 17.4 million euros to 96.4 million euros (previous year: 79.0 million euros). This is primarily attributable to the increase in trade receivables of 21.0 million euros (31 December 2011) to 28.9 million euros as at the end of 2011. Significant bad debt losses were avoided in the 2011 financial year. This is also a result of the standardised management of accounts receivable in the elexis Group. The further increase in foreign commitments resulted in the 2011 financial year in debtor days rising from 55 days to 62 days.

Receivables from taxes on income include advance payments made for the 2011 financial year which were made on the basis of the old company structure.

Inventories remained virtually the same compared to the previous year (31 December 2010: 23.1 million euros) at 23.3 million euros as at 31 December 2011. Due to the simultaneous increase in sales, the inventory turnover fell significant from 61 days in the previous year to 49 days as at the balance sheet date.

Liquid assets increased in total by 2.0 million euros to 33.7 million euros as at 31 December 2011 (previous year: 31.7 million euros). These include the outflow of funds for the dividend payment of 3.4 million euros, 2.0 million euros settlement relating to the legal dispute with the insolvency administrator Elotherm GmbH and 0.8 million euros for legal and consultancy costs relating to the voluntary public takeover offer made by SMS GmbH.

Investments

In the 2011 financial year investments totalled 6.4 million euros and were therefore well above the previous year's investment volume (previous year: 4.6 million euros). The investment policy is geared towards the future competitiveness of the Group. Against this background, investments focused on replacing machinery, improving energy efficiency and developing new products.

In the year under review investments were above the level of depreciation in the elexis Group. Accordingly the investment ratio was 158.6 %. The investment ratio is the ratio of investments not including leasing to depreciation on property, plant and equipment and intangible assets. In the previous year depreciation was affected by the goodwill impairment for HEKUMA GmbH.

Balance sheet total and equity

The increase in funds tied up in current assets resulted in the balance sheet total increasing to 148.7 million euros as at 31 December 2011 following 132.4 million euros in the previous year. As a group with a high level of equity, assets were financed by a high share of equity. Following a fixed asset coverage of 194.4 % in the previous year, this ratio improved again as at 31 December 2011 (217.6 %).

The equity ratio rose due to the positive earnings position and was 53.5 % as at 31 December 2011 following 52.2 % in the previous year. This equates to equity of 79.6 million euros (previous year: 69.1 million euros).

Long-term provisions

Long-term provisions were reduced due to the further payment into the cover fund (1.0 million euros) and the associated offset with the corresponding liability.

Financial liabilities

Financial liabilities increased from 20.7 million euros to 21.8 million euros as at 31 December 2011. The increase in financial liabilities is primarily attributable to long-term loans being taken out in the 2011 financial year. In contrast to this, overdraft credit lines were reduced by around 3.0 million euros.

Other liabilities

The increase from 14.5 million euros to 17.4 million euros is primarily attributable to the increase in prepayments received and liabilities to employees.

3.4.2. Financial position

The elexis Group's assets are always financed with matching maturities. Long-term property, plant and equipment are seen alongside bank loans (not including finance leasing) totalling 6.9 million euros (previous year: 2.2 million euros). These are primarily long-term loans to extend production capacity which were taken out in the 2011 financial year and repaid on time.

Sufficient credit lines are available to the elexis Group in order to finance current operating activities. Occasionally investments are refinanced by leasing. We only use other cash and capital market transactions to a limited degree.

In addition to external sources of finance, the elexis Group has a high level of equity available for finance:

€ million	2011	2010
Cash flow from operating activities	10.9	14.4
Long-term liabilities to banks	6.9	2.2
Net liquidity	24.5	19.4

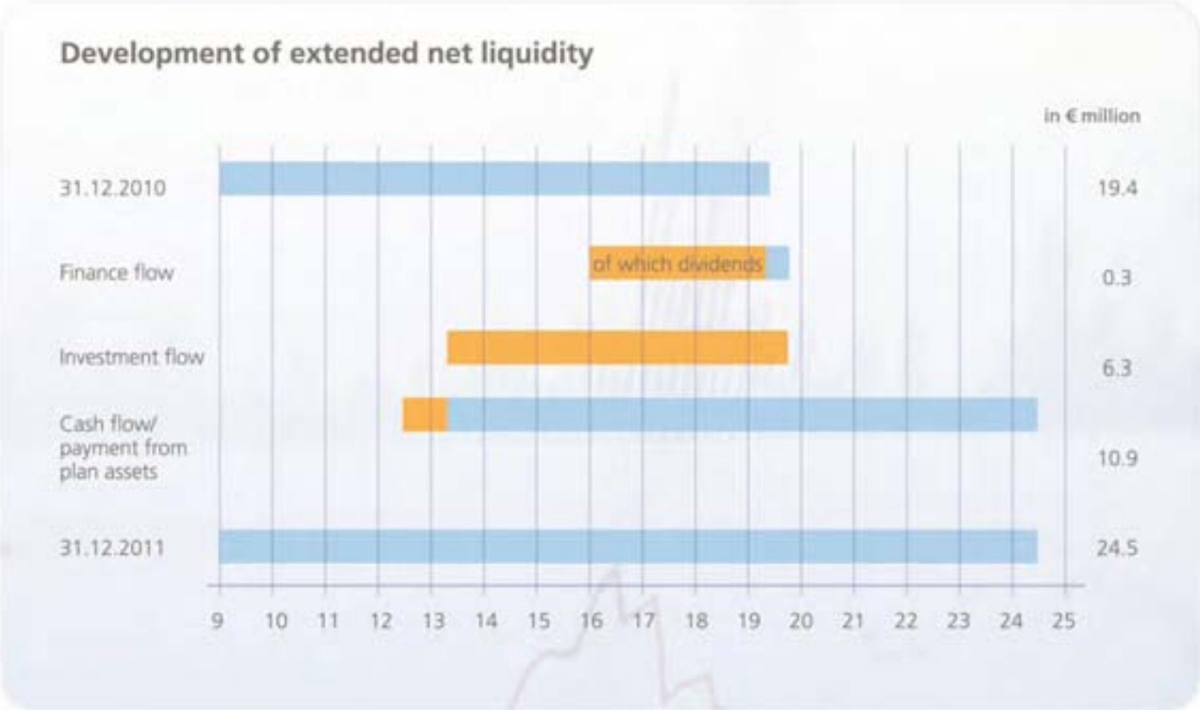
The cash flow from operating activities fell compared to the previous year. It totalled 10.9 million euros as at 31 December 2011. In the previous year the cash flow from operating activities totalled 14.4 million euros. This cash flow development is primarily affected by the significant increase in sales in the 2011 financial year, which was reflected among other things by an increase in funds tied up in trade receivables.

Overall the change in current assets, which comprises the inventories, receivables and the change in the short-term provisions and liabilities, resulted in an outflow of funds of 11.0 million euros in the 2011 financial year. This change is attributable to the expansion business. In the previous year the change in current assets resulted in an inflow of funds of 6.2 million euros.

The payment of taxes on income accounted for an outflow of 3.4 million euros in the period under review. In the previous year this item totalled 4.8 million euros. The reduction in income tax payments is attributable to the utilisation of tax loss carry forwards.

In addition to this, the payment into the elexis Group's existing plan assets (1.0 million euros; previous year: 0.7 million euros) resulted in a reduction in cash flow from operating activities.

Despite the significant outflow of funds for dividend payments (3.4 million euros; previous year: 1.6 million euros), the outflow of funds for investment activities (6.3 million euros; previous year: 1.4 million euros), settlement payments relating to the legal dispute with the insolvency administrator Elotherm GmbH (2.0 million euros) and further outflows relating to financing activities, net liquidity rose significantly due to the positive earnings position as at 31 December 2011. As at 31 December 2011 net liquidity totalled million 24.5 euros following 19.4 million euros in the previous year and was broken down as follows:


Development of extended net liquidity
in € million
31.12.2010
Finance flow
of which dividends
Investment flow
Cash flow/
payment from
plan assets
31.12.2011
19.4
0.3
6.3
10.9
24.5
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

3.4.3. Earnings position

€ million	2011	2010
Incoming orders	174.0	150.7
Sales (net)	167.4	136.7
Gross profit	61.3	48.1
EBITDA	23.9	14.4
EBIT before goodwill impairment	19.6	10.6
EBIT	19.6	4.0
Financial result	-0.9	-1.0
EBT	18.7	3.0
Consolidated net income after the deduction of minority interests	12.6	2.2
Earnings per share (in €, EPS)	1.37	0.24
Cost of sales ratio (in % of sales)	19.8	20.9
Administrative expense ratio (in % of sales)	5.8	6.7
Material ratio (in % of sales)	37.5	36.6
Personnel ratio (in % of sales)	31.3	34.5

Incoming orders and sales

In the period under review the elexis Group's incoming orders rose by 15.5 % to 174.0 million euros (previous year: 150.7 million euros). The sales followed at a later date and increased from 136.7 million euros in the previous year to 167.4 million euros in the year under review. This equates to an increase of 22 %. In the period under review the direct export ratio was 61.1 % (previous year: 58.2 %) and confirmed the high international presence. The growth of the elexis Group is again attributable to the high level of demand from Asian regions such as China and India. For more detailed information we refer to our notes on the development of the individual segments.

Costs of research and development

In the 2011 financial year costs for research and development totalled 8.2 million euros (previous year: 9.4 million euros). Of this, development projects worth 2.5 million euros (previous year: 2.1 million euros) were capitalised. The R&D costs as at 31 December 2011 equated to a R&D ratio (R&D costs in relation to sales) of around 5 % following 6.9 % in the previous year. The increase in capitalised development projects is attributable to the development offensive for drupa 2012 and further quality assurance systems for flat material webs. In addition to the costs of research and development, 2.5 million euros (previous year: 1.0 million euros) were posted for product developments in collaboration with development partners under investment expenditure.

Costs of procuring material

The cost structure remained almost unchanged. Despite volatile procurement markets and the shortage and resulting increase in the cost of individual assemblies, the material ratio only changed slightly from 36.6 % in the previous year to 37.5 % as at 31 December 2011.

Personnel cost structure

In the 2011 financial year there was a moderate increase in the number of employees to reflect the growth in sales. This resulted in a nominal increase in personnel expenses. In relation to sales, the personnel ratio fell though from 34.5 % in the previous year to 31.3 % as at the balance sheet date.

Selling and administrative expenses

The cost of sales relating to sales was at 19.8 % as at 31 December 2011 almost the same as the previous year (20.9 %). However, the absolute cost of sales rose due to intensive sales activities in 2011 from 28.5 million euros in the previous year to 33.1 million euros as at 31 December 2011. Administrative expenses developed similarly to the cost of sales. A nominal increase in administrative expenses resulted, with a simultaneous increase in sales, in a slight fall in the administrative expense ratio. As at 31 December 2011 it stood at 5.8 % following 6.7 % in the previous year.

Other operating expenses

Other operating expenses fell compared to the previous year by 0.9 million euros and totalled 2.2 million euros as at 31 December 2011. The reduction is primarily attributable to expenses for restructuring and legal proceedings which were included in this item in the previous year and no longer appear at this level.

Earnings before interest and taxes

The cost reduction programmes of the recession years continued to have a positive impact in the 2011 financial year. With an above-average increase in sales in the elexis Group, the cost structure improved once again compared to the previous year. This resulted in an improved gross margin. Earnings before interest and taxes (EBIT) almost doubled compared to the previous year. The EBIT as at 31 December 2011 totalled 19.6 million euros (previous year: 10.6 million euros before goodwill impairment). This equates to an EBIT margin of 11.7 % following 7.7 % in the previous year (before goodwill impairment).

Taxes on income

The item “taxes on income” comprises actual and deferred taxes on income. As a result of the utilisation of tax loss carry forwards in the past financial year, the deferred tax assets of the 2010 financial year were correspondingly consumed. This resulted in an expense of 5.2 million euros compared to 0 million euros in the previous year.

Consolidated net income

Consolidated net income after the deduction of minority interests totalled 12.6 million euros as at 31 December 2011 following 2.2 million euros in the previous year (after goodwill impairment).

3.4.4. Asset, financial and earnings position 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.

Due to the restructuring of the elexis Group, the profit and loss transfer agreement with the former Elexis Beteiligungsgesellschaft mbH disappeared following the merger with this company. elexis AG declared a voluntary loss assumption agreement to the benefit of EMG Automation GmbH on 25 October 2011. The change in conditions in terms of company law, which are explained in detail in the chapter Group structure, also had an impact on the asset, financial and earnings position of elexis AG, which is presented below:

Asset position of elexis AG

The asset position is dominated by financial assets and the receivables from affiliated companies. Financial assets remained virtually the same compared to the previous year (31 December 2011: 61.7 million euros; 31 December 2010: 62.1 million euros).

The recoverability of assets is dependent on the economic development of the respective subsidiaries. Due to the improved economic situation in the 2011 financial year, the companies of the elexis Group met expectations. The earnings position of the individual divisions in accordance with the German Commercial Code (HGB) developed as follows:

High Quality Automation

Incoming orders in the High Quality Automation division increased by 14 % to 142.9 million euros in the year under review. In the previous year incoming orders totalled 125.9 million euros. The sales followed with a time delay and increased from 118.0 million euros to 138.6 million euros. Earnings before interest and taxes (EBIT) totalled 19.3 million euros as at 31 December 2011 on HGB basis or 13.9 % (previous year: 15.2 million euros; 12.9 %).

High Precision Automation

Incoming orders in the High Precision Automation division increased by 25 % and totalled 31.1 million euros in the year under review. In the previous year incoming orders totalled 24.8 million euros. The previous year's incoming orders resulted in a significant increase in sales in the 2011 financial year. Following sales of 15.0 million euros in the previous year, the High Precision Automation division generated sales of 29.6 million euros in the 2011 financial year. These included low-margin automotive orders and initial orders in the medical technology sector. As a result, despite a significant increase in sales in the past financial year, earnings before interest and taxes (EBIT) did not reach the old level. The EBIT totalled 0.8 million euros as at the end of the year or 2.6 %. In the previous year a loss of 5.2 million euros (EBIT margin: -37 %) was generated.

Receivables from affiliated companies fell from 18.2 million euros to 11.6 million euros as at 31 December 2011. This change was due in particular to lower receivables as a result of a fall in income from investments.

elexis AG reports as at 31 December 2011 reimbursement claims relating to tax prepayments totalling 1.9 million euros (previous year: 0.1 million euros), which are included in the item other assets.

The reduction in provisions for pensions resulted from the offset of the liability with the associated cover fund. Other provisions were reduced compared to the previous year in particular due to the utilisation of provisions for restructuring and legal proceedings (2.0 million euros).

Financial position of elexis AG

The assets of elexis AG were financed almost exclusively by equity. With a reduced balance sheet total, the equity ratio rose from 92.2 % in the previous year to 96.6 % as at the end of the period under review. Due to the reduction in the inflow of funds from investment income and the payment of dividends totalling 3.4 million euros, equity fell nominally from 74.7 million euros to 74.1 million euros.

Earnings position of elexis AG

The earnings position of elexis AG is primarily determined by the dividends paid by the divisions. Due to the advance dividend payment relating to the 2011 balance sheet profit of EMG Automation GmbH, elexis AG received income from investments totalling 3.8 million euros. In the previous year income from investments based on profit and loss transfer agreements existing in 2010 totalled 10.5 million euros. Administrative expenses include legal and consultancy costs totalling of 0.8 million euros that were incurred in relation to the takeover offer made by SMS GmbH. All other expense items, in particular other operating expenses and the interest result, remained virtually the same.

The legal dispute with the insolvency administrator Elotherm GmbH was halted in April 2011 against payment of 2.0 million euros by way of settlement. Provisions were adequate, therefore there were no additional charges. The surplus provisions of 0.66 million euros were released.

For taxes on income, tax revenue of 0.3 million euros was reported in the 2011 financial year (previous year: tax expense of 2.8 million euros). The tax revenue relates to a reimbursement for previous periods. In the current period there were not tax expenses as only tax-free income was realised.

3.5. Supplementary report

The negotiations concerning the acquisition of shares in betacontrol GmbH & Co. KG, Freudenberg, were concluded successfully on 16 December 2011. The transfer of ownership of the company took place with effect of 1 January 2012.

betacontrol GmbH & Co. KG specialises in the thickness and layer thickness measurement of flat material webs. The customer focus lies particularly in the converting, film and rubber industries.

The acquisition of the shares in betacontrol GmbH & Co. KG supplements our existing product portfolio and also contributes to the targeted expansion of our application areas relating to flat material webs.

No further events occurred which are of material importance for the elexis Group and might result in a change in the assessment of the company’s position.

3.6. Dependence report

In respect of the relationships with our majority shareholder and its affiliated companies, we have prepared in accordance with § 312 of the German Stock Corporation Act (AktG) a report (dependence report) for the period from 19 July to 31 December 2011.

The key statement in the dependence report is as follows:

"For the transactions listed in the report concerning relationships with affiliated companies, our company has received fair compensation for each transaction based on the facts that were known to us at the time the transactions were concluded."

3.7. Significant opportunities and risks of future development, outlook

3.7.1. Report on the internal control and risk management system: disclosures in accordance with § 315 para. 2 no. 5 and § 289 para. 5 of the HGB.

The internal control and risk management system serves to identify possible sources of error in our financial reporting and to limit any resulting risks. Our internal control and risk system covers the whole elexis Group. Based upon this approach, we are able to ensure with sufficient reliability that the annual and consolidated financial statements are prepared in accordance with the legal regulations. We explain below 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 system

There is a clear management and corporate structure which provides that key cross-departmental functions are controlled centrally by 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 with regard to operational development, a medium-term plan is developed once a year together with the managing directors and profit centre managers of the operating units. This includes budget figures for the next year and plan figures for the following years. For current financial years we prepare forecasts which are linked to the medium-term plan. Within the scope of quarterly forecast discussions, the members of the Management Board of elexis AG, the managing directors and managers of the profit centres of the operating units meet and analyse the quarterly financial statements and update the current forecasts.

The accounting process is overseen by the "Accounting", "Controlling" and "Investor Relations" departments. The areas of responsibility are clearly allocated from a personnel point of view and are managed in separate organisational departments.

The bookkeeping is performed decentrally or by EMG Automation GmbH as a service provider for its subsidiaries. Our Accounting and Controlling employees receive regular training on changes to national and international accounting laws and tax law. In conjunction with a strict four-eyes principles, we ensure compliance with the relevant regulations in these areas. All individual financial statements of the Group companies which are included in the consolidated financial statements are audited at least once a year by an auditor.

The basis of the accounting is current Group reporting. This is prepared by the Accounting and Controlling departments and presented promptly to the Management Board and managers for corporate control purposes. Deviations between planned and actual figures during the year are therefore identified, making it possible to react immediately.

In its function as a holding company, elexis AG performs central tasks in the area of international accounting and external reporting. The consolidation of the Group reports during the year in accordance with IFRS, including the reconciliation with the intra-Group clearing transactions in accordance with the regulations of the German Commercial Code (HGB), German Stock Corporation Act (AktG) and the German Securities Trading Act (WpHG), takes place on a monthly basis. We prepare our financial statements with the help of a standard Group reporting system, which we also use for the preparation of the budget and the forecasts. All fully-consolidated subsidiaries make use of this system.

Special analyses and special subjects are also handled in the Controlling department at the level of the holding company. Depending on the complexity and the scale, external consultants such as auditors or tax consultants are used to examine accounting-specific issues.

Explanation of the key features of the internal control system and the risk management system in relation to the accounting process

Our internal control and risk management system in relation to the accounting process ensures that business transactions are recorded, prepared and assessed correctly and are included in the accounting. The employment of suitable personnel, the use of adequate software and clear legal and internal instructions represent the basis for an orderly, standard and consistent accounting process. The clear demarcation of responsibilities and various control and monitoring mechanisms ensure correct and responsible accounting. As a result business transactions are recorded, processed and documented in accordance with the legal regulations, the articles of association and internal guidelines. With this approach we ensure that assets and liabilities are recognised and reported accurately in the annual and consolidated financial statements. Corporate control is ensured by prompt and full Group reporting.

Declaration of Governance in accordance with § 289a of the HGB

The Management Board of elexis AG issued a Declaration of Governance on 23 March 2012 in accordance with § 289a of the HGB; this can be viewed on the website at www.elexis.de/Investor Relations/Corporate Governance Reports.

3.7.2. Forecast report

Opportunity and risk management

Risk management within the elexis Group ensures responsible handling of all events and potential developments inside and outside of the company, where these may have a negative impact on the achievement of corporate goals. Corporate activities always involve risk and in the view of management at the same time opportunities which can be used to the advantage of the company.

The forward-looking and constant management of opportunities and risks allows the targets that have been set to be achieved by consistently making use of opportunities without ignoring the associated risks. In the elexis Group a company-wide risk management system ensures that the risks are recognised at an early stage and recorded, evaluated, controlled and monitored in a standard manner.

At the same time, however, opportunities are also identified and the associated potential is used for the development of the business.

Organisation of risk management

The risk management system of the elexis Group is the responsibility of the Management Board. It sets rules and minimum standards which ensure risk management throughout the Group. In this activity the Management Board is supported by a risk management officer, who at the same time performs the role of chief compliance officer. The tasks of the risk management officer include the development of Group-wide instructions for methods and processes, regular reporting and the monitoring of all risks. Under the leadership of the risk management officer, our Group companies ensure that the Group-wide risk management guidelines are implemented in a standard manner.

In addition to this, all risk positions are observed and monitored in the Risk Committee. The Risk Committee consists of elexis AG's Finance Director and the risk management officer. With regard to the identification of risks, in particular procurement, price change, default, foreign exchange, liquidity risks and risks from fluctuations in cash flow are recorded. 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 under particular observation. The risks are evaluated with regard to their amount and their probability of occurrence. The analysis of individual risks includes both qualitative and 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 counter-measures and allocate clearly the responsibilities. The reporting to the Management and Supervisory Board takes place each quarter in a standardised form.

The risk monitoring includes in particular the planning, implementation and 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. The risk management system is reviewed at least once a year to ensure that it is effective and up to date.

Both the risks presented below and those risks that are currently unknown to us may have an impact on the elexis Group.

Opportunities and risks of securing liquidity

The financial markets remained very volatile in the 2011 financial year. The debt crises in the USA and Europe resulted in fears of inflation and currency speculations. Due to the global network of finance, the international banking systems are also affected by the debt crises of individual and in particular European countries. Deferments of long-term loans and / or the purchase of government bonds have resulted in the financial world being closely interwoven with the political trouble spots.

However, so far this has not had a negative impact on corporate finance. The increased minimum equity requirements for banks in accordance with Basel III will however affect credit granted to medium-sized companies in the medium term. There are already signs that large-scale investments are only being made with tighter conditions. Of particular significance to credit decisions here are the equity base and profitability of the companies.

As a result of the significant increase in demand in the 2011 financial year, there was an increased need for advance finance and working capital finance among our customers and suppliers. We expect that the structuring of finance will be among the greatest challenges our customers and suppliers will face in the next few years. We control potential default risks with intensive management of accounts receivable and ongoing credit-checking of customers and suppliers.

Within the scope of securing liquidity, particular importance is placed on credit insurance. Possible changes in the credit-worthiness of our customers and suppliers may also result in changes in credit insurance lines and conditions.

In the 2011 financial year the elexis Group possessed sufficient overdraft credit lines at all times. The basic policy of the elexis Group is not to conclude credit agreements in the first instance with covenant agreements. Some credit agreements do include conditions, though, that are linked to the development of the equity ratio. With a sustained equity ratio of > 50 % in the elexis Group, it is expected that the key indicators will be met.

Opportunities and risks of purchasing

The credit-checking of suppliers is becoming increasingly important. The procurement market will remain highly volatile. It was shown in the 2011 financial year that developments in the financial market are closely linked to changes in raw material prices. The procurement market is also being driven increasingly by speculation. In our view this will continue to be the case in the next few years. It is therefore not expected that there will be a stable price policy on the procurement side.

As a result of the volatile procurement markets, there is a greater need among our suppliers for corporate control, utilisation of production capacity and finance. It is not possible to rule out insolvencies. In order to ensure that the elexis Group is able to produce according to schedule and able to supply, the avoidance of dependencies and the continual monitoring of suppliers are top priorities. Critical bought-in parts always have two sources of supply.

We are counteracting mixed developments on the procurement side by increasing our stocks of critical components and conducting negotiations within the scope of strategic purchasing. There are no risks due to an increase in stock levels; stocks and the currentness of materials are reviewed with perpetual stock-takes.

It is not possible to rule out product liability risks relating to the supply of electronic parts. With constant checks in place, strategic quality management actively counters potential product liability risks. In the 2011 financial year supplies of faulty electronic parts in the area of drive technology resulted in customer complaints. These were in some cases solved by replacing the equipment concerned. Sufficient provisions were made for further faulty products. The faulty supplies were analysed with the supplier and the faults were rectified with the result that future ranges will no longer be affected by this.

Opportunities and risks lie equally in the implementation of "make-or-buy" decisions, which can affect the entire value chain and purchasing process.

Product liability risks

Profitable growth also requires the launch of new products. The elexis Group is a technology leader in the relevant markets and would like to define the technological standard in future. In addition to this, product ideas relating to “green raw materials” are being developed in the "New Products" profit centre. In order to continue to dominate technology and market leadership in future with elexis products, continual research and development is essential.

Risks lie in the launching of new products, which might ultimately result in liability and warranty claims. These risks are minimised significantly by extensively testing new products with prototypes with our customers. The opportunities of an innovative product policy lie in the expansion of technology and market leadership.

Personnel risks

The competition for highly qualified personnel has intensified in those industries in which our divisions are active. We therefore secure and reinforce the attractiveness of elexis as an employer with our personnel management activities and strive to hold onto specialists and managers long term. Apart from performance-based remuneration and progressive social contributions, we emphasise the attractive prospects within the elexis Group to our employees, the dual training system, possibilities to work in different Group companies and training and the further education courses on offer.

Personnel changes may be unavoidable in relation to "make-or-buy" decisions and necessary personnel adjustments within the scope of cost-reduction programmes. With our policy of providing information in an open and prompt manner, we involve all employees in the elexis Group in strategic personnel decisions in order to counter potential uncertainty among the workforce.

We limit risks due to staff turnover with appropriate appointments of deputies and early succession planning.

Corporate growth also results in an increased need for managers. A shortage of managers in future cannot be ruled out; this is countered by providing qualified training in our companies.

Valuation risks

In 2000 the elexis Group made considerable investments in the acquisition of companies and businesses. These included in particular the associated companies, HEKUMA GmbH, Eching and BST PRO MARK Inc., Elmhurst, USA. In the 2010 financial year the majority shareholding in P2T Protagon Process Technologies GmbH was also acquired. The goodwill resulting from these acquisitions totalled 19.7 million euros in the consolidated financial statements as at 31 December 2011 (previous year: 19.7 million euros).

All goodwill is subjected to an impairment test at least once a year. No goodwill impairment was required in the 2011 financial year. This valuation is based on the medium-term plan approved for the elexis Group and its subsidiaries.

There are no other valuation risks relating for example to the capitalisation of development activities and company-produced assets based on what we currently know.

Legal risks

In 2005 the insolvency administrator of Elotherm GmbH, a former associated company, 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 4.6 million euros plus the statutory interest from the date of the proceedings becoming sub judice. After elexis AG's victory in the first instance, the proceedings were sub judice following the appeal by the insolvency administrator to the upper district court in Düsseldorf.

In April 2011 the legal dispute was halted by way of settlement without acknowledgement of any legal obligation against payment of 2.0 million euros to the insolvency administrator. All liabilities relating to these proceedings were covered by provisions. There are currently no further legal disputes of any significance.

Risks relating to default, interest changes and currency

With regard to the risks relating to default, 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 means that in particular changes in tax laws abroad are having a significant impact on the tax ratio. We counter the associated challenges by maintaining close contact with foreign tax consultants and tax authorities and integrating the continuous monitoring of developments relating to tax law into the elexis Group's international controlling of subsidiaries.

IT risks

IT risks arise as a result of the increasing networking of our in part complex IT systems. We are counteracting these risks with regular reviews of current systems and investment in hardware and software in all divisions. As a result of these reviews, it was decided in the 2011 financial year to update the IT systems in order to significantly reduce the number of interfaces. However, the introduction of a new IT system may also involve the risk of a detrimental effect on business processes or the processing of data. The existing systems are planned to be updated in the 2012 and 2013 financial years.

Opportunities and risks of overall development

In 2011 the global recession was considered to be over. The emerging countries, and in particular China, India and Brazil, remained the driving force of economic growth.

The positive development of these economic regions was carried both by healthy domestic demand and stable financing systems. The emerging countries remained largely unaffected by the uncertainty in the financial and currency markets. Furthermore, in recent years countries such as China and Brazil have presented themselves as important economic partners and are now on the threshold of becoming industrialised nations.

This development offers in particular strongly export-oriented companies such as the elexis Group the opportunity to participate in the shift in demand. However, the rapid growth and the process of change in the emerging countries also involve risks which will only come to light with increasing industrialisation and greater prosperity. Economists talk of the possibility of a property crisis in China, an overheating of the financial system and inflationary trends. A slump in the economies of the emerging countries would inevitably result in a slowdown in economic growth.

Industrial nations, however, have not yet recovered from the effects of the last crisis. Economic stimulus packages and support measures stabilised economic development. However, during the course of 2011 further debt-reduction measures proved to be urgently required. The level of debt in some industrial nations resulted in a downgrading of credit ratings, currency speculations and financial bailouts in the eurozone.

General economic development will continue to be very mixed. Financial markets are unlikely to be stable in the short term. This is the result of the unresolved debt crisis in parts of Europe and the USA. This development will also have a negative impact on economic expectations. Opportunities lie in the continued strong prospects for growth in emerging countries. The elexis Group, with its international locations in countries including Brazil, India, China, Japan and the USA, is in an ideal position to actively participate in the shift in demand. In order to strengthen the position of the elexis Group in particular in Asia, a Business Centre will be opened in Shanghai in 2011 in which all of the Chinese activities of the elexis Group will be consolidated. In addition to a showroom area, the Sales department for the People’s Republic of China will also be housed here. Due to the international alignment of the elexis Group, the conditions for participating in the anticipated global growth are good.

Overall assessment of the opportunity and risk situation

Following a thorough review of the risks, an estimate of their probability of occurrence and an assessment of the effectiveness of the measures taken, the company’s management is of the opinion that, based on what it currently knows, there are currently no risks that threaten the continued existence of the company.

Industry development dependent on consumer demand

The activities of the elexis Group cover a range of industries. Industry diversification is a fundamental component of the business model in order to balance economic fluctuations.

The megatrend of **health** provides opportunities in particular in the increasing industrialisation of Asia. Technological progress in Asia is rapid and goes hand in hand with rising quality standards, for example in relation to clean room technologies. In future manual work processes in industrial production will increasingly give way to automated processes. This trend provides in particular the High Precision Automation division with an opportunity to grow its international business.

The change from manual labour to automated solutions also stands for a cultural change. This requires time. Risks therefore lie in particular in the speed of implementation and the acceptance of the price of high-tech automation solutions.

Mobility stands on the one hand for the increasing globalisation of international trade as well as for the individual desire for faster transport on the other. The global market leadership of the elexis Group in the product groups quality assurance systems, control technology steel and drive technology brings with it the opportunity that no mobility-related market trend will pass by the elexis Group.

Risks lie in the fact that quality, process reliability and plant safety might be less important to the buyer in the future. This would involve a shift in demand at the expense of elexis products. We counter this risk with an ongoing value analysis of our products in order to ensure that cost structures are as optimal as possible.

The efficient use of resources and sustainable use of **energy** are part of our responsibility to society. The elexis Group saves energy costs by preventing waste by way of improved quality control in the production process. elexis products can also be used to produce green energy. In addition to this, numerous new products relating to the issue of “green raw materials" are being developed. These development activities are required to help shape the energy concepts of the future. Risks lie in the development process, in the market launch and in the pricing of future products.

New consumption patterns and packaging designs characterise global consumer behaviour. While creative packaging solutions are the norm in industrial nations, consumer behaviour in emerging countries will be led by the desire to be on an equal footing with the industrial nations. Control technology and quality assurance systems are indispensable for both consumer groups. This provides elexis AG with the opportunity to help shape the impending growth in packaging solutions as a provider of technological concepts. The existing international sales and service organisation is a fundamental requirement for this.

Risks lie in a possible fall in price for systems. These risks are being countered with the ongoing value optimisation of elexis products. In addition to this, we have increased our production capacity in Asia and Brazil in order to produce products for the regional market under more cost-effective conditions.

In summary, we can say that our wide area of activity provides opportunities which are attributable to the needs of individuals for prosperity, health, consumption and reliability. This trend will also continue in the long term.

Possible risks like in the development of financial markets, which are influenced by fears of crisis and speculations. It cannot be ruled out that the sense of crisis in the financial markets will also spread to the real economy.

Economic indicators show sign of an economic downturn

At the end of the 2011 financial year the global economy and the German economy were in a weak position. The high level of uncertainty as a result of the national debt crisis in the eurozone resulted overall in curbed economic expectations. Against this background, the Ifo World Economic Climate Index fell from 110.6 points at the beginning of the year to 98.4 points as at the end of 2011.

The trends of the World Economic Climate Index materialise around six months later in the German engineering industry. Against this background, the German Engineering Federation (VDMA) is only expecting stagnation in the current financial year following an increase in engineering production of 12 % in 2011.

The forecasts for global production also expect an economic slowdown in 2012. For the past financial year an increase of global production of 3.8 % is expected, in the 2012 financial year growth of only 3.4 % is forecasted. Overall, global economic expectations will remain very mixed in the next few years and can be summarised as follows:

Growth forecasts at a glance

	GDP growth forecast 2011	GDP growth forecast 2012	GDP growth forecast 2013
United States	1.7	1.9	2.2
European Union	1.6	-0.1	1.2
of which Germany	*2.9*	*0.5*	*1.7*
Industrial nations in total	1.6	1.4	2.0
China	9.5	8.0	8.5
India	6.7	7.0	7.5
Latin America	4.8	5.0	5.2
Russia	4.0	4.0	3.7
World economy	3.8	3.4	4.0

Source: Winter forecasts of the Kiel Institute for the World Economy (IfW), 20 December 2011

These forecasts are based on the assumption, however, that economic policies will succeed in preventing a further escalation in the public finance crisis in the eurozone. Europe will remain the problem child for the global economy though. The analysts of the Kiel Institute for the World Economy (IfW) believe that there is still a high risk of recession in Germany and Europe.

In addition to the debt crisis in the eurozone, political uncertainties continue to have a negative impact on the global economy. The political upheaval in North Africa is not yet over and the United States are also experiencing a political crisis which is characterised by the lack of a political majority and high national debt.

The emerging countries will again remain the engine of growth in the 2012 financial year. However, the emerging countries are not a market without risks. Economists do not rule out the possibility of a property crisis in China, an overheating of the financial system and inflationary trends. The containment of inflation will also remain a key issue for monetary and economic policy in India. Countries that are rich in raw materials such as Brazil and Russia are dependent to a significant degree on changes in raw material prices, which are increasingly giving rise to financial speculation.

Future development of the company benefits from technology and market leadership

The elexis Group has a strong market position. All production sites are state of the art in terms of their equipment and the technological level of their products.

The elexis Group works with the clear goal of achieving profitable growth through technology and market leadership. The ongoing innovation and sales offensives will be continued in the 2012 financial year.

The business performance of the divisions in the elexis Group is mixed; it needs to be considered that they have to adapt to market conditions and differences with regard to needs and demand. These relate not only to technical matters and initiatives in the divisions, but to a large degree to the global economic and financial situation and its impact on the real economy.

The low of the key economic indicators at the end of 2011 may be reflected in a stagnation or slight fall in the number of orders for the elexis Group in the 2012 financial year.

High Quality Automation division

The elexis Group's product range continues to meet the needs of customers with products based on quality and efficiency. Of relevance here is the current pressure in industry for process optimisation and improved efficiency with cost reductions in materials and energy consumption and a reduction in waste.

With control technology and quality assurance systems, the elexis Group intends to become the specialist for all applications relating to flat material webs. In the cold-rolling steel industry and in packaging printing the elexis companies already set the technological standard.

In particular the combination of control technology and quality assurance systems are a special feature of the elexis Group's product portfolio. It secures a significant competitive advantage for the division and therefore continues to be part of the elexis Group's strategic focus. The product portfolio of quality assurance systems will continue to be expanded and strengthened in future. The acquisition of the shares in betacontrol GmbH & Co. KG is a major step towards expanding the sensor family for thickness and layer thickness measurement. The market expansion in the converting and film industries therefore continues to be pushed.

In addition to this, the product portfolio of quality assurance systems will be added to by the company's own numerous product developments in the 2012 financial year. The focus of development lies in the packaging industry. The products will be launched at drupa 2012.

Drive technology will again focus on the raw materials and mobility markets in the 2012 financial year. The product launches (e.g. ELA: electromechanical linear drive) of 2011 will continue to be marketed in the coming financial year and their market shares will be extended.

Our enormous product range and the associated diversification of technologies have been a recipe for success in recent years and will ensure that, in conjunction with the international focus, our sales targets will be achieved.

High Precision Automation division

The trend of further automation and cost reductions is also noticeable here. With the finance sector being in a state of global turmoil, in future we will have to analyse very closely how the market for high-quality and investment-intensive automation solutions will develop. The consumer goods and medical technology market segments have potential for further growth.

The innovations and sales activities of the last two years have created the confidence to once again raise the bar for achievable market shares for the elexis Group. With our technological solutions we are working on continually optimising and extending the product portfolio. Furthermore, we will push handling automation while meeting the highest quality standards and in the process integrate the requirements of the surrounding environment (e.g. clean room requirements)

The exchange of knowledge and experience between departments will continue to play an important role. The excellent market presence of the elexis Group provides an ideal basis for meeting the differing requirements of the markets (emerging countries, industrial nations) and the needs of customers.

Future alignment of the elexis Group

elexis AG has occupied an international position for many years and this is a distinct competitive advantage. elexis is able to point to product competence and excellence in innovations and equally offers the right products for emerging countries and industrial nations. Industrial production, the main area of activity of the elexis Group, is associated with an unstoppable trend towards ever-increasing requirements for the automation of processes. In the process great momentum is being developed and the issues of environmental pollution, quality and energy consumption are increasingly being considered. The forward-looking business policy is consistent with this awareness with its strategic focus - a building block for the model for future corporate development.

Concentration on product divisions is one consequence of the strategic focus of the elexis Group. Activities are focused in particular on the expansion of quality assurance systems. With the acquisition of infrared and isotope sensors, the technology relating to the quality assurance of flat material webs has been extended once again. The aim is to develop a competence centre for all matters relating to thickness measurement and therefore push the transfer into other industries.

Investment in new products will be pushed. The establishment of the “New Products” profit centre is linked to the clear goal of strengthening the existing research activities of elexis AG. The activities of the “New Products” profit centre focus on feasibility studies and the development of prototypes relating to “green raw materials” and “alternative energy concepts”. Investment in this area will increase in future years. In addition to this, current development themes relating to measurement and control technology will continue.

Service activities are also part of the basic range offered by elexis AG. 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 customer benefits. The customers will in future also benefit from the fact that they will be provided comprehensive customer training and technical support services in addition to the process analysis, the start-up and the handover of turn-key systems.

It is therefore currently expected that the service activities for the maintenance and repair of existing systems will continue to grow. Our service activities are naturally offered both internationally and in the local language. This makes us significantly more competitive.

Procurement markets in transition. We also expect in the future mixed and volatile movements in the procurement markets relevant to us. Our strategic purchasing is active in the international procurement markets. Against this background, we do not expect any substantial changes to our purchasing policy, but expect that material costs will tend to rise.

A moderate increase in the number of employees is planned. Due to the planned growth, the number of employees will increase moderately in the next two years. New positions will be created in all company divisions. Particular focus will be placed here on strengthening our international locations and expanding our regional production capacity.

There will be a moderate increase in investment in property, plant and equipment. In the 2012 financial year the investment budget provides for the modernisation of an assembly hall and a few production areas and an update of the ERP system and the CRM software at the site in Wenden. As a result there will be a moderate increase in investment. With regard to the current investment strategy (investment at the level of depreciation), no changes are planned in the medium term. In the 2013 financial year the level of investment is likely to be close to the level of depreciation again.

Sound balance sheet ratios and assured liquidity. Financing and liquidity will also be on a sound base in the next few financial years. All investment projects currently planned can be assured from existing funds. In the event of potential acquisitions, we shall select a balanced financing structure comprising equity and borrowed funds on a case-by-case basis. The ongoing requirement for funds is sufficiently covered by the current net liquidity and free credit lines.

Tax ratio remains constant. In the 2012 and 2013 financial years we are planning a constant tax ratio of around 30 %.

Dividend policy. elexis intends to allow its shareholders to participate appropriately in the success of the company in future. The Management Board and Supervisory Board will propose to the Annual General Meeting in May 2012 that a dividend of 20 % of the consolidated net income after the deduction of minority interests is paid out for the 2011 financial year. The basis for the dividend proposal is investment in new products.

Consolidated statement on the forecast development of the elexis Group: Expectations of growth dampened by economic forecasts

The forecast (*) takes into consideration all events which might have an influence on the business performance of the elexis Group and were known at the time balance sheet was prepared.

In million €	High Quality Automation	High Precision Automation	elexis Group
Incoming orders 2011	142.9	31.1	174.0
Incoming orders 2012	+	+	+
Incoming orders 2013	++	+	++
Sales 2011	138.6	28.9	167.4
Sales 2012	+	+	+
Sales 2013	++	+	++
EBIT margin 2011 (in %)	14.1	6.2	11.7
EBIT margin 2012	+	+	+
EBIT margin 2013	+	+	+

** Tendency or anticipated trend compared to the respective previous year:*

-/+ light to moderate; --/++ perceptible; ---/+++ clear

Please note that differences may appear in the tables and summaries provided in the management report due to the rounding of amounts and percentages

megatrend

» Health

People are getting older, infant mortality is falling worldwide and populations in developing and emerging countries are growing rapidly. At the same time there has been a profound change in how people understand health: away from defining it as the absence of illness towards the idea of holistic self-competence. This and many other indicators show: The issue of health will have a much greater impact on the markets of the future than it does at present.

» *Small dish – big contribution.*

The cost-intensive development of new remedies, the implementation and maintenance of hygiene standards and the growing risk of global epidemics due to global integration presents research and the medical industry with huge challenges. Pharmacists, hygienists and epidemiologists have to increasingly be able to analyse ever greater quantities of microorganisms evermore quickly.

Indispensable: the Petri dish.

The Petri dish that was invented in 1887 is indispensable here. It is used wherever germ buds, bacteria, fungal cultures or other microbes need to be bred for analysis purposes.
The sterilisable reusable glass version is being replaced more and more by the disposal polystyrene Petri dish. A particular requirement for the industrial mass production of Petri dishes is that they must be very cost effective to produce on the one hand and meet the highest hygiene and quality standards on the other.

For more than 35 years HEKUMA GmbH – a subsidiary of elexis AG – has been developing high-performance parts-handling systems for mass-produced items. It is a world leader in the production of Petri dishes – and sets the standards for efficiency and long-lasting quality.

Production in record times.

Petri dishes are mass-produced injection-moulded parts. They are produced in extremely short cycle times in high-performance injection moulding systems. In order to ensure the hygienic and technical product quality, they are removed, assembled, stacked and packed in an automated process. The industrial standard here are systems with two opening planes and 8 + 8 cavities (= negative forms) for the lid and dish. Pole position in this area is taken by HEKUMA's system technology. With record cycle times of 3.6 to 4.2 seconds for 90 mm Petri dishes, it achieves an efficiency improvement of around 20 %* here.
(* Depending on the weight of the Petri dish and the evenness of the floor)

A further important step in this development is the doubling of the number of cavities to 16 + 16. With 16 instead of 8 Petri dishes and cycle times of 4.5 to 5.5 seconds, the latest generation of HEKUMA systems improves the performance of a production cell by almost 100 percent.

Improved performance across the board.

Bernhard Rupke, Managing Director of HEKUMA GmbH

» With this latest evolutionary step we have managed to extend our leading position in handling performance and system efficiency in the area of medical technology. The development of this system is also an example of how application knowledge can be transferred to different types of machinery. «

For medical and pharmaceutical progress, the Petri dish is a tiny but indispensable part of the jigsaw. The ability to produce it with state-of-the-art handling technology to the highest hygiene and quality standards, and at the same time more cost effectively, quickly and efficiently than ever before, is a valuable contribution to global development in the health sector.

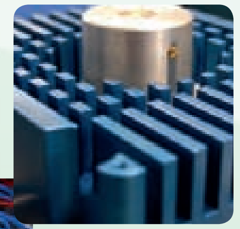
megatrend

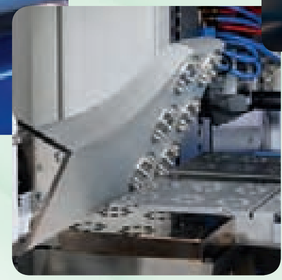
Climate and the environment

It has been noticeable for decades that average temperatures in the earth's atmosphere are rising. Scientists are today largely in agreement that the underlying increase in the greenhouse effect is attributable to man. In particular the burning of fossil fuels and CO_2 greenhouse gas emissions are playing a key role here.

»

» How quality and efficiency help to protect the environment.





In particular energy-intensive industries such as steel production face immense challenges here. The emerging countries in Asia and South America are responsible for an enormous rise in the global demand for steel products. It is therefore all the more necessary to reduce energy consumption, exhaust emissions and the use of raw materials across the entire value chain.

Better processes - less CO_2 emissions.

With its quality assurance systems for the steel industry, elexis AG makes a barely visible, but all the more so important contribution to improve efficiency in production processes and reduce waste. The result is less energy consumption, fewer CO_2 emissions and a better CO_2 balance.

A current example of this is the IMPOCpro QA system of elexis's subsidiary EMG. In steel production the system is used in hot-dip galvanising systems, in continuous annealing and in pickling, cutting and tinning lines. The online measurement of tensile strength and yield strength allows production processes in these production stages to be improved significantly.

As all of the measured values are available immediately, faulty production is minimised considerably. Expensive and time-consuming can be reduced to the bare minimum required.

IMPOC or IMPOCpro is used by major steel producers in many countries, including Severstal in the USA, Tata Steel in the Netherlands and ThyssenKrupp Steel.

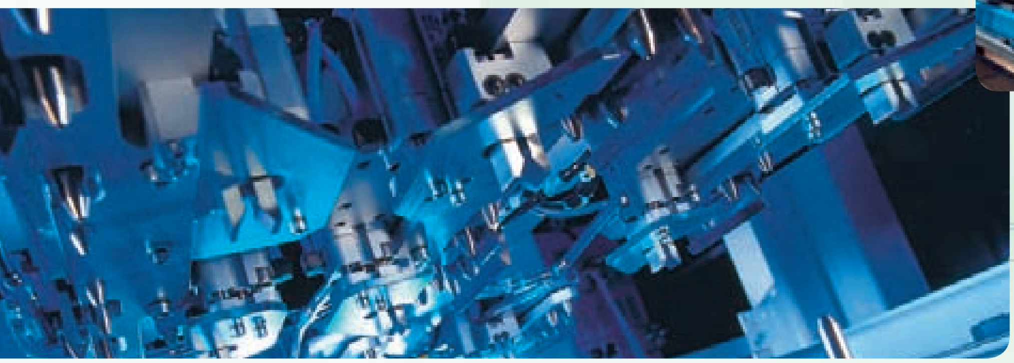
Raw material savings due to greater precision.

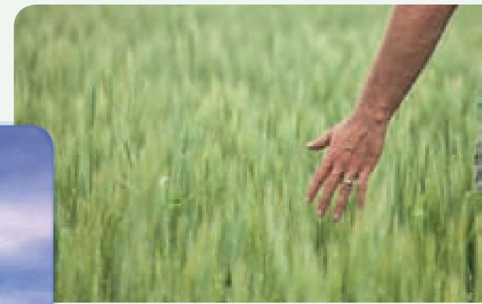
A further example of how valuable optimisation potential can be exploited by quality assurance is provided by the electromagnetic strip stabilisation system eMass®. The system is used in the production of hot-dip galvanised steel strips. It reduces strip oscillation here to a minimum. As a result the target values for the coating thickness of zinc on the upper or under-side of a strip are met more easily. It is therefore no longer necessary to "over-coat" the strips with zinc. The consequences are a very homogeneous surface, a lower coating weight and above all a significant saving of zinc.

Responsibility which pays off.

The improvement in product quality and process efficiency thanks to elexis's control and QA systems not only has a positive impact on the CO_2 balance though.

Jürgen Koch, Head of the Automation Profit Centre, EMG Automation GmbH:
» The pay-back period for our customers for the total investment in an IMPOCpro system is 12 to 24 months at most. «





megatrend

Mobility

Since 2011 the earth has been populated by over seven billion people. And more and more of them want to move from one place to the other quickly, safely and in comfort. The megatrend of mobility concerns not only the transportation of people though. Global freight transport will also develop more extensively and intensively than before as a result of global integration.

» *Move heavy loads worldwide safely.*

In 1956 the American Malcolm P. McLean first used an ingeniously simple method to prevent the expensive handling of cargo: the container. The growth in container transport has since been unstoppable. Since 1996 the number of container ships has approximately doubled. In Shanghai alone over 29 million containers were handled in 2010. A 40’ standard box has a payload of more than 26.6 t. Accordingly, the requirements placed on the drive technology used in container terminals are high.

Highest requirements placed on drive and brake systems.

The challenges that arise in the area of hoisting and conveyor technology for brake systems can be solved with the drum or double shoe brake that is still currently used today and with industrial disk-braking systems. elexis product and system solutions make a significant contribution here.

The brake thrusters of the ELDRO® brand have been setting technological standards worldwide since 1931. Crucially, unlike numerous electrical or electronic components, the safety brakes in which ELDRO® is used still work on a mechanical basis.
The brakes are therefore able to guarantee as the “last link” the safety of man and machinery even in the event of a power failure.

International standard – for over 80 years.

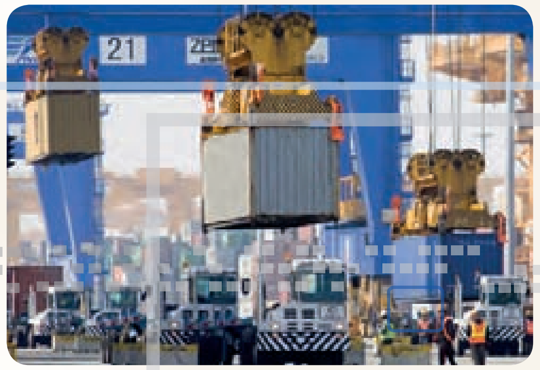
The ELDRO® brake thruster dates back to a patent held by General Electrics. It has been produced in Germany for over 80 years though, initially by AEG, and later by elexis’s subsidiary EMG. The brake thrusters are improved continually; however, the proven technical principle has remained the same.

Christian Gante, Drive Technology Sales, EMG Automation GmbH:

» The principle of the ELDRO® brake thruster is basically very simple. However, in this simplicity lies also the problem. This is shown by the fact that others are always trying to copy our brake thrusters. Unsuccessfully: the standard set by ELDRO® has not been reached to date. «

Global market share: 60 percent.

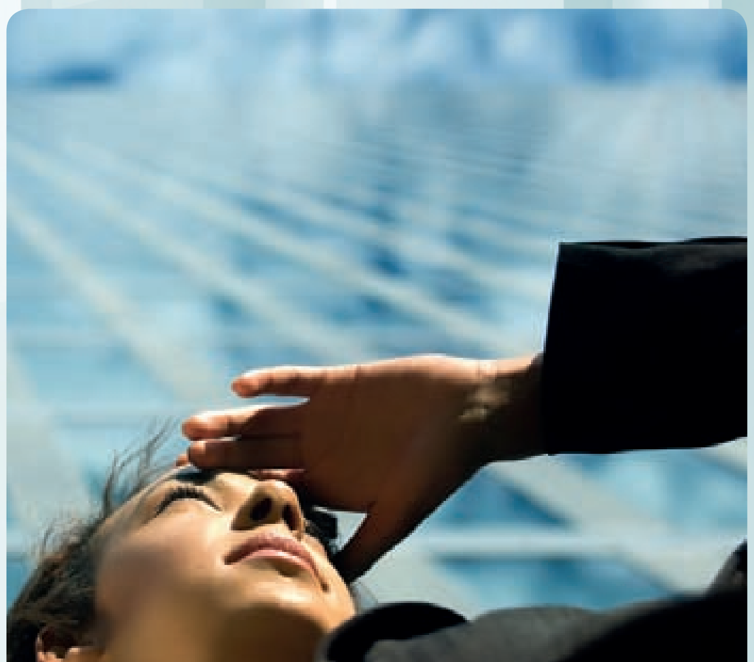
The ELDRO® brand is certified in accordance with DIN ISO and offers the highest degree of robustness, durability and safety worldwide. Typical areas of use are, in addition to container shipping, open-cast mining, mining in general and energy engineering. The product range is supplemented in the area of drive technology by solutions for the control, electrohydraulics and hydraulic compact drive of brake systems.
The result of this success story for now: elexis’s brake thrusters today have a global market share of around 60 percent.



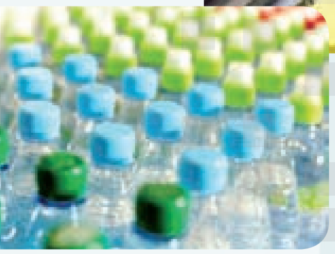
megatrend

New consumption patterns

» I buy, therefore I am. «
People are defined more and more by what they consume, and how they consume it. Worldwide this megatrend is characterised in particular by three developments: increasing individualisation and the desire for sustainable consumption in western industrialised countries, the desire to catch up wealth in emerging countries and the increasing participation of the Third World.



» *Consistent brand worlds with consistently high quality.*



There are numerous new opportunities and challenges here for consumer brands. In particular packaging can be used to orchestrate brand experiences, emotionalise brand promises and to differentiate from the competition.
The crucial requirement here is that the image of a brand must be totally consistent and identical – worldwide, in every distribution channel and on all support material.

Print faster – print better.

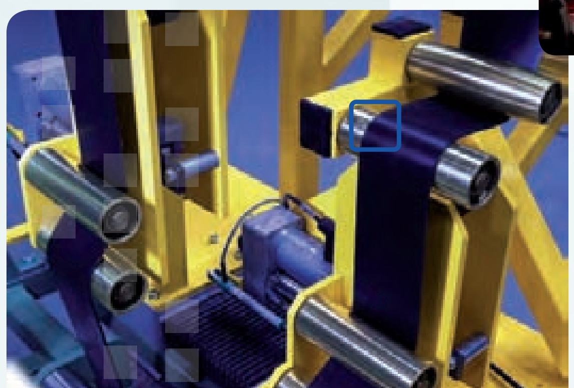
This consistent print quality can often only be ensured by the packaging and converting industry with very costly processes. With innovative measurement and control technologies, elexis helps to make these print processes much more economical, faster, error free and reliable. The key to this lies in combining high print speeds with the economic use of paper, cardboard, film and ink.

elexis already has a unique portfolio of semi and fully-automated web monitoring systems. These solutions allow the ongoing quality control of print image and print quality while maintaining consistently high speeds. Due to a significant reduction in waste, production efficiency can be improved decisively in this area.

A new standard.

In addition to printing error control, colour management is becoming increasingly important.
In 2011 elexis began to develop together a partner an inline colour spectral measurement system. For the first time both the measurement system itself and stationary handhelds will be able to provide similar results concerning colour quality.
The opportunity to now monitor colour quality online throughout the entire production process will simplify the workflow considerably.

Percy T. Dengler, Managing Director of BST International GmbH:
» This innovation will define a new industry standard for the quality control of colours. We are looking forward to presenting the new system to the market in May 2012 drupa, the world's largest trade fair for print and paper. «



4. Consolidated financial statements as at 31 December 2011

4.1. Consolidated profit and loss account

	2011		2010		
	€k	%	€k	%	Notes
Sales	**167,425**	**100.0**	**136,725**	**100.0**	**(1)**
Cost of goods sold	-106,153	-63.4	-88,651	-64.8	(2)
Gross profit	**61,272**	**36.6**	**48,074**	**35.2**	
Cost of sales	-33,097	-19.8	-28,510	-20.9	(3)
Administrative expenses	-9,759	-5.8	-9,119	-6.7	(4)
Other operating income	3,347	2.0	3,250	2.4	(5)
Other operating expenses	-2,154	-1.3	-3,139	-2.3	(6)
Operating result (EBIT)	**19,609**	**11.7**	**10,556**	**7.7**	
Goodwill impairment	-	-	-6,550	-4.8	
Operating result (EBIT)	**19,609**	**11.7**	**4,006**	**2.9**	
Financial expenses	-1,422	-0.8	-1,862	-1.4	
Financial income	516	0.3	859	0.6	
Financial result	**-906**	**-0.5**	**-1,003**	**-0.7**	**(7)**
Earnings before taxes	**18,703**	**11.2**	**3,003**	**2.2**	
Taxes on income	-5,217	-3.1	25	0.0	(8)
Consolidated net income	**13,486**	**8.1**	**3,028**	**2.2**	
Foreign exchange differences recognised in equity	650	0.4	789	0.6	(25)
Actuarial profits "+"/ losses "-" from performance-related pension plans and similar obligations	-373	-0.2	-514	-0.4	(25)
Deferred taxes on valuation changes offset directly with equity	123	0.1	155	0.1	(25)
Valuation changes recognised directly in	**400**	**0.2**	**430**	**0.3**	
Total earnings for the period	**13,886**	**8.3**	**3,458**	**2.5**	
Share in consolidated net income					
- of the shareholders of elexis AG	**12,578**	**7.5**	**2,237**	**1.6**	
- of the minority interests	908	0.5	791	0.6	(9)
Share in total earnings for the period					
- of the shareholders of elexis AG	**12,706**	**7.6**	**2,483**	**1.8**	
- of the minority interests	1,180	0.7	975	0.7	(9)
Earnings per share (€)					(13)
From continuing operations undiluted / diluted	1.37		0.24		
Dividend per share (€) [2011 - proposal/ 2010 - paid]	0.27		0.37		

4.2. Consolidated balance sheet

ASSETS	2011		2010		
	in €k	%	in €k	%	Notes
Long-term assets	**52,356**	**35.2**	**53,430**	**40.4**	
Goodwill	19,669	13.2	19,669	14.9	(14)
Other intangible assets	6,166	4.1	4,420	3.3	(14)
Property, plant and equipment	17,541	11.8	18,137	13.7	(15)
Shareholdings	2,988	2.0	2,783	2.1	(16)
Long-term receivables and other assets	1,260	0.9	1,654	1.3	(17)
Deferred taxes	4,732	3.2	6,767	5.1	(8)
Current assets	**96,353**	**64.8**	**79,007**	**59.6**	
Inventories	23,307	15.7	23,102	17.4	(18)
Receivables from long-term production contracts	1,735	1.2	1,741	1.3	(19)
Trade receivables	28,915	19.5	20,999	15.9	(20)
Receivables from taxes on income	3,489	2.3	247	0.2	(21)
Other short-term receivables and other assets	5,239	3.5	1,224	0.9	(22)
Cash and cash equivalents	33,668	22.6	31,694	23.9	(23)
Total assets	**148,709**	**100.0**	**132,437**	**100.0**	

LIABILITIES	2011		2010		
	in €k	%	in €k	%	Notes
Equity	**79,570**	**53.5**	**69,088**	**52.2**	
Share in equity attributable to shareholders of the parent company	**75,507**	**50.8**	**66,205**	**50.0**	
Subscribed capital	23,552	15.8	23,552	17.8	(24)
Capital reserves	3,555	2.4	3,555	2.7	(24)
Retained earnings	46,107	31.1	37,183	28.1	(24)
Other reserves	2,293	1.5	1,915	1.4	(24)
Minority interests	**4,063**	**2.7**	**2,883**	**2.2**	(24)
Liabilities	**69,139**	**46.5**	**63,349**	**47.8**	
Long-term liabilities	**22,952**	**15.4**	**19,569**	**14.7**	
Provisions for pensions and similar obligations	8,193	5.5	8,558	6.5	(25)
Other long-term provisions	1,945	1.3	2,880	2.2	(26)
Deferred taxes	1,628	1.1	1,156	0.9	(8)
Financial liabilities	11,148	7.5	6,920	5.2	(27)
Other liabilities	38	-	55	-	(30)
Current liabilities	**46,187**	**31.1**	**43,780**	**33.1**	
Other short-term provisions	3,450	2.3	4,411	3.3	(26)
Tax liabilities	2,837	1.9	135	0.1	(28)
Financial liabilities	10,620	7.2	13,771	10.4	(27)
Trade payables	10,012	6.8	9,798	7.4	(29)
Liabilities from long-term production contracts	1,830	1.2	1,179	0.9	(19)
Other liabilities	17,438	11.7	14,486	10.9	(30)
Total liabilities	**148,709**	**100.0**	**132,437**	**100.0**	

4.3. Consolidated statement of changes in equity

in €k	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Adjustment item for currency conversion	**Share of equity attributable to shareholders of the parent company**	Minority interests	**Consolidated equity**
As at 01.01. 2010	**23,552**	**3,555**	**36,869**	**1,310**	**65,286**	**1,588**	**66,874**
Consolidated net income	**-**	**-**	**2,237**	**-**	**2,237**	**791**	**3,028**
Valuation changes recognised directly in equity							
Currency conversion differences	-	-	-	605	605	184	789
Actuarial gains "+"/ losses "-" from performance-based benefit plans and similar obligations	-	-	- 359	-	- 359	-	- 359
Total of valuation changes recognised directly in equity	**-**	**-**	**- 359**	**605**	**246**	**184**	**430**
Transactions with shareholders							
Acqusition of Protagon	-	-	-	-	-	639	639
Dividend distributions	-	-	- 1,564	-	- 1,564	-	- 1,564
Distributions to minority shareholders	-	-	-	-	-	- 319	- 319
Total transactions with shareholders	**-**	**-**	**- 1,564**	**-**	**- 1,564**	**320**	**- 1,244**
Change 2010	***-***	***-***	***314***	***605***	***919***	***1,295***	***2,214***
As at 01.01. 2011	**23,552**	**3,555**	**37,183**	**1,915**	**66,205**	**2,883**	**69,088**
Consolidated net income	**-**	**-**	**12,578**	**-**	**12,578**	**908**	**13,486**
Valuation changes recognised directly in equity							
Currency conversion differences	-	-	-	378	378	272	650
Actuarial gains "+"/ losses "-" from performance-based benefit plans and similar obligations	-	-	- 250	-	- 250	-	- 250
Total of valuation changes recognised directly in equity	**-**	**-**	**- 250**	**378**	**128**	**272**	**400**
Transactions with shareholders							
Dividend distributions	-	-	- 3,404	-	- 3,404	-	- 3,404
Total transactions with shareholders	**-**	**-**	**- 3,404**	**-**	**- 3,404**	**-**	**- 3,404**
Change 2011	***-***	***-***	***8,924***	***378***	***9,302***	***1,180***	***10,482***
As at 31.12.2011	**23,552**	**3,555**	**46,107**	**2,293**	**75,507**	**4,063**	**79,570**

4.4. Consolidated cash flow statement

	2011	2010	
	in €k	in €k	Notes
EBIT	**19,609**	**4,006**	
Amortisation of other intangible assets	+1,615	+7,810	
Depreciation of property, plant and equipment	+2,723	+2,593	
Decrease in long-term provisions	-709	-682	
Increase in value adjustments	+299	+177	
Profit from disposal of fixed assets	+36	-20	
Other non-cash effects	+2,736	-172	(31)
Cash Earnings	**+26,309**	**+13,712**	
Increase in inventories	-134	-2,781	
Increase (2011) / decrease (2010) in receivables and other assets	-12,864	+3,299	
Decrease (2011) / decrease (2010) in short-term provisions	-2,695	+1,435	
Decrease in short-term liablities	+4,743	+4,242	
Taxes on income paid	-3,427	-4,778	
Payments to plan assets (long-service entitlements / pensions)	-1,000	-708	
Inflow of funds from operating activities	**+10,932**	**+14,421**	
Outflow of funds for acquisition of Protagon	-	-336	
Outflow of funds for investments in intangible assets	-3,736	-1,457	
Outflow of funds for investments in property, plant and equipment	- 2,388	-1,752	
Outflow of funds for acquisition of shares in associated companies	- 226	-	
Inflow of funds from sale of short-term cash deposits	-	+2,000	
Inflow of funds from disposal of fixed assets	+88	+98	
Outflow of funds from investment activities	**-6,262**	**-1,447**	
Assumption of financial liabilities	+5,525	+941	
Repayment of financial liabilities	-1,306	-4,772	
Interest income	+516	+859	
Interest expenses and other financial expenses	-779	-1,198	
Interest expense on financial leasing	-227	-231	
Dividend payment	-3,404	-1,564	
Distributions to minority shareholders	-	-320	
Outflow of funds from financing activities	**+325**	**-6,285**	
Changes in liquid assets	**+4,995**	**+6,689**	
Liquid assets at the beginning of the period	+19,407	+12,559	
Changes in liquid assets due to exchange rates	+126	+159	
Liquid assets at the end of the period	+24,528	+19,407	
	+4,995	+6,689	
The liquid assets at the end of the period are broken down as follows:			
Cash and cash equivalents	+33,668	+31,694	
Overdraft liabilities	-9,140	-12,287	
Liquid assets at the end of the period	**+24,528**	**+19,407**	

4.5. Notes

General explanations

The elexis Group, Germany, is an international group of engineering companies which are active in the High Quality Automation as well as the High Precision Automation sectors. The registered office of the parent company, elexis AG, is in Wenden.

Accounting

The consolidated financial statements of elexis AG including the previous year's figures are prepared 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). All mandatory standards and interpretations of the IASB applicable as at 31 December 2011 are taken into account. In addition, the applicable commercial law regulations in accordance with § 315 a para. 1 of the German Commercial Code (HGB) are considered as well as the supplementary conditions of the articles of association.

The consolidated financial statements are prepared based on the historical cost method with the exception of some valuations at fair value in accordance with the International Financial Reporting Standards (IFRS). The previous year's figures have been prepared in accordance with the same principles.

The consolidated financial statements are prepared in euros. Unless otherwise is stated, all figures presented are in thousands of euros. Due to arithmetic reasons, rounding differences may occur in the amount of +/- one unit (T€, % etc.).

The financial statements of the companies included in the consolidated financial statements were prepared on the basis of standard accounting and valuation principles in accordance with IAS 27 (International Accounting Standards). The financial year is the calendar year. The consolidated profit and loss account was prepared based on the cost of sales method. The financial statements have been prepared based on the premise that the company is a going concern.

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 2 March 2012 to the Supervisory Board for examination. The Supervisory Board is expected to approve the financial statements on 22 March 2012.

Summary of significant accounting policies

New standards, amendments and interpretations which had to be applied in the 2011 financial year

The mandatory application of new standards and interpretations for financial years commencing on or after 1 January 2011 has the following effect on the asset, financial and earnings position of the elexis Group.

The standards and disclosures that were applicable for the first time in the year under review did not have a significant impact on the asset, financial and earnings position or the view presented of the elexis Group.

Within the scope of the Annual Improvement Project, a collective standard was published for the implementation of smaller amendments to IFRS for the third time in 2010. The amendments of May 2010 concern six IFRS and one interpretation as well as the corresponding bases for conclusions. For the most part the amendments have no effect on the asset, financial and earnings position of the elexis Group, because they concern reporting or disclosure amendments (IFRS 7, IAS 1, IAS 27 and IAS 34). The IFRS 1 amendments have no effect because elexis is not applying IFRS for the first time. The amendment to IFRIC 13 is also of no relevance to elexis. The amended IFRS 3 contains an adaptation of the transitional regulations for conditional purchase price payments, a clarification of the measurement of non-controlling shares as well as the balancing of non-replaced or voluntarily replaced share-based remuneration premiums.

In November 2009 the amendments of IFRIC 14 “Prepayments of a minimum funding requirement” were adopted. The amendment is of relevance if minimum funding requirements exist in connection with existing pension plans and if prepayments are to be made for these. The change in interpretation allows the use of these prepayments to be reported as an asset should the requirements be met. The amendment to IFRIC 14 is mandatorily applicable to financial years commencing on or after 1 January 2011. It is expected that IFRIC 14 and therefore this amendment will not be applicable to the Group in the next few financial years as there are no plans for an “asset ceiling”.

IFRIC 19 "Extinguishing financial liabilities with 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 equity instruments of the company for the full or partial repayment of the financial liability. The interpretation came into effect for financial years commencing on or after 1 July 2010.

IAS 32 was amended under the title “Classification of rights issues” in October 2009. This amendment to IAS 32 clarifies how certain subscription rights should be reported if the instruments issued are not 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 equity instruments, if their subscription right price is in a currency other than the functional currency of the issuer. The amendment must be applied at the latest at the beginning of the first financial year commencing after 31 January 2010.

In November 2009, the IASB adopted a revised version of IAS 24, “Related party disclosures”. Among other things, the definition of a “related party” is standardised by specifying the information purpose of the disclosure. However, the basic principle of the reporting of related parties remains unchanged overall. The application of the new IAS 24 is mandatory for financial years commencing on or after 1 January 2011.

The amendment to IFRS 1 “Limited exemption for first-time adopters from comparative IFRS 7 disclosures” is mandatory for financial years from 1 July 2010. A further amendment to IFRS 1 “Severe hyperinflation and the elimination of fixed transition dates” has been mandatory since 1 July 2011. As elexis already uses IFRS, the amendments to IFRS 1 are not relevant to elexis.

Published new standards, amendments and interpretations of existing standards which will be applicable in future:

The amendment to IFRS 2 “Group cash-settled share-based payment transactions” was adopted based on statements to the IASB regarding cases in which the accounting company had received goods or services for which the parent company or another group company rather than the receiving company itself had an obligation to make payment. As part of the amendment to IFRS 2, the provisions of IFRIC 8 “Scope of IFRS 2” and IFRIC 11 “IFRS 2 - Group and treasury share transactions” have been incorporated into the standard. As a result, the IASB withdrew both interpretations. Since the Group does not currently use share-based remuneration, these regulations are not relevant.

In the amendments to IAS 39 “Recognition and measurement – permissible underlying transactions in hedging relationships” it is explained for clarification that inflation risks within the scope of hedging transactions can only be hedged if payments are linked directly to an inflation index. It also states that an effective hedge of a unilateral risk is not generally possible through an option. The hedging transactions occurring at elexis do not include such instruments; this regulation is therefore not relevant to the Group.

IFRIC 12 "Service concession arrangements" relates to the accounting and measurement of obligations and rights of the franchisee resulting from service concessions. As no transactions of this type have been conducted and are not planned, this regulation is not relevant to the elexis Group.

IFRIC 15 governs the realisation of income for real estate sold prior to completion. As elexis is not involved in real estate construction, this regulation is not relevant to the Group.

IFRIC 16 “Hedges of a net investment in a foreign operation” defines how the net investment hedge accounting should be treated in the financial statements. The interpretation is not relevant to the elexis Group at this time.

IFRIC 17 “Distributions of non-cash assets to owners” governs the accounting treatment of non-cash distributions to parties outside of the Group. As no transactions of this type have been conducted and are not planned, this regulation is not relevant to the elexis Group.

IFRIC 18 “Transfers of assets from customers” is particularly relevant to the utility sector. The interpretation governs the presentation in financial statements of agreements in which a company receives a fixed asset from a customer, which the company must then either utilise in order to connect the customer to a network or in order to provide the customer with permanent access to the supply of goods or services. The interpretation is not relevant to the elexis Group.

In July 2009 the IASB published IFRS 1 (rev. November 2008) and in January 2010 an amendment to IFRS 1. As elexis already applied the IFRS, the standard is not relevant to the Group.

In November 2009 the standard IFRS 9 “Financial instruments” was published for the categorisation and measurement of financial assets. In accordance with IFRS 9 a new and less complex statement will regulate the categorisation and measurement of financial assets. Accordingly, there are now only two instead of four measurement categories for financial instruments recognised 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 respective financial asset. This notwithstanding, the existing so-called mixed valuation model still remains a part of IFRS 9. The scope of IFRS 9 is limited to financial assets. Based on the financial assets currently reported in the financial statements of the elexis Group, this is not expected to have a significant impact on the asset, financial and earnings position of the elexis Group.

For the treatment of financial liabilities the IASB published an update to IFRS 9 in October 2010. The regulations for the classification and measurement of financial liabilities from IAS 39 remain largely unaffected. The only exceptions are the liabilities that were initially designated as “recognised at fair value through profit or loss” (“fair value option”). As the elexis Group does not exercise the fair value option, the amendment to IFRS 9 has no effect on the asset, financial and earnings position. The first application of IFRS 9 is obligatory from 1 January 2013. Early voluntary application is allowed for financial years which end in 2009 or later. It has not yet been recognised by the EU.

Amendments to IFRS 9 and IFRS 7 – Mandatory effective date and transition disclosures. The IASB published on 16 December 2011 under the title “Mandatory effective date and transition disclosures” amendments to IFRS 9 “Financial instruments” and IFRS 7 “Financial instruments: disclosures”. This delayed the mandatory application of IFRS 9 to periods commencing on or after 1 January 2015. Furthermore, IFRS 9 (rev. 2011) states exceptions which allow a company upon transition to IFRS 9 to make additional disclosures relating to the year under review in the notes instead of adjusting the previous year's disclosures. Based on the information disclosed, the reader of the financial statements should be able to transfer measurement categories under IAS 39 and IFRS 9 to balance sheet items and classes of financial instruments.

Furthermore, a supplement to IFRS 7 “Financial instruments: disclosures” with regard to the transfer of financial assets was published. The required disclosures should increase the transparency of transfers and enable a better risk assessment for the transfer of financial assets as well as an improved assessment regarding the impact of these risks on the financial situation of the company. The amendment is applicable from 1 July 2011, although it has not yet been recognised by the EU. As IFRS 7 relates to disclosures in the notes, it will not have an impact on the asset, financial and earnings position of elexis.

The IASB adopted five new standards on 12 May 2011 within the scope of its “Consolidation” project. The new IFRS 10 “Consolidated financial statements” replaces the guidelines for control and consolidation included in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities". IAS 27 was renamed “Separate financial statements" in its new version and deals in future exclusively with regulations relating to IFRS separate financial statements. The definition of “control” is changed by IFRS 10 to the effect that the same criteria are applied to all companies for establishing a control relationship. This definition is supported by detailed application guidelines, which show the various ways in which a reporting company (investor) can control another company (investee). Power and variable returns are required for a control relationship to exist. What is understood by power is the ability to currently control the activities of the investee which have a significant impact on the variable returns. Returns can be positive or negative. IFRS 10 now explicitly establishes the concept of “de-facto-control” and includes guidelines for substantive rights as distinguished from protective rights, which do not give an investor any power. IFRS 10 is, following the EU endorsement, to be applied with retrospective effect for financial years commencing on or after 1 January 2013. IFRS 10 is not currently expected to have a significant impact on the asset, financial and earnings position or the view presented of the elexis Group.

IFRS 11 “Joint arrangements” changes the definition of joint ventures. The focus is no longer on the legal structure of the joint arrangement, but on how the rights and obligations are shared by the partners of the joint arrangement. According to IFRS 11 there are now two “types” of joint arrangements: “joint operations” and “joint ventures”. The previous option of proportionate consolidation for jointly managed companies was abolished. The partner companies of a joint venture must apply the equity method. IFRS 11 is, following the EU endorsement, to be applied with retrospective effect for financial years commencing on or after 1 January 2013. IFRS 11 is not currently expected to have a significant impact on the asset, financial and earnings position or the view presented of the elexis Group.

According to IFRS 12 “Disclosures of interests in other entities”, companies have to make disclosures which allow the readers of financial statements to evaluate the nature of, the risks associated with and the financial impact of its interests in subsidiaries, associates, joint agreements and unconsolidated structured entities (special purpose entities). The disclosures are now regulated by IFRS 12 in a cohesive standard and concern the areas of significant judgements and assumptions, interests in subsidiaries, interests in joint arrangements and associates and interests in unconsolidated structured entities. IFRS 12 is, following the EU endorsement, to be applied with retrospective effect for financial years commencing on or after 1 January 2013. IFRS 12 is expected to result in more disclosures in the notes for elexis Group.

IFRS 13 “Fair value measurement” describes how the fair value for IFRS reporting is to be determined and extends the disclosures to fair value. The standard does not define when the fair value is to be applied. The fair value is the price that the independent market participant would receive to sell an asset under market conditions or would pay to transfer a liability (“exit” price). The fair value of a liability reflects non-performance risk, i.e. an entity's own credit risk. IFRS 13 defines under what market conditions fair value measurement is possible or limited and that the measurement must be market-specific and not for example company-specific. For non-financial assets the fair value is to be based on the highest and best use, whereby disclosures on “fair value hierarchies" need to be made that are based on a similar concept to IFRS 7 for financial assets. IFRS 13 is, following the EU endorsement, to be applied with retrospective effect for financial years commencing on or after 1 January 2013. IFRS 10 is not currently expected to have a significant impact on the asset, financial and earnings position or the view presented of the elexis Group.

The amendments to IAS 1 “Presentation of financial statements” primarily relate to amendments to items reported under other comprehensive income. This must in future be reported separately, broken down by items recognised in profit or loss in following periods (recycling) and those that are not recycled. The original proposal of the IASB that all income elements (profit/loss and other comprehensive income) must be presented in a single comprehensive income statement was withdrawn. The option of presenting the items under other comprehensive income before or after taxes was retained. The amendment will be applied following the EU endorsement from 1 January 2013 with retrospective effect. This may have an impact in the area of presentation, and this is currently being examined.

The revised version of IAS 19 “Employee benefits” includes new regulations concerning the recognition and measurement of expenditure on performance-oriented pension plans, termination benefits and additional disclosure requirements for employee benefits. Actuarial gains and losses will in future be renamed as remeasurements and are to be recognised when they occur under “other comprehensive income”; they will not be able to be recycled at a later date. The “corridor method” that allows the deferral of recognition in the profit and loss account will no longer be allowed. This may result in volatility in the balance sheet and in other comprehensive income. The elexis Group does not apply the “corridor method”; therefore the discontinuation of this method will not result in any changes. The annual expenditure on a benefit plan which includes plan assets will in future include the net interest expense/income. Accordingly, interest is charged on the performance-oriented net asset or performance-oriented net liability with a single interest rate, and as a result the current separate items “interest expense” and "anticipated income from plan assets" will be obsolete. This single interest rate will be determined as before for liabilities as the yield on high quality corporate bonds, provided there is a deep market for such bonds; otherwise the yield on government bonds is to be used. Due to the specification of an interest rate to determine the net interest expense/income and the discontinuation of the anticipated income from plan assets, in the elexis Group the expenditure on performance-oriented plans to be recognised through profit or loss will change. The revised version of IAS 19 also includes clarifications of "short-term" and "long-term benefits", “plan curtailments” and the allocation of “past service costs”. The clarification that all employee benefits that are linked to the performance of work in the future are not termination benefits may have an impact in particular on when partial retirement and similar programmes are recognised as an expense. With regard to the new disclosures in the notes, the new IAS 19 focuses rather on the objective of the disclosures, which may result in further reporting obligations concerning the explanation of benefit plans, the amounts recognised in the financial statements and the risks from performance-oriented plans and plans involving more than one employee. The amendment will be applied following the EU endorsement in the elexis Group from 1 January 2013 with retrospective effect. The future impact on the asset, financial and earnings position is currently and will continue to be examined.

The standard IFRIC 20 “Stripping costs in the production phase of a surface mine” is to be applied for financial years commencing on or after 1 January 2013. This standard is of no relevance to the elexis Group.

Amendments to IAS 32 and IFRS 7 – Offsetting financial assets and financial liabilities. The IASB revised the regulations for offsetting financial assets and financial liabilities on 16 December 2011 and published the amendments to IAS 32 “Financial instruments: reporting” and IFRS 7 “Financial instruments: disclosures”.

The previous offsetting requirements of IAS 32 are basically retained. The additional application guidelines clarify among other things that for offsetting, there must be an unconditional, legally enforceable right to offset the amounts in the event of the insolvency of an interested party. The amended application guidelines are to be applied with retrospective effect to financial years commencing on or after 1 January 2014.

The disclosure requirements relating to certain offsetting agreements in IFRS 7 are new. There is an obligation to disclose regardless of whether the offsetting agreement has actually resulted in an offsetting of the financial assets and financial liabilities concerned. The new disclosures cover, differentiated by the type of financial instrument or transaction, both qualitative and quantitative explanations of offsetting rights. The amendments to IFRS 7 are to be applied with retrospective effect to financial years commencing on or after 1 January 2013.

The amendments to IAS 12 also result in amendments in the scope of SIC-21 “Income taxes – recovery of revalued non-depreciable assets”. The amendment includes a partial clarification concerning the treatment of temporary tax differences relating to property held as financial investments at fair value. As it is often difficult to assess whether to reverse existing differences within the scope of on-going use or in the course of disposal, the amendment provides that in principle in future reversal through disposal will always be assumed. It is planned that implementation will be mandatory for financial years commencing on or after 1 January 2012. This amendment has not yet been adopted in European law. As elexis has no property held as financial investments, the amendment is of no relevance to the elexis Group.

The elexis Group does not plan to apply any of the above-mentioned regulations early.

Consolidated group of companies

The consolidated group of companies includes 11 companies (previous year: 12). The changes in the consolidated group of companies result from the reorganisation of the elexis Group.

The reorganisation within the elexis Group with the merger of three companies and the divestment of one company was recognised with the book values being carried over. All income and expenses from the merger at separate financial statement level were eliminated for the purpose of preparing the consolidated financial statements.

With regard to the subsidiaries included in the consolidated group of companies and those that 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 it controls are included in the consolidated financial statements of elexis AG. Control exists if elexis AG is able to determine 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 position of the Group is of lesser significance either individually or together are not consolidated.

The initial consolidation of the companies included in the consolidated group of companies prior to 1 January 2004 was carried out based on the book value method in accordance with § 301, para. 1 no. 1 of the HGB. The Group's share in the equity of the consolidated subsidiaries was offset against the cost of acquisition / establishment. The resulting goodwill was capitalised in accordance with the previous accounting principles under commercial law and was depreciated on a straight-line basis 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 financial years from 2004 in accordance with the regulations of IAS 36. Goodwill was therefore fixed in the amount of its valuation as at the date of transition from HGB to IFRS/IAS as at 1 January 2004 and is only depreciated in the event of an actual loss in value. Mergers after 1 January 2004 take place in accordance with IFRS 3 (Business combinations) using the acquisition method. Here the book values of the parent company's holding are offset against the Group share in the revalued equity of the subsidiary. The assets and liabilities acquired within the scope of an acquisition of a company and any additionally identifiable intangible assets are valued at fair value. Any positive difference following the allocation of the purchase price is capitalised as goodwill. Should the acquisition costs be lower than the acquired subsidiary's net assets valued at fair value, the difference will be recognised following a further review of the valuation directly through profit or loss in the consolidated profit and loss account. Goodwill is only impaired in accordance with IAS 36 (Impairment of assets) if a corresponding requirement is identified.

Currency conversion

The financial statements of the subsidiaries that are prepared in foreign currency are converted in accordance with IAS 21 using the concept of the functional currency. In the elexis Group foreign subsidiaries are considered to be economically independent entities. Accordingly the balance sheet items are converted using the exchange rate on the balance sheet date. An exception to this is the equity of the consolidated subsidiaries, which is converted using historical exchange rates. Items of expense and income are converted using average exchange rates for the year. The conversion differences resulting from the use of different exchange rates for items of the balance sheet and the consolidated profit and loss account are recognised directly in equity.

The goodwill of foreign companies relates to subsidiaries which were acquired and included in the group of consolidated companies prior to 1 January 2004. The company makes use of the exception regulation of IAS 21.59 (Effects of changes in foreign exchange rates) and reports goodwill in euros.

In the individual financial statements of the companies, transactions in foreign currency are converted at the exchange rates applicable at the time of the transaction. Monetary assets and liabilities, the value of which is stated in a foreign currency, are valued using the exchange rate on the balance sheet date. Exchange rate gains and losses are recognised through profit or loss.

The conversion of annual financial statements prepared in foreign currency was based on the following exchange rates:

		2011	2010	2011	2010
Currency	ISO-Code	Average exchange rate for euro 1		Exchange rate on the balance sheet date for euro 1	
US dollar	USD	1.3920	1.3257	1.2939	1.3362
Brazilian real	BRL	2.3265	2.3314	2.4159	2.2177
Japanese yen	JPY	110.9600	116.2386	100.2000	108.6500
Chinese renmimbi	CNY	8.9960	8.9712	8.1588	8.8220

Consolidation of liabilities, expenses, income and intra-Group profit

Receivables and liabilities between the consolidated companies as well as intra-Group sales, income and expenses and intra-Group profits are in principle eliminated, unless the amounts are insignificant for the consolidated financial statements. Internal sales are offset against the cost of goods sold.

Transactions with minority interests

Transactions with the shareholders of minority interests in Group companies are presented as transactions with shareholders of consolidated equity. In the event of existing minority interests being acquired, the difference between the purchase price of the shares and the proportional net assets (net liabilities) in the company acquired are recognised directly in equity. Gains and losses from the disposal of shares to minority shareholders (sales without loss of control) are also recognised directly in equity.

Accounting and valuation principles

Recognition of income and expenses

Sales revenue and other operating income are in general recognised when the delivery has been made or the service has been performed, the risk is transferred to the customer, the amount of the income can be measured reliably and when the economic benefit is likely to accrue to the Group. Sales revenue is reported in principle net of VAT, returns, rebates and price deductions and after the elimination of intra-Group sales. Operating expenses are charged to the profit and loss account at the time of performance or their cause. Sales revenue and expenses from long-term production 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 benefit 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 measured reliably.

Government grants related to income are recognised under personnel expenses within the corresponding main item as income in accordance with IAS 20.29 (net statement). The amount of the grant is disclosed in the notes.

Interest income is recognised in accordance with the contractual agreements.

Charges for the transfer of rights of use are recognised in accordance with the contractual agreements on an accrual basis.

Dividend income is also recognised at the time when the right to receive the payment arises.

Goodwill and other intangible assets

Goodwill is reported at its original acquisition cost less cumulative depreciation. The goodwill that is reported is subjected at least once a year to an impairment test, and if there is an indication of an impairment it is subjected to a further impairment test during the course of the year.

Purchased intangible assets with a limited useful economic life are reported at acquisition cost less cumulative depreciation and cumulative impairment expenses. They are depreciated on a straight-line basis over the estimated useful economic life. Intangible assets with an unlimited useful economic life (excluding goodwill) do not exist in the Group.

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

The depreciation periods of individual types of intangible assets are shown in the table below:

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

The recoverability, useful economic life and depreciation methods of intangible assets with a definable useful economic life are examined at least at the end of each financial year. If the expectations differ from earlier estimates, changes are made in accordance with IAS 8 as changes in accounting estimates.

In the Group development costs are capitalised as self-created intangible assets in accordance with IAS 38 at production cost, providing the technical feasibility of the asset for use or sale is assured, the future economic benefits from the use of the asset is probable and the expenses can be reliably determined during development. Production costs include all costs directly and indirectly attributable to the development process as well as necessary parts of the overhead costs relating to the development. The intangible assets arising from the development are, after completion, subject to straight-line depreciation over the expected product life cycle. Research costs on the other hand are recognised as expenses and are not capitalised.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or production cost less scheduled and unscheduled depreciation. Acquisition costs include the acquisition prices plus incidental acquisition costs less acquisition price reductions. In addition to direct costs, production costs include an appropriate share of the allocatable material and production overhead costs. Borrowed capital costs are not included in production costs, with the exception of qualifying assets. Scheduled depreciation is deducted on a straight-line basis. Depreciation begins when the asset is in an operational condition. For reasons of materiality, low-value assets (< 150 euros) are depreciated in full in the year of acquisition. Since 2008 assets with an acquisition value of between 151 euros and 1,000 euros have been reported in a collective item and depreciated over five years. Property, plant and equipment are subject to unscheduled depreciation if there are indications of an impairment and if the recoverable amount is lower than the depreciated acquisition or production cost.

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

	Useful economic life (years)	Amortisation rate (in %)
Buildings	25.0 – 33.3	4.0 – 3.0
Buildings installations	20.0	5.0
Production 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
IT equipment	4.0 – 6.0	16.7 - 25.0
Low-value assets (€ 151 – € 1,000)	5.0	20.0

The useful economic life and the depreciation method are examined at least at the end of every financial year. If the expectations differ from earlier estimates, the changes are made prospectively in accordance with IAS 8 as changes in accounting estimates. In the 2011 financial year no adjustments were made to the useful economic lives.

Impairment

Intangible and tangible assets that are subject to scheduled depreciation are tested for impairment if relevant events or changes of circumstances indicate that the book value may no longer be recoverable. A comparison is then made between the book value and the recoverable amount. The recoverable amount is the higher of the fair value of the asset less disposal cost and the value in use. An impairment test generally takes place for the individual asset. If no separate cash inflow is allocatable 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. As a general rule, the legal entity constitutes the cash generating unit for the purposes of the impairment test of the above-mentioned assets. In the case of intangible and tangible assets that are subject to scheduled amortisation and deprecation, a revaluation up to a maximum of the amortised cost takes place if the reasons for the impairment made in previous years ceases to exist.

Goodwill is also tested for impairment once a year and, if appropriate, during the year in accordance with IAS 36 and where necessary is amortised to the lower recoverable amount. An upward revaluation of goodwill is not made if the reasons for the impairments made in previous years no longer exist. Within the scope of the impairment test, the book value of the cash generating unit including allocated goodwill is netted against the recoverable amount. The definition of the cash generating unit is based on the lowest level at which the goodwill is monitored for internal management purposes. This level is represented by the strategic business units (SBUs).

Leasing

Lease agreements, which are considered economically to be purchases of equipment with long-term financing (financial leasing), are recognised in accordance with IAS 17 at the time of addition at the lower of the fair value or the present value of the minimum lease payments. Scheduled depreciation is deducted on a straight-line basis over the shorter of the expected useful economic life or the lease term, if the transfer of ownership at the end of the term of the lease term is not sufficiently certain. The depreciation methods and the useful economic lives correspond with those of similar acquired assets. The capitalised leased items include software, real estate, machinery and operating and office equipment.

Payment obligations relating to future lease payments are recognised as liabilities under financial liabilities. Lease payments are separated into an interest and a repayment portion so that a constant interest rate is applied to the remaining balance over the term of the lease.

Leasing transactions relate solely to transactions in which the elexis Group is the lessee.

Financial instruments

A financial instrument is a contractual agreement between two contract parties resulting in a financial asset with one company and at the same time a financial liability or an equity instrument with the other company.

These include non-derivative financial instruments such as trade receivables, trade payables, financial receivables, financial liabilities and derivative financial instruments.

The balances of the non-derivative and derivative financial instruments are reported in the balance sheet and the disclosures in Note (32). The risks of the financial instruments are also explained in detail in Note (32).

Financial instruments on the asset side are recognised in accordance with IAS 39 in the categories “Financial assets at fair value through profit or loss” (with the sub-categories “Designated” or “Held for trading”), “Held-to-maturity financial investments”, “Loans and receivables” and “Available-for-sale financial assets” and are capitalised according to this categorisation at amortised cost or fair value.

The category “Financial assets at fair value through profit or loss” 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 number of derivative financial instruments in the category “Held-for-trading". Similarly, there are no financial instruments in the category “Held-to-maturity” in the Group. Hedge accounting is used to a very limited extent in one foreign subsidiary.

In principle, financial assets are initially recognised at fair value. In the case of a financial asset which is not valued at fair value through profit or loss, the transaction costs directly allocatable to the acquisition of the financial assets are included in the valuation. In the case of financial assets of the category “Financial assets at fair value through profit or loss” the allocatable transaction costs are recognised through profit or loss. Financial instruments in all categories are recognised as at the settlement date.

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

- "Financial assets valued at fair value through profit or loss" include financial assets held for trading purposes. Changes in the fair value of financial assets of this category are recognised through profit or loss on the date of the increase or decline in value.

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

- "Loans and receivables" are non-derivative financial instruments that are not listed in an active market. Financial assets of this category are recorded at net book value. Interest income from items of this category is determined by using the effective interest method, providing these are not short-term items and the effect of the accrued interest is immaterial.

- "Available-for-sale financial assets" include all non-derivative financial assets that are not allocatable to any of the above-mentioned categories. Changes in the fair value of available-for-sale financial assets are recognised directly in equity taking deferred taxation into consideration and are only recognised through profit or loss when sold or impaired. In cases in which the market value of financial assets can be determined, theses are recognised at fair value. If there is no listed market price and if no reliable estimate can be made of the fair value, these financial assets are recognised at acquisition cost less impairment expense.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to payment from the assets no longer exist or the financial assets are transferred with all material risks and rewards.

Impairment of financial assets

At the end of the reporting period it is determined whether objective evidence of impairment of a financial asset exists. A requirement for impairment exists if the book value of the financial asset exceeds the amount expected future recoverable amount. Impairment leads to a direct reduction of the book value of all affected financial assets with the exception of trade receivables, the book value of which is reduced through an impairment account. If the reasons for an impairment no longer exist, an upward revaluation is recognised through profit or loss, and this is also the case for an impairment of external financial instruments. Impairment losses on equity instruments (e.g. GmbH shares) are not recognised with retrospective effect through profit or loss.

a) Shareholdings

Shareholdings are shares in associated companies which as a result of their secondary importance for the asset, financial and earnings position were not included in the consolidated financial statements. They are recognised as "available-for-sale financial assets". The initial valuation of these financial assets is at fair value. At the time of the acquisition the fair value is generally the same as the acquisition cost. If there is no listed price on an active market and the fair value cannot be reliably determined, these shareholdings are valued at amortised cost.

Shareholdings are subject to an impairment test at the end of the reporting period. If there is evidence of impairment, the value of the asset is examined. If the book value exceeds the recoverable amount, it will be written down to its recoverable amount. The recoverable amount is defined as the present value of the anticipated future cash flows. The impairment is recognised through profit or loss taking into consideration possible changes in the fair value recognised in equity. Losses from equity instruments, once included, are not written back.

b) Long-term receivables and other assets

The long-term receivables and assets listed as financial assets are allocated to the category "Loans and receivables". On initial recognition, long-term receivables and other assets are recognised at their fair value. This is generally the same as the acquisition cost. Financial assets in this item primarily comprise the long-term portion of loans and receivables relating to pension plan reinsurance. Subsequent valuations of other financial receivables and assets are made according to their categorisation at amortised cost using the effective interest method. Appropriate specific provisions are made if there is objective evidence that the receivable is not fully recoverable. Impairment expenses and income from revaluation are reported under other operating expenses and income.

c) Trade receivables

Trade receivables are allocated to the category "Loans and receivables" and form part of current assets. Trade receivables are initially recognised at their fair value. This is generally the same as the acquisition cost. Subsequent valuations are made according to categorisation at amortised cost using the effective interest method.

If there is doubt about the recoverability of receivables, these will then be recognised at nominal value less appropriate specific provisions. If a receivable is classified as unrecoverable this is taken into account in the impairment account. Subsequent collections of amounts for which provisions have been made are also booked to the impairment account. Impairments are made and reversed under other operating expenses and income. Reported under trade receivables are deliveries and services billed to customers.

d) Other short-term financial receivables and assets

Financial instruments included under other receivables and assets are primarily allocated to "Loans and receivables". Other receivables and assets are recognised at their fair value on initial recognition. This is generally the same as the acquisition cost. Financial assets under this item primarily comprise receivables from associated companies and the short-term portion of loans. Subsequent valuations of other financial receivables and assets are made according to their categorisation at amortised cost using the effective interest method. Appropriate specific provisions are made if there is objective evidence that the receivable is not fully recoverable. Impairment expenses and income from revaluation are reported under other operating expenses and income.

e) Short-term cash deposits

Short-term cash deposits comprise short-term cash deposits at banks. They are allocated to "Loans and receivables" and valued at amortised cost.

f) Cash and cash equivalents

Cash and cash equivalents (cash at banks, cash on hand and cash deposits with a maturity of less than 90 days) are allocated to "Loans and receivables". They are valued at amortised cost.

g) Derivative financial instruments

Derivative financial instruments that are not part of hedge accounting are allocated to the sub-category 'Held-for-trading' under financial assets and recognised through profit or loss at fair value. They are initially recognised at fair value. Associated transaction costs are recognised as expenses.

Subsequent valuations are also made at fair value. Gains and losses from financial assets recognised through profit or loss at fair value are recognised in the period in which they occur under other operating expenses/income. This category includes derivatives with a positive market value. Short-term derivatives are reported 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 “Financial liabilities at fair value through profit or loss” (with the sub-categories “Designated” or “Held for trading”) or to the category “Other financial liabilities”.

The category “Financial liabilities at fair value through profit or loss” does not exist in the Group and therefore no use is made of the fair value option. Derivatives allocatable to the category “Held for trading” only exist to a small degree in the elexis Group. All other financial liabilities are therefore allocated to “other financial liabilities”.

“Other financial liabilities” are initially measured at fair value with the inclusion of transaction costs that are directly allocatable to the issue of the financial liabilities. Subsequent valuations are made at amortised cost using the effective interest method. Any difference between the paid-out amount and the redemption amount is recognised through profit or loss over the term of the debt using the effective interest method.

Liabilities to banks and credit institutions, trade payables and other financial liabilities are correspondingly recognised at amortised cost using the effective interest method.

Financial liabilities are removed from the balance sheet when the contractual obligations are discharged or cancelled or have expired.

Derivative financial instruments

Derivative financial instruments designated as “held-for-trading” that are not included in hedge accounting are initially recognised at fair value. Associated transaction costs are recognised as expenses. Subsequent valuations of this category are also made at fair value. Gains and losses from financial liabilities recognised through profit or loss at fair value are recognised in the period in which they occur under other operating income/expenses. This category includes derivatives with a negative market value. Short-term derivatives are reported under the item “other liabilities”.

Other receivables and assets

Non-financial other receivables and assets included in the item other receivables and assets are valued at amortised cost.

Other provisions and other liabilities

Non-financial other provisions and other liabilities are reported at the value of their underlying obligation.

Taxes

Current taxes on income are determined on the basis of the tax regulations applicable on the balance sheet date. The tax regulations of the countries in which the taxable income has been earned are applied. The current taxes are recognised in the amount in which it is expected that they will have to be paid. Debit items are set up for amounts not yet paid.

Deferred taxes are recognised in accordance with IAS 12 by applying the balance-sheet-oriented liability method based on the temporary differences that may result from the differences between the book value of the assets and liabilities in the consolidated financial statements and the corresponding tax value used in the calculation for taxable earnings. In general, deferred tax liabilities are recognised for all temporary tax differences and deferred tax assets (for temporary differences and loss carry forwards), provided their realisation/utilisation is expected. If a temporary difference arises from goodwill or the initial recognition (not including business combinations) of other assets and liabilities which are based on events which affect neither the taxable nor the accounting profit, no deferred taxes are recognised. Deferred taxes are taken into consideration both at the level of the individual companies as well as through consolidations. Deferred taxes are measured at the tax rates that are expected to apply at the time of realisation. Deferred tax assets and liabilities are not discounted. The book values of deferred tax assets are reviewed and adjusted at the end of each reporting period.

Deferred tax assets and liabilities are offset against each other if the entity has an enforceable right to offset and they relate to the same taxable entity and the same tax authority.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries unless the parent company can control the reversal of the temporary differences and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets for loss carry forwards are only recognised for the amount of the loss carry forwards for which it is expected that there will in future be a taxable profit available for their utilisation.

Deferred taxes which relate directly to items recognised directly in equity are recognised directly in equity and not through profit or loss.

Inventories

In principle, inventories are valued at the lower of acquisition or production cost and net realisable value. The net realisable value represents the estimated sale 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 acquisition costs. Production costs include, apart from direct costs, appropriate shares of the allocatable material and production overhead costs. General administrative and financing expenses are not included in the production costs.

Long-term production contracts

Receivables and liabilities from long-term production contracts are determined in accordance with the percentage-of-completion method.

The degree of completion is determined by the work performed by the balance sheet date and is measured with regard to the costs incurred up to the balance sheet date in relation to the expected total costs. If the cumulative payments made (incurred contract costs and proportional profits) exceed the prepayments received in a given case, the positive balance between the cumulative payments made and the prepayments received is recognised under receivables from long-term production contracts. If there is a negative balance after the deduction of payments received for a production contract, this amount is included under liabilities from long-term production contracts. Anticipated losses on contracts are taken into consideration when establishing the value of long-term production contracts.

Pensions and similar obligations

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

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

The amount recognised in the balance sheet is the present value of the service-oriented obligation reduced by the fair value of plan assets and taking into consideration unrecognised past service cost. elexis AG makes use of the option under IAS 19.93a (employee benefits) of recognising actuarial gains and losses arising from service-oriented pension obligations immediately. Under this method actuarial gains and losses are not amortised gradually and recognised through profit or loss in accordance with the corridor method, but charged fully against equity. No amortisation of the actuarial gains and losses is included in the result. Deferred taxes are calculated on the changes in value recognised directly in equity of the present value of the service-oriented obligation and the fair value of the plan assets recognised in equity, which are also charged against the corresponding equity item. Past service costs are normally recognised through profit or loss provided the benefits are vested immediately after the introduction or the change. Otherwise amortisation is on a straight-line basis over the average period until the benefits become vested.

If contribution-based plans exist, the amounts to be paid in exchange for service are recognised in the period in which the relevant service was rendered (IAS 19.44).

Apart from plan assets, reinsurance has also been provided to cover the pension obligations. This is reported as an asset under other long-term assets, provided it is not pledged to the plan beneficiary. Measurement is at the current value of the policy.

Other provisions

Other provisions are set up if an obligation towards a third party resulting from a past event exists which might indicate an outflow of assets which can be reliably measured. These represent uncertain obligations, which are recognised at the best estimate of the settlement amount. Provisions with a maturity of more than one year are recognised at their discounted value, if the interest effect is significant.

Assumptions, estimates and exercising of judgement

The preparation of consolidated financial statements in accordance with IFRS requires that assumptions and estimates are made for some items that may have an impact on the amount and the presentation of assets, liabilities, income and expenses as well as the disclosure of contingent liabilities. Actual values may differ from these assumptions and estimates.

The exercising of judgement as at the balance sheet date relates in particular to:

a) **Impairment of goodwill**

The elexis Group reviews at least once a year the recoverability of goodwill. This review requires the calculation of the value in use 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 to determine the discounted cash value. The book value of goodwill as at 31 December 2011 totalled 19.669 million euros (previous year: 19.669 million euros). 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, mortality and future increases in pensions. Due to the long-term nature of these provisions, such assumptions are subject to significant uncertainties. As at 31 December 2011 the provision for pension obligations totalled 8.193 million euros (previous year: 8.558 million euros). For further information please refer to Note (25).

c) **Taxes**

The elexis Group is subject to tax in various legal spheres. Determination of taxable profit is based on the analysis of facts in accordance with current legislation and interpretations. The amounts stated in respect of tax expense, tax liabilities and tax receivables are 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 regard to estimates and assumptions made are included in the period in which they occur. Expenses and income from such differences are included in the period in which the company learns about them. As at 31 December 2011 tax claims totalled 8.221 million euros (previous year: 7.014 million euros), while tax liabilities totalled 4.465 million euros (previous year: 1.291 million euros).

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. The book value of capitalised development costs as at 31 December 2011 totalled 4.292 million euros (previous year: 2.990 million euros).

e) **Long-term production**

The elexis Group capitalises long-term production 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 in this respect are total contract costs, the costs to be incurred up to completion, the total revenue from the contract and the contract risks. Receivables from long-term production contracts totalled 1.735 million euros as at 31 December 2011 (previous year: 1.741 million euros). Liabilities from long-term production contracts totalled 1.830 million euros as at 31 December 2011 (previous year: 1.179 million euros). For further information please refer to Note (19).

f) **Other provisions**

Provisions are liabilities where uncertainty exists in respect of the amount or date of occurrence. The reporting of provisions requires an estimate of the amount of the liability and the probability of it occurring as well as the date of occurrence. The result of the estimate determines the amount of the liability reported or its presentation as a contingent liability. If the uncertainty concerns the amount of the liability, an estimate of the future outflow of funds is necessary. In particular, provisions for risks from restructuring and litigation are subject to such uncertainties. As at 31 December 2011 other long and short-term provisions totalling 8.233 million euros were reported (previous year: 9.136 million euros), 1.414 million euros (previous year: 4.050 million euros) of which related to risks from restructuring and litigation. Obligations towards employees from long-service entitlements and partial-retirement benefits totalled 3.123 million euros (previous year: 3.106 million euros). In order to cover these obligations there were plan assets totalling 2.838 million euros (previous year: 1.845 million euros). As at the balance sheet date there were contingent liabilities totalling 6.688 million euros (previous year: 5.363 million euros)

Apart from the exercising of discretion, assumptions and estimates are necessary in particular with regard to the accounting and valuation of impairments of doubtful receivables, the determination of the useful 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 **High Quality Automation** and **High Precision Automation** sectors. The sectors are split in such a way that they correspond to the internal organisational and management structure of the elexis Group. The business divisions are defined based in particular on the internal reporting structure and responsibility for results and make up the different product areas and business models within the Group. The internal reporting is performed in accordance with the external accounting and the application of the IFRS.

As part of the internal reorganisation described in the section “Consolidated group of companies”, some segment liabilities and assets of the **High Precision Automation** division were transferred to the **High Quality Automation** division with effect of 1 January 2011. The segment assets related to deferred tax assets in the amount of 6.596 million euros. Intra-segment liabilities totalling 3.837 million euros and deferred tax liabilities totalling 23 thousand euros were also transferred to the **High Quality Automation** division. Due to the clear breakdowns in the individual segments, we did not adjust the previous year's figures.

Transactions between business areas are undertaken under market conditions. Intra-segment sales take place only to a limited extent.

High Quality Automation

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

- complete web and strip guidance systems which automatically control the exact strip and web processing of fast moving materials (metal, paper, film, 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 monitoring systems and image processing systems for detecting defects and active defect control of printed webs;
- electro-hydraulic air brake thrusters for hoisting and conveyor technology (thruster technology).

The consolidated subsidiaries operating in this area are:

EMG Automation GmbH, Wenden

BST International GmbH, Bielefeld

P2T Protagon Process Technologies, Rengsdorf

BST PRO MARK Inc., Elmhurst, USA

EMG USA Inc., Warren, USA

EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte, Brazil

BST Japan Ltd., Osaka, Japan

BST International (Shanghai) Co.,Ltd., PR China

EMG Automation (Beijing) Ltd., PR China

High Precision Automation

HEKUMA GmbH, Eching, is active in this division. Here automated handling systems are produced for fast-moving production processes with very short production cycles to ensure the materials flow of injection moulded plastic components. Moreover, these can be integrated into further automated production steps.

Central areas/consolidation

The “central areas” comprise the non-operating, cross-segment activities of the holding company (elexis AG, Wenden). The elimination of the internal group relationships between the segments is shown under “Consolidation”.

Sales and preliminary work and services between the segments are carried out on the basis of market prices.

In the 2011 financial year and in the previous year no more than 10 % of the sales of the elexis Group were attributable to any one customer.

Segment information

	High Quality Automation		High Precision Automation		Central departments		Consolidation		elexis Group	
in €k	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Total sales revenue	138,612	118,042	28,857	18,747	-	-	-44	-64	167,425	136,725
Intra-group sales	-	-	- 44	- 64	-	-	44	64	-	-
Sales revenue	**138,612**	**118,042**	**28,813**	**18,683**	**-**	**-**	**-**	**-**	**167,425**	**136,725**
Segment result (EBIT)										
Operating result (EBIT)	19,513	16,030	1,770	-3,244	-1,674	-2,230	-	-	19,609	10,556
Goodwill impairment	-	-	-	6,550	-	-	-	-	-	6,550
EBIT after goodwill impairment	19,513	16,030	1,770	- 9,794	- 1,674	- 2,230	-	-	19,609	4,006
Return on sales (EBIT)	14.1 %	13.5 %	6.1 %	-52.4 %					11.7 %	2.9 %
Interest income	492	843	13	7	643	293	-632	-284	516	859
Interest expenses	1,505	1,069	431	948	94	111	-632	-284	1,398	1,844
Depreciation of property, plant and equipment and amortisation of other intagible assets	3,889	3,648	449	436	-	-	-	-231	4,338	3,853
Taxes on income	5,155	4,022	325	-3,874	-263	-173	-	-	5,217	-25
Assets										
Segment assets	116,204	98,967	26,125	29,232	17,299	17,658	-13,907	-16,203	145,721	129,654
Other participations	2,646	546	-	-	59,501	71,387	-59,159	-69,150	2,988	2,783
Total assets	118,850	99,513	26,125	29,232	76,800	89,045	-73,066	-85,353	148,709	132,437
Investments in long-term assets	5,879	4,054	271	523	200	-	-	-	6,350	4,577
Liabilities										
Segment liabilities	46,599	40,382	19,981	16,514	2,559	6,453	-	-	69,139	63,349
Inter-segment liabilities	13,801	12,383	315	3,837	52	27	-14,168	-16,247	-	-
Total liabilities	60,400	52,765	20,296	20,351	2,611	6,480	-14,168	-16,247	69,139	63,349
Employees (reporting date, not including apprentices)	**723**	**653**	**131**	**128**	**4**	**4**	**-**	**-**	**858**	**785**

The breakdown of external sales, assets and investments by region is as follows:

in €k	**2011**	2010
Sales revenue		
Germany	65,160	57,209
Other European countries	33,372	32,862
America	33,431	21,493
Asia / Australia	34,607	24,552
Africa	855	609
	167,425	**136,725**
Assets		
Germany	118,862	108,941
America	11,137	11,299
Asia / Australia	18,710	12,197
	148,709	**132,437**
Investments in long-term assets (incl. financial leasing)		
Germany	5,780	4,321
America	259	206
Asia / Australia	311	50
	6,350	**4,577**

Notes to the consolidated financial statements

(1) Sales revenue

For information on sales revenue by division and geographical region, please refer to the segment information. The sales revenue includes revenue from the delivery of goods in the amount of 136.761 million euros (previous year: 126.588 million euros), from services in the amount of 5.910 million euros (previous year: 6.103 million euros) and from long-term production in the amount of 24.754 million euros (previous year: 4.034 million euros).

(2) Cost of goods sold

The cost of goods sold includes the costs of the products and services sold as well as purchase costs of merchandise sold. This includes directly allocatable material and personnel expenses as well as the respective portion of material and production overhead costs. The cost of goods sold includes total expenses for research and development in the amount of 5.773 million euros in 2011 and 7.266 million euros in 2010. Inventory impairments were made in the amount of 209 thousand euros in 2011 and were recognised through profit or loss (previous year: 65 thousand euros).

(3) Cost of sales

The cost of sales is broken down as follows:

in €k	**2011**	2010
Personnel expenses	14,581	13,277
Commissions	6,195	5,521
Travel expenses	1,983	1,675
Outbound freight	1,509	1,128
Third-party services	1,473	797
Advertising	1,058	984
Shipping material	596	444
Depreciation of fixed assets	594	617
Cost of foreign sales offices	496	303
Other operating expenses	4,612	3,764
Total	**33,097**	**28,510**

(4) Administrative expenses

Administrative expenses are broken down as follows:

in €k	**2011**	2010
Personnel expenses	5,390	4,978
Legal and consulting expenses	1,544	843
Third-party services	840	1,240
Insurance	777	673
Travel expenses	321	354
Depreciation of fixed assets	263	197
Rent and lease expenses	250	245
Other operating expenses	374	589
Total	**9,759**	**9,119**

(5) Other operating income

The Group’s other operating income is broken down as follows:

in €k	**2011**	2010
Capital gains	889	650
Income from release of provisions not utilised	723	371
Cost rebates, transfer of costs	210	637
Income from release of follow-up provisions not utilised	204	136
Income from release of provisions on receivables	109	275
Others	1,212	1,181
Total	**3,347**	**3,250**

(6) Other operating expenses

Other operating expenses of the Group include:

in €k	**2011**	2010
Capital losses	854	435
Expenses for restructuring and litigation	499	1,656
Allocations to specific provisions for receivables and bad debt losses	341	485
Allocations to other provisions	184	339
Others	276	224
Total	**2,154**	**3,139**

Expenses for restructuring and litigation are costs relating to the reorganisation of the elexis Group and personnel and structural measures. In the previous year the expenses related to costs for personnel, structural measures allocations to provisions for restructuring and litigation.

(7) Financial result

The financial result is broken down as follows:

in €k	**2011**	2010
Interest result		
Interest income	516	859
Interest expense on bank loans	-756	- 1,180
Interest expense on financial leasing	-227	- 231
Interest expense on pension provisions	-415	- 433
Bank and guarantee fees	-23	- 18
Financial result	**- 905**	**- 1,003**

(8) Taxes on income

in €k	**2011**	2010
Current taxes		
Domestic	-1,606	-3,023
Abroad	-1,225	-965
Taxes on income not relating to the period	269	282
	-2,562	**-3,706**
Deferred taxes	**-2,655**	**3,731**
Taxes on income	**-5,217**	**25**

Domestic taxes on income were again calculated at 29.83 % (2010: 29.83 %) of the estimated taxable profit. Taxation abroad is calculated at the relevant applicable tax rates (USA: 36.88 % (previous year: 41.30 %), Brazil: 25.10 % (previous year: 27.71 %), Japan: 30.00 % (previous year: 30.00 %); China 25.00 % (previous year: 25.00 %). Taxes on income in 2011 not relating to the period concern mainly the reimbursement of prepayments of income tax (income: 311 thousand euros/previous year: 282 thousand euros) and payments of tax arrears (expense: 42 thousand euros/previous year: 0 thousand euros).

The deferred tax liabilities resulted primarily from the utilisation of deferred tax assets for corporation and trade tax loss carry forwards. In the previous year there was a positive effect on earnings due to the capitalisation of additional deferred tax assets for corporation and trade tax loss carry forwards. As at 31 December 2011 the Group has corporation tax loss carry forwards totalling 16.083 million euros (previous year: 23.614 million euros) and trade tax loss carry forwards totalling 9.273 million euros (previous year: 17.010 million euros), which are primarily attributable to the cumulative losses of HEKUMA (old). The Group also has tax loss carry forwards in Japan and the USA totalling 773 thousand euros (previous year: 353 thousand euros).

Foreseeable utilisable tax loss carry forwards and associated tax reductions are derived from the individual company and tax plans for a five-year period.

Overall the change in deferred taxes in loss carry forwards in the 2011 financial year resulted in tax expenses totalling 2.474 million euros (previous year: tax income of 2.799 million euros). Deferred tax liabilities on goodwill result from the impairment of HEKUMA GmbH's capitalised goodwill for tax purposes. In accordance with the impairment-only approach of IFRS 3 (Business combinations)/IAS 36 (Impairment of assets), there is no current goodwill impairment, unlike under tax law. Deferred tax liabilities were set up for the difference between the tax balance sheet and IFRS valuation. In the past financial year this resulted in a deferred tax liability of 413 thousand euros. In the previous year there was deferred tax income of 1.475 million euros due to the goodwill impairment of 6.550 million euros.

The reversal of other temporary differences resulted in expenses from deferred taxes in the amount of 232 thousand euros (previous year: income of 932 thousand euros).

The combined effects resulted in deferred tax liabilities of 2.655 million euros (previous year: deferred tax assets of 3.731 million euros).

In the 2011 financial year deferred taxes totalling 123 thousand euros (previous year: 155 thousand euros) relating to actuarial gains and losses from pensions and currency conversion (25 thousand euros) were recognised directly in equity. The deferred taxes not recognised through profit or loss as at 31 December 2011 result in deferred tax assets of 340 thousand euros (previous year: deferred tax assets of 217 thousand euros).

No deferred taxes were set up for the difference between the net assets and the taxable book value of subsidiaries ("outside basis differences"). As at the balance sheet date the temporary differences totalled 479 thousand euros (previous year: 732 thousand euros). Deferred tax liabilities for subsidiaries were not set up if the company can influence the reversal effect and it is likely that the temporary difference will not reverse in the foreseeable future.

Tax deferrals result from the following balance sheet items and tax loss carry forwards:

in €k	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
	Deferred tax assets	Deferres tax assets	Deferred tax liabilities	Deferred tax liabilities
Goodwill	-	-	917	504
Other intangible assets	-	2	1,301	888
Property, plant and equipment	281	111	4	135
Inventories	743	12	342	322
Long-term production contracts	-	-	97	294
Other receivables and other assets	16	146	91	66
Provisions for pensions and similar obligations	1,029	1,265	53	0
Other provisions	45	10	261	257
Liabilities	315	316	0	0
Tax loss carry forwards	3,741	6,215	-	-
	6,170	**8,077**	**3,066**	**2,466**
Netting	- 1,438	- 1,310	- 1,438	- 1,310
Total	**4,732**	**6,767**	**1,628**	**1,156**
Of which utilisable after 12 months	3,926	6,745	837	363
Of which utilisable within 12 months	806	22	791	793

Deferred taxes were netted if the requirements for netting of IAS 12 were met.

The transition from expected to effective tax expense is as follows:

in €k	**2011**	2010
Earnings before taxes on income	18,703	3,003
Income tax rate for elexis AG	29.83 %	29.83 %
Expected tax expense (-) / income (+)	**-5,579**	**-896**
Effect of different tax rates abroad	396	301
Tax effect of non tax-deductible expenses / tax-free income	-293	-363
Tax expense / income from previous periods	269	282
Change in valuation of deferred tax assets for tax loss carry forwards	21	665
Other tax expense / income	-31	36
Taxes on income	**-5,217**	**25**
Effective tax rate	**27.89 %**	**-0.84 %**

The income tax rate of 29.83 % for 2011 (previous year: 29.83 %) is based on the German corporation tax rate of 15.0 %, the related solidarity surcharge of 5.50 % and an average trade tax of 14.45 %. As a result of the above-mentioned effects the effective tax rate was 27.89 % (previous year: -0.83 %).

(9) Minority interests

These the shares in profits due to other shareholders from the subsidiaries EMG Automation (Beijing) Ltd., Beijing/PR China and P2T Protagon Process Technologies GmbH, Rengsdorf.

(10) Cost of materials

The cost of materials is broken down as follows:

in €k	**2011**	2010
Cost of raw materials, supplies and purchased goods	56,503	45,152
Cost of purchased services	6,787	4,840
Total	**63,290**	**49,992**

(11) Personnel expenses

Personnel expenses are broken down as follows:

in €k	**2011**	2010
Wages and salaries	45,703	40,977
Social security and benefit expenses	6,567	6,056
Pension expenses	122	183
Total	**52,392**	**47,216**

Expenses for performance-based benefit plans are included in the pension expenses. Financial items shown in the financial result are not included (interest expense for pension provisions).

The personnel expenses of the 2010 financial year were reduced by refunds from the Federal Employment Agency. Refunds from the employer's contribution paid by the company for social security in the amount of 196 thousand euros were offset against personnel expenses in accordance with IAS 20.29. Of those 120 thousand euros were attributable to the production, 55 thousand euros to sales and 21 thousand euros administration. In the 2011 financial year there were no comparable refunds.

(12) Employees

The average number of people employed (not including apprentices and interns) in accordance with § 267 para. 5 of the HGB was:

Number of employees	**2011**	2010
Production / development / engineering	533	476
Sales	199	192
Purchasing / materials management	26	24
Administration	87	84
Total	**845**	**776**

(13) Earnings per share

Undiluted earnings per share are calculated by dividing the net income for the period allocatable to the ordinary shareholders of 12.578 million euros (previous year: 2.237 million euros) by the weighted average number of shares issued in the period under review. elexis AG had 9,200,000 shares during the period. This results in earnings per share of 1.37 euros (= 12.578 million euros / 9,200,000 shares) [previous year: 0.24 euros (= 2.237 million euros / 9,200,000 shares)].

There are no dilution effects.

It will be proposed to the Annual General Meeting that a dividend of 2.484 million euros be distributed for the 2011 financial year (equates to 0.27 euros / share).

A dividend was distributed in May 2011 for the 2010 financial year in the amount of 3.404 million euros (equating to 0.37 euros / share). The dividend distributed in 2010 for the 2009 financial year totalled 1.564 million euros (equating to 0.17 euros / share).

Notes to the consolidated statement of financial position

(14) Goodwill and other intangible assets

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

in T€	Goodwill	Capitalised development expenses	Patents, li-cences and other intangible assets	*Of which from financial leas-ing*	Total
Acquisition costs					
As at 01.01.2010	**36,011**	**1,504**	**9,288**	***378***	**46,803**
Additions	17	2,102	621	-	2,740
Disposals	-	-	- 240	-	- 240
Changes in currency exchange rates	-	-	- 12	-	- 12
As at 31.12.2010	**36,028**	**3,606**	**9,657**	**378**	**49,291**
	- 433	-	463	-	30
Additions	-	2,453	1,283	-	3,736
Disposals	-	- 157	- 605	- 378	- 762
Changes in currency exchange rates	-	-	14	-	14
As at 31.12.2011	**35,595**	**5,902**	**10,812**	**-**	**52,309**
Accumulated amortisation / write-downs					
Stand 01.01.2010	**9,809**	**48**	**7,763**	***378***	**17,620**
Amortisation, additions	-	568	692	-	1,260
Write-downs, additions	6,550	-	-	-	6,550
Amortisation, disposals	-	-	- 206	-	-206
Changes in currency exchange rates	-	-	- 22	-	-22
As at 31.12.2010	**16,359**	**616**	**8,227**	**378**	**25,202**
	- 433	-	463	-	30
Amortisation, additions	-	990	625	-	1,615
Write-downs, additions	-	-	-	-	-
Amortisation, disposals	-	4	- 380	- 378	- 376
Changes in currency exchange rates	-	-	3	-	3
As at 31.12.2011	**15,926**	**1,610**	**8,938**	**-**	**26,474**
Book values					
As at 31.12.2010	**19,669**	**2,990**	**1,430**	**-**	**24,089**
As at 31.12.2011	**19,669**	**4,292**	**1,874**	**-**	**25,835**

Goodwill is allocated to the following cash generating units (legal entities) or groups of cash generating units as follows:

in €k	**2011**	2010
High Precision Automation	16,391	16,391
High Quality Automation / "non-metal"	2,885	2,885
High Quality Automation / "metal"	393	393
Total	**19,669**	**19,669**

The fair value less disposal costs and the value in use are calculated based on a discounted cash flow model, whereby the fair value is determined from an external and the value in use from an internal company point of view. elexis primarily uses the value in use. Market transactions or valuations by third parties for similar assets were, if available, taken into consideration to determine the fair value less disposal costs.

The determination of the fair value and the value in use is based on cash flow plans, which in turn are based on the planning for a period of three years as approved by the Management Board and the Supervisory Board and which were valid at the time of the impairment test. These plans include experience as well as expectations regarding 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 planning period on the basis of analyses of past events and forecasts for the future. The growth rate applied in the impairment test is 0.5 % (previous year: 0.5 %). The rate used is not greater than the long-term average growth rate for the markets in which the individual entities are active.

The capital costs used for discounting are calculated at elexis as the weighted average of equity and borrowed capital costs, whereby the underlying capital structure is determined on the basis of comparable companies from the same sector (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 measured. The pre-tax interest rates used for the discounting were 12.4 % in the High Precision Automation division (previous year: 11.5 %), 12.4 % in the High Quality Automation / “non-metal” division (previous year: 12.3 %) and 15.4 % in the High Quality Automation / “Metal” division (previous year: 15.2 %).

The goodwill impairment in the High Quality Automation/“non-metal” and “metal” divisions confirmed the book values. Within the scope of a sensitivity analysis, possible effects of changes in the growth rate or capital costs are analysed. Analyses are carried out with regard to realistic changes. With a 0.5 % lower growth rate, the recoverable amount in the High Precision Automation and High Quality Automation / “non-metal” and “metal” divisions would be in excess of the book value and there would be no impairment requirement. If average weighted capital costs as used in the impairment test increase by one percentage point, the recoverable amount in the High Precision Automation and High Quality Automation/“non-metal” and High Quality Automation/“metal” divisions would be significantly above the book value and there would be no impairment requirement. Even if both the growth rate and capital costs parameters as described above were to change, there would no impairment requirement in either division.

In the case of a marginal capital cost rate of 12.5 % after taxes the recoverable amount would, subject to a reduction of the growth rate by 0.5 %, correspond to the book value of the High Precision Automation division. For the High Quality Automation/“non-metal” division, an increase in the interest rate to 19.0 % after taxes would, subject to a reduction of the growth rate by 0.5 %, result in the recoverable amount falling to the level of the book value. For the High Quality Automation/“metal” division a marginal capital cost rate of 20.5 % 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 31 December 2011 intangible assets resulting from development projects were reported in the amount of 4.292 million euros (previous year: 2.990 million euros). In the year under review expenses from current research and development projects totalled 5.773 million euros (previous year: 7.266 million euros) and were recognised through profit or loss in the consolidated profit and loss account under production costs.

(15) Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Land, land rights and buildings	*Of which from financial leasing*	Technical equipment and machinery	*Of which from financial leasing*	Operating and office equipment	*Of which from financial leasing*	Prepay-ments and assets under construction	**Total**
Acquisition costs								
As at 01.01.2010	**24,510**	***7,772***	**13,519**	***170***	**14,436**	***2,937***	**195**	**52,660**
Additions	66	-	205	-	1,247	*141*	319	1,837
Disposials	-	-	- 92	-	-	-	-11	-103
Reclassifications	1	-	29	-	301	-	-331	-
Changes in currency exchange rates	87	-	156	-	198	-	-	441
As at 31.12.2010	**24,664**	***7,772***	**13,817**	***170***	**16,182**	***3,078***	**172**	**54,835**
Additions	308	-	1,003	-	1,000	-	77	2,388
Disposials	- 31	-	- 867	*- 170*	- 403	-	-52	- 1,353
Reclassifications	100	-	62	-	-39	-	-153	- 30
Changes in currency exchange rates	- 39	-	- 2	-	35	-	-	- 6
As at 31.12.2011	**25,002**	***7,772***	**14,013**	**-**	**16,775**	***3,078***	**44**	**55,834**
Cumulative depreciation								
As at 01.01.2010	**11,822**	***2,463***	**10,205**	***170***	**11,824**	***2,671***	**-**	**33,851**
Additions	872	*365*	584	-	1,137	*157*	-	2,593
Disposials	-	-	- 59	-	-	-	-	- 59
Reclasification	-	-	-	-	-	-	-	-
Changes in currency exchange rates	52	-	110	-	151	-	-	313
As at 31.12.2010	**12,746**	***2,828***	**10,840**	***170***	**13,112**	***2,828***	**-**	**36,698**
Additions	906	*365*	573	-	1,244	*112*	-	2,723
Disposials	- 31	-	- 862	*- 170*	- 211	-	-	- 1,104
Reclasification	- 30	-	63	-	- 63	-	-	- 30
Changes in currency exchange rates	- 9	-	- 11	-	26	-	-	6
As at 31.12.2011	**13,582**	***3,193***	**10,603**	**-**	**14,108**	***2,940***	**-**	**38,293**
Book values								
As at 31.12.2010	**11,918**	***4,944***	**2,977**	**-**	**3,070**	**250**	**172**	**18,137**
As at 31.12.2011	**11,420**	***4,579***	**3,410**	**-**	**2,667**	***138***	**44**	**17,541**

The financial leasing contract for land and buildings relates to the factory premises of BST International GmbH, Bielefeld; the contract expires in 2020. A purchase option for the building at the end of the contractual period was agreed. In addition EMG Automation GmbH has issued a rent commitment for this. Financial leasing contracts for operating and office equipment have an average remaining maturity of between one and three years. Early termination of these contracts is not possible. The agreed interest rates for leasing contracts are between 3.7 % p.a. and 6.0 % p.a. (previous year: 3.7 % p.a. and 6.0 % p.a.).

There were no projects to produce qualified assets.

As at 31 December 2011 the order commitment for property, plant and equipment totalled 202 thousand euros (previous year: 1.107 million euros).

(16) Financial holdings

Financial holdings developed as follows:

in €k	Participations	Total
Acquisitions costs		
As at 01.01.2010	**5,283**	**5,283**
As at 31.12.2010	**5,283**	**5,283**
Additions	226	226
Disposals	-21	- 21
As at 31.12.2011	**5,488**	**5,488**
Cumulative depreciation		
As at 01.01.2010	**2,500**	**2,500**
As at 31.12.2010	**2,500**	**2,500**
As at 31.12.2011	**2,500**	**2,500**
Book values		
As at 31.12.2010	**2,783**	**2,783**
As at 31.12.2011	**2,988**	**2,988**

The financial assets primarily relate to elexis beta GmbH, Wenden, with a book value of 2.236 million euros (previous year: 2.236 million euros). The additions in the financial year relate to the establishment of EMG-Lowendis GmbH, Wenden, and elexis Automation (Shanghai) Co., Ltd., Shanghai/PR China.

(17) Long-term receivables and other assets

Long-term receivables and other assets totalling 1.260 million euros (previous year: 1.654 million euros) comprise receivables from pension plan reinsurance of 0 thousand euros (previous year: 343 thousand euros), loans of 1.073 million euros (previous year: 1.142 million euros) and other assets of 187 thousand euros (previous year: 169 thousand euros). Of the loans, 50 thousand euros (previous year: 40 thousand euros) is due within 12 months, 244 thousand euros (previous year: 294 thousand euros) between 13 and 60 months and 779 thousand euros (previous year: 808 thousand euros) after 60 months.

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

(18) Inventories

Inventories are broken down as follows:

in €k	**31.12.2011**	31.12.2010
Raw materials and supplies	11,751	11,251
Work in progress	10,146	10,540
Finished goods	1,253	1,182
Prepayments on inventories	157	129
Total	**23,307**	**23,102**

Inventories with a book value of 3.603 million euros (previous year: 3.510 million euros) were subject as at 31 December 2011 to cumulative impairments of 1.117 million euros (previous year: 1.089 million euros).

(19) Long-term production contracts

Customer-specific production contracts that have not been invoiced, either in whole or in part, are recognised through profit or loss in accordance with IAS 11 using the percentage-of-completion method.

in €k	**31.12.2011** **Balance stated as assets**	31.12.2010 Balance stated as assets	**31.12.2011** **Balance stated as liabilities**	31.12.2010 Balance stated as liabilities
Costs incurred for long-term production contracts	3,446	4,514	921	856
Shares in profit /(loss)	-58	253	122	297
Subtotal	**3,388**	**4,767**	**1,043**	**1,153**
Less prepayments received	-1,653	-3,026	-2,873	-2,332
Total	**1,735**	**1,741**	**-1,830**	**-1,179**

As in the previous year, receivables and liabilities from long-term production contracts as at 31 December 2011 have a remaining maturity of less than one year.

(20) Trade receivables

As at 31 December 2011 trade receivables with a maturity in excess of one year totalled 970 thousand euros (previous year: 530 thousand euros).

Trade receivables are broken down in the following time periods:

Trade receivables	Book value in €k	Of which neither impaired nor overdue on the reporting date	Of which not impaired on the reporting date and overdue in the following periods			
			up to 3 months	from 3 to 6 months	from 6 to 12 months	over 12 months
31.12.2011	28,915	24,255	3,402	75	202	981
31.12.2010	20,999	14,872	2,371	1,066	1,947	743

Impairments of trade receivables developed as follows:

in €k	**2011**	2010
Impairments as at 01.01.	**600**	**469**
Exchange rate differences	-2	-21
Additions	236	460
Utilisation	-35	-33
Reversal	-109	-275
Impairments as at 31.12.	**690**	**600**

In addition, an expense of 233 thousand euros was incurred due to the full write-off of trade receivables (previous year: 25 thousand euros). This was seen alongside income from the collection of written-off receivables totalling 24 thousand euros (previous year: 2 thousand euros).

All expenses and income from impairments, write-offs and the collection of receivables previously written off were recognised in other operating income and expenses.

(21) Receivables from taxes on income

Receivables from taxes on income totalled 3.489 million euros as at 31 December 2011 (previous year: 247 thousand euros).

(22) Other short-term receivables and assets

Other short-term receivables and assets are broken down as follows:

in €k	**31.12.2011**	31.12.2010
Receivables from associated companies	438	554
Prepaid expenses	195	214
Receivables from employees	33	27
Receivables from taxes	12	18
Others	4,561	411
Total	**5,239**	**1,224**

No impairment was made for receivables from associated companies (previous year: 0 thousand euros). None of the financial or other receivables and assets in this item are overdue.

(23) Cash and cash equivalents

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

(24) Equity

The changes in equity are shown in the statement of changes in equity under 4.3.

As at 31 December 2011 the share capital of elexis AG totalled 23,552,000 euros divided into 9,200,000 no par value bearer shares. Each no par value share has a proportional share in the share capital of 2.56 euros.

	2011	2010
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

The Annual General Meeting on 20 May 2010 passed a resolution authorising the Management Board of elexis AG to acquire own shares of up to ten percent of the current share capital by 19 November 2015. At the same time, the same authorisation from the previous year was cancelled.

Through the resolution of the Annual General Meeting of 20 May 2010 the Management Board of elexis AG is 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 on several occasions to a maximum of 11,776,000.00 euros (authorised capital). The authorisation is subject to the approval of the Supervisory Board and is valid until 30 June 2012. This replaces the authorisation agreed on 24 June 2005 and expiring on 23 June 2010.

Capital reserves of 3.555 million euros are attributable to the premium from the capital increase of elexis AG implemented during the 1999 accounting year.

The item “retained earnings” includes the retained earnings, the profit carry forward, the result of the current year and actuarial gains and losses recognised directly in equity relating to the valuation of the provisions for pensions and the related plan assets. These are recognised directly in the item “retained earnings” after the deduction of the related deferred taxation (please refer to the explanation in Note (25) “Provisions for pensions and similar obligations”).

Other reserves include the adjustment item for currency conversion.

The cumulative amounts of the equity items “other reserves” and “retained earnings” are not recognised through profit or loss and are broken down as follows:

	Actuarial gains / (losses) from performance-related pension plans and similar obligations	Other reserves: Adjustment item for foreign currency conversion	Other reserves: Cashflow hedges	Other reserves: Total	**Total equity components recognised directly in equity**
As at 01.01.2010	**- 133**	***1,310***	**-**	**1,310**	**1,177**
Additions	- 514	*605*	-	605	**91**
Disposals	-	-	-	-	**-**
Deferred taxes	155	-	-	-	**155**
As at 31.12.2010	**- 492**	**1,915**	**-**	**1,915**	**1,423**
Additions	- 373	*378*	-	378	**5**
Disposals	-	-	-	-	**-**
Deferred taxes	123	-	-	-	**123**
As at 31.12.2011	**- 742**	***2,293***	**-**	**2,293**	**1,551**

Up to 31 December 2011 actuarial losses totalling 1.082 million euros (previous year: 709 thousand euros) were recognised in equity.

Deferred taxes attributable to the changes in value recognised directly in equity are shown in the table below:

in €k	**2011**			2010		
	Before taxes	Taxes	After Taxes	Before Taxes	Taxes	After taxes
Currency conversion differences	650	-	650	789	-	789
Other changes in shareholders' equity	-	-	-	-	-	-
Actuarial profits "+"/ losses "-" from performance-related pension plans and similar obligations	- 373	123	- 250	- 514	155	- 359
Valuation changes recognised directly in equity	**277**	**123**	**400**	**275**	**155**	**430**

Reported under transactions with shareholders in the statement of changes in equity were dividends and distributions to minority shareholders.

Additional information on capital management

The equity allocatable to the shareholders of elexis AG in the 2011 financial year by 14.1 %. The increase is the result of the current results of the Group. The increase counters the payment of dividends for 2010. Overall, despite the dividend payout, the equity ratio (not including minority interests) rose from 50.0 % as at 31 December 2010 to 50.8 % as at 31 December 2011.

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

in €k	**31.12.2011**	31.12.2010
Share in equity attributable to shareholders of the parent company	**75,507**	**66,205**
Share in total capital (in %)	77.6	76.2
- Long-term financial liabilities	11,148	6,920
- Short-term financial liabilities	10,620	13,771
Financial liabilities	**21,768**	**20,691**
Share in total capital (in %)	22.4	23.8
Total capital (equity not including minority interests + financial liabilities)	**97,275**	**86,896**

The share of equity (not including minority interests) in total capital rose in the 2011 financial year from 76.2 % to 77.6 %.

elexis AG is not subject to any obligations under the articles of association with regard to the formation of capital reserves.

(25) 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, some employees are entitled to benefits upon being granted a social security pension. There are also claims for benefits in the event of invalidity or as a surviving dependent’s pension.

Provisions for pensions and other obligations are calculated in accordance with the projected unit credit method. Future pension trends are also included in this method. The pension plan includes a reinsurance policy which is pledged to the entitled person. With the approval of the Supervisory Board, elexis-Pension-Trust e. V., Wenden was founded to establish a contractual trust agreement (CTA) on 4 July 2007. The purpose of this trust is to administer the assets for the financing of future pension payment obligations to employees of certain domestic Group companies relating to partial retirement and long-service entitlements. In the 2007 financial year the CTA was provided with cash assets in the amount of 4.000 million euros. In the past financial year a pledged reinsurance policy was allocated for the first time to the plan assets. 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 performance-related pension plans are valued 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 %	**2011**	2010	2009	2008	2007
Discount rate	5.10	5.05	5.25	5.75	5.50
Future increases in pensions	2.00	2.00	2.00	2.00	2.00
Expected yield of fund assets	5.00	5.00	5.00	5.00	5.00

The provisions for pensions and similar obligations are broken down as follows:

in €k	**31.12.2011**	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of the performance-related obligation	12,931	13,121	12,770	12,112	12,523
Fair value of the plan assets	-4,738	-4,563	-4,411	-4,309	-4,059
Provisions for pensions and similar obligations	**8,193**	**8,558**	**8,359**	**7,803**	**8,464**
Adjustment based on experience					
- Liability (pension obligation)	22	147	1	-69	276
- Plan assets (assets to cover pension obligations)	406	87	152	-46	-

The changes in the present value of the performance-based obligations in the current financial year are presented as follows:

in €k	**2011**	2010
Present value of performance-related obligations as at 01.01	**13,121**	**12,770**
Service time expense	70	86
Interest expense	641	652
Total expenses for pensions and pension-like obligations	**711**	**738**
Actuarial gains "-" and losses "+"	-49	427
Benefits paid	-852	-814
Change present value of the performance-related obligations	**-190**	**351**
Present value of performance-related obligation as at 31.12.	**12,931**	**13,121**
Of which obligations financed partially through funds	*11,704*	*11,547*
Of which obligations not financed through funds	*1,227*	*1,574*

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

in €k	**2011**	2010
Fair value of plan assets as at 01.01.	**4,563**	**4,411**
Expected income of plan assets	227	236
Actuarial gains "+"/ losses "-"	-422	-87
Employer contributions	377	3
Benefits paid	-7	-
Fair value of plan assets as at 31.12.	**4,738**	**4,563**

The actual expense of the plan assets as the balance of the expected income and actuarial gains and losses is -195 thousand euros (previous year: income of 149 thousand euros).

The expenses for pensions totalled 484 thousand euros in the 2011 financial year (previous year: 502 thousand euros).

The current service time expense is offset within the operating result. Interest expenses as well as income from the plan assets are included in the financial result. Actuarial gains and losses are recognised directly in equity under the item “retained earnings”. The expected income from the plan assets is based on the analysis of historic and expected returns and volatilities of individual parts of the portfolio of the plan assets. 8 % of the plan assets relate to fixed interest securities funds and 92 % to securities held.

For the 2012 financial year contributions of 1.000 million euros to the plan assets for pensions are expected.

Apart from performance-related plans, there are also defined contribution plans. Here the company pays contributions on the basis of statutory regulations to state-administered pension funds as well as contributions to direct insurance policies within the scope of remuneration conversion. There are no further payment obligations for the company apart from the payment of the contributions. The current payments in the amount of 3.496 million euros (previous year: 3.267 million euros) are attributable primarily to the state administered pension scheme and are included as expense of the current year in the functional areas and therefore in the operating results.

A change in the discount rate used for the calculation of +0.25 % / -0.25 % would result in a change in the obligation of -349 thousand euros / +346 thousand euros (previous year: -349 thousand euros / +367 thousand euros). Changes in the expected return of fund assets of +/- 1 % would result in a change in the fair value of the plan assets of 47 thousand euros (previous year: 46 thousand euros).

(26) Other provisions

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

in €k	**01.01.2011**	Utilisation	Reversal	Addition	Reclass-ification	Dis-count	Currency changes	**31.12.2011**
Long-term provisions								
Provisions from obligations to employees	3,106	- 34	-	81	-	- 30	-	3,123
Netting with plan assets	- 1,845	-						- 2,838
Netted obligation to employees	1,261							285
Provision for archiving expenses	249	-	- 3	-	-		-	246
Risks from restructuring and litigation	1,370	-	-	44	-		-	1,414
	2,880	**- 34**	**- 3**	**125**	**-**	**- 30**	**-**	**1,945**
Short-term provisions								
Risks from restructuring and litigation	2,680	- 2,017	- 663	-	-		-	-
Guarantee obligations	1,130	- 174	- 19	1,470	-		- 7	2,400
Rebates, bonuses, third-party commissions	34	- 14	-	368	-		- 2	386
Others	567	- 507	- 41	655	-		- 10	664
	4,411	**- 2,712**	**- 723**	**2,493**	**-**	**-**	**- 19**	**3,450**
Other provisions	**7,291**	**- 2,746**	**- 726**	**2,618**	**-**	**- 30**	**- 19**	**5,395**

The obligations to employees reported under long-term provisions relate to long-service entitlements and partial retirement obligations. The obligations of 3.123 million euros (previous year: 3.106 million euros) were offset against plan assets at elexis-Pension-Trust e. V., Wenden that were set up in 2008 and have been continually increased in the amount of 2.838 million euros (previous year: 1.845 million euros). For obligations relating to partial retirement we expect an outflow of funds in the amount of 1.343 million euros in 2012 and subsequent years (previous year: 1.345 million euros). No definite estimation is possible in respect of the outflow of funds from long-service entitlements in the amount of 1.781 million euros (previous year: 1.761 million euros). We expect that utilisation will take place within a period of 5 to 10 years.

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

in €k	**2011**	2010
Fair value of plan assets for partial retirement benefits and long-service entitlements as at 01.01.	**1,845**	**1,054**
Payments to plan assets	1,000	705
Losses/income from plan assets	- 7	86
Fair value of plan assets for partial retirement benefits and long-service entitlements as at 31.12.	**2,838**	**1,845**

The short-term risks from restructuring and litigation have been settled with payment of 1.975 million euros and settlement of the outstanding costs of the court case. The surplus provisions were released. Provisions for guarantee liabilities were made to cover identifiable individual risks.

Other provisions relate mainly to the remuneration for the Supervisory Board in the amount of 385 thousand euros (previous year: 229 thousand euros) and provisions for fees and duties of our foreign companies in the amount of 77 thousand euros (previous year: 124 thousand euros).

Expenses could be incurred as a result of decisions by the court or public authorities or from settlement agreements. Such expenses could have a significant impact on the business of the elexis Group. The provisions classified as short term will probably be utilised in the next financial year.

(27) Financial liabilities

As at 31 December 2011 financial liabilities were broken down as follows:

in €k	Maturity			**31.12.2011**
	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Bank loans	1,021	5,820	59	6,900
Bank overdraft facilities	9,140	-	-	9,140
Liabilities from financial leasing	459	1,794	3,475	5,728
Total	**10,620**	**7,614**	**3,534**	**21,768**

The maturities of financial liabilities as at 31 December 2010 were as follows:

in €k	Maturity			31.12.2010 Total
	Up to 1 year	From 1 to 5 years	More than 5 years	
Bank loans	1,042	1,018	173	2,233
Bank overdraft facilities	12,240	-	-	12,240
Liabilities from financial leasing	489	1,797	3,932	6,218
Total	**13,771**	**2,815**	**4,105**	**20,691**

Bank loans

For its domestic companies, the Group primarily has loans in euros. The agreed fixed interest rates are between 1.9 % p.a. and 5.7 % p.a. (previous year: 4.5 % p.a. and 5.7 % p.a.). Fixed interest rates between 1.7 % (Japan) and 2.1 % USA were agreed for a small number of foreign currency loans for foreign subsidiaries. In the previous year the corresponding interest rates were between 1.6 % p.a. and 2.1 % p.a. The domestic Group companies did not take out any foreign currency loans. Foreign currency loans of the foreign companies are converted using the exchange rate on the balance sheet date.

The loans are recognised with their repayment amount. In the 2011 financial year short-term overdrafts were converted into long and medium-term loans. As at 31 December 2011 credit lines totalled 42.360 million euros (previous year: 38.804 million euros), of which 16.039 million euros (previous year: 14.473 million euros) were utilised by loans and bank overdraft facilities and 9.378 million euros (previous year: 8.261 million euros) by guarantees/sureties.

Collateral

Bank liabilities were secured as at the balance sheet date by a pledge of assets in the amount of 118 thousand euros (previous year: 0 thousand euros).

Financial leasing

In the future the following minimum leasing payments will be due in connection with financial leasing contracts:

in €k	**31.12.2011**	31.12.2010
Due within 1 year	650	694
Due within 1 to 5 years	2,387	2,458
Due after 5 years	5,425	6,003
Total of minimum lease payments	**8,462**	**9,155**
Less interest portion	-2,734	-2,938
Present value of liabilities from financial leasing	**5,728**	**6,217**

The interest paid on the liabilities from financial leasing is between 3.7 % and 6.0 % p.a. (previous year: 3.7 % and 6.0 % p.a.).

(28) Tax liabilities

Tax liabilities from taxes on income comprises provisions and tax liabilities broken down as follows:

in €k	**01.01.2011**	Utilisation	Reversal	Addition	Currency changes	**31.12.2011**
Provisions for taxes on income	135	-135	-	1,566	5	1,571
Liabilities for taxes on income						1,266
Total	**135**					**2,837**

(29) Trade payables

This item includes liabilities to third parties for goods and deliveries. Of the trade payables, 15 thousand euros (previous year: 26 thousand euros) is due after more than one year.

(30) Other liabilities

Other liabilities are broken down as follows:

in €k	**31.12.2011**	31.12.2010
Liabilities from PSV (German pension insurance association) contribution	38	55
Other liabilities - long-term	**38**	**55**
Prepayments received	5,924	4,457
Liabilities to employees	5,080	4,208
Liabilities from taxes	2,267	2,077
Liabilities from commission obligations	1,985	1,826
Liabilities to associated companies	957	663
Obligations from unpaid invoices and commissioning services	579	388
Liabilities relating to social security	327	306
Audit fees	190	168
Other	129	393
Other liabilities - short-term	**17,438**	**14,486**
Total	**17,476**	**14,541**

The other liabilities are all due within one year.

Notes to the consolidated cash flow statement

(31) Other non-cash effects

Other non-cash effects in the amount of 2.736 million euros primarily relate to changes due the release of or allocation to provisions. The change in receivables and other short-term assets comprises prepayments for the acquisition of a holding.

Liquid assets includes only short-term cash and cash equivalents, which as liquid financial investments can be transformed at any time into definite cash amounts and are subject to minor fluctuation risks only.

(32) Financial instruments

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

2011			Financial instruments valuation			
in €k	Measurement category in accordance with IAS 39 *)	Book value 31.12.2011	At amortised cost	Fair value through profit or loss	In accordance with IAS 17 (financial leasing) / hedging as own category	Not financial instruments in terms of IAS 32/39
Assets						
Shareholdings	AfS	2,988	2,988	-	-	-
Long-term receivables and other assets	LaR	1,260	1,260	-	-	-
Receivables from long-term production contracts	LaR	1,735	1,735	-	-	-
Trade receivables	LaR	28,915	28,915	-	-	-
Other short-term receivables and other assets		6,241	-	-	-	-
	- LaR	-	1,199	-	-	-
	- n. a.	-	-	-	-	5,042
Cash and cash equivalents	LaR	33,668	33,668	-	-	-
		74,807	**69,765**	**-**	**-**	**5,042**
Liabilities						
Financial liabilities (banks)	FLAC	16,040	16,040	-	-	-
Financial liabilities (financial leasing)	n. a.	5,728	-	-	5,728	-
Liabilities from long-term production contracts	FLAC	1,830	1,830	-	-	-
Trade payables	FLAC	10,012	10,012	-	-	-
Other liabilities		17,438	-	-	-	-
	- FLAC	-	2,902	-	-	-
	- n. a.	-	-	-	-	14,536
		51,048	**30,784**	**-**	**5,728**	**14,536**

2010 in €k	Measurement category in accordance with IAS 39 *)	Book value 31.12.2010	Financial instruments valuation At amortised cost	Fair value through profit or loss	In accordance with IAS 17 / financial leasing) / hedging as own category	Not financial instruments in terms of IAS 32/39
Assets						
Shareholdings	AfS	2,783	2,783	-	-	-
Long-term receivables and other assets	LaR	1,654	1,654	-	-	-
Receivables from long-term production contracts	LaR	1,741	1,741	-	-	-
Trade receivables	LaR	20,999	20,999	-	-	-
Other short-term receivables and other assets		1,224	-	-	-	-
	- LaR	-	895	-	-	-
	- HfT	-	-	70	-	-
	- n. a.	-	-	-	-	259
Cash and cash equivalents	LaR	31,694	31,694	-	-	-
		60,095	**59,766**	**70**	**-**	**259**
Liabilities						
Financial liabilities (banks)	FLAC	14,473	14,473	-	-	-
Financial liabilities (financial leasing)	n. a.	6,218	-	-	6,218	-
Liabilities from long-term production contracts	FLAC	1,179	1,179	-	-	-
Trade payables	FLAC	9,798	9,798	-	-	-
Other liabilities		14,486				
	- FLAC	-	3,744	-	-	-
	- n. a.	-	-	-	-	10,742
		46,154	**29,194**	**-**	**6,218**	**10,742**

*) Categories of financial instruments: AFS (available for sale), LAR (loans and receivables), FLAC (financial liabilities measured at amortised cost), HFT (held for trading), N.A. (not financial instruments, valuation carried out in accordance with other regulations)

The book values of cash and cash equivalents, trade receivables, receivables and liabilities from long-term production contracts, other receivables, trade payables and other liabilities correspond to their fair values due to their predominantly short-term nature. The fair value of financial liabilities to banks as at 31 2011 totalled 16.292 million euros (previous year: 14.556 million euros). As at 31 December 2011 the fair value for financial liabilities from financial leasing contracts was 6.022 million euros (previous year: 6.036 million euros). Fair values were determined as the present value of future outflow of funds, discounted at a current interest rate at the balance sheet date taking into account the corresponding remaining maturity of the liability and the credit rating of elexis AG.

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

2011			From subsequent valuation				
in €k	**From interest**	**Income from shareholdings**	At fair value	Currency conversion	Impairments	**From disposal**	**Net result 2011**
Loans and receivables	516	-	-	35	-127	-193	231
Financial liabilities valued at amortised cost	-756	-	-	-	-	-	- 756
Financial receivables / liabilities valued at fair value through profit or loss	-	-	-	-	-	-	-
Total	**- 240**	**-**	**-**	**35**	**- 127**	**- 193**	**- 525**

2010			From subsequent valuation				
in €k	**From interest**	**Income from shareholdings**	At fair value	Currency conversion	Impairments	**From disposal**	**Net result 2010**
Loans and receivables	859	-	-	215	-185	-23	866
Financial liabilities valued at amortised cost	- 1,180	-	-	-	-	-	- 1,180
Financial receivables / liabilities valued at fair value through profit or loss	-	-	- 82	-	-	-	- 82
Total	**- 321**	**-**	**- 82**	**215**	**- 185**	**- 23**	**- 396**

Financial liabilities under “other financial liabilities” incurred interest expenses totalling -756 thousand euros (previous year: -1.180 thousand euros). These are seen alongside income from financial assets of the category “loans and receivables” in the amount of 516 thousand euros (previous year: 859 thousand euros). No income was earned from derivative financial instruments under the category “held for trading” in the year under review (previous year: expense of 82 thousand euros). In the previous year this expense was recognised under other operating expenses.

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

The financial instruments of the elexis Group are subject to risks relating to default, interest changes and currency which might have an impact on the asset, financial and earnings position. Due to the broad distribution of sales over regions, customers and currencies, there is no concentration of risk.

Default risk

There is a risk relating to credit rating and default if business partners do not meet their obligations in connection with financial instruments, thereby incurring a loss of assets. The maximum default risk with regard to trade receivables is limited to the excess for commercial credit insurance which is 30 %. In order to minimise the default risk we subject our customers to a credit rating test and operate active debtor management.

For other financial assets the default risk equates approximately 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 at fixed interest rates. Only bank overdrafts are subject to variable interest.

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

According to IFRS 7 interest rate risks are measured 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, where relevant, equity. In this respect it is assumed that a hypothetical change in the interest rate effects only financial instruments subject to variable rates of interest. No financial instruments valued at amortised cost with fixed rates of interest are exposed to the risk of changes in the interest rate in accordance with IFRS 7.

If the interest rate on the balance sheet date had been one percent higher or lower, the result would have differed by 82 thousand euros in either direction (previous year: 55 thousand euros). The sensitivity analysis does not apply to equity.

Currency risk

Owing to its international activities, the elexis Group is exposed to currency risks relating to investments and operating activities. These risks are systematically analysed in accordance with Group-wide guidelines. The analysis includes existing as well as expected foreign currency exposure over the next 12 months. Cash flow-neutral foreign currency risks resulting from the conversion of the financial statements of foreign subsidiaries are not included in foreign currency exposure. Hedging requirements are determined with the agreement of the Management Board on the basis of this analysis.

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

Use of forward exchange transactions

The Group uses financial derivatives to a very small extent in order to minimise the effects of exchange rate fluctuations on payment flows. Price changes in connection with these transactions have an impact on the result of the elexis Group and on the fair value of these derivative financial instruments. In the event that the transaction partner does not meets its obligations relating to these financial instruments, the elexis Group bears the replacement risk. All financial derivatives are limited to the economic hedging of the operating business. They are subject to constant monitoring as specified in the Management Board guidelines.

At the end of the year there were no forward exchange transactions. At the end of the previous year the volume of forward exchange transactions in the portfolio was 0 thousand euros. This was reported in the balance sheet under other short-term assets.

Hedge accounting

IFRS 7 requires an analysis of currency risks with regard to financial instruments of a monetary nature whose denomination is not the functional currency. Differences from the conversion of financial statements into the Group currency are not taken into account.

All monetary instruments (liquid assets, receivables, interest-bearing certificates, interest-bearing debts, liabilities from financial leasing, non-interest-bearing liabilities) in currencies other than the functional currency of the company concerned are therefore taken into account in the sensitivity analysis. The foreign currency exposure thus determined is the basis for calculations. The balance of financial instruments as at 31 December is assumed to be representative of the full year.

A devaluation / revaluation of the euro versus the US dollar by 10 % would have resulted in an increase / decrease in the result by 211 thousand euros (previous year: 240 thousand euros).

Maturity analysis

The liquidity risk to which the Group is exposed through financial instruments comprises obligations from future interest and redemption payments for financial liabilities and the liquidity risk from derivative financial instruments. The liquidity risk is controlled and monitored by management. Apart from monthly cash flow reporting, a cash flow plan is regularly drawn up, 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:

	31.12.2011			31.12.2010		
in €k	Financial liabilities	Trade payables / liabilities from long-term production contracts	Other financial liabilities	Financial liabilities	Trade payables / liabilities from long-term production contracts	Other financial liabilities
Outflow of funds within						
3 months	**9,545**	**9,828**	**3,954**	**9,269**	**10,729**	**3,385**
- from repayment	9,453	9,828	3,954	9,134	10,729	3,385
- from interest	92	-	-	135	-	-
More than 3 but less than 6 months	**467**	**184**	**214**	**3,561**	**134**	**207**
- from repayment	380	184	214	3,413	134	207
- from interest	87	-	-	148	-	-
More than 6 but less than 12 months	**920**	**-**	**-**	**1,306**	**95**	**119**
- from repayment	760	-	-	1,149	95	119
- from interest	160	-	-	157	-	-
More than 12 but less than 60 months	**8,789**	**-**	**-**	**3,674**	**19**	**33**
- from repayment	7,641	-	-	2,890	19	33
- from interest	1,148	-	-	784	-	-
More than 60 months	**5,485**	**-**	**-**	**6,183**	**-**	**-**
- from repayment	3,534	-	-	4,105	-	-
- from interest	1,951	-	-	2,078	-	-
Total	**25,206**	**10,012**	**4,168**	**23,993**	**10,977**	**3,744**
- from repayment	21,768	10,012	4,168	20,691	10,977	3,744
- from interest	3,438	-	-	3,302	-	-

The amount stated under outflow of funds from the redemption of financial liabilities within three months also includes 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 (Related party disclosures), related parties can be considered to be members of the Management Board, the Supervisory Board, their close family members, non-consolidated subsidiaries and the companies of the SIEMAG Weiss Group. In addition, elexis-Pension-Trust e. V., Wenden, is also considered to be a related party. Its purpose is to act as the trustee administrator of assets for the financing of obligations relating to pension payments, benefits and long service working entitlements to employees of certain domestic subsidiaries. With regard to transactions undertaken during the accounting year, please refer to Note (26) Provisions for pensions and similar obligations.

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

In the 2011 financial year sales totalling 1.289 million euros were realised with the Group's non-consolidated companies (previous year: 1.092 million euros). These transactions were carried out under market conditions. The subsidiaries are mainly engaged in sales and service activities and are paid in part through commission payments.

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

	Receivables of the Group from affiliated companies as at		Liabilities of the Group to affiliated companies as at		Sales of the Group with affiliated companies	
in €k	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**2011**	2009
elexis beta GmbH	-	16	33	18	-	-
elexis Automation (Shanghai) Co., Ltd., China	-	-	5	-	-	-
BST France S.A.R.L., France	29	30	246	215	83	56
BST Italia S. r. l., Italy	142	116	541	369	459	199
BST Sayona Automations Private Ltd., India	237	352	34	15	742	776
EMG Automation India Private Ltd., India	30	40	98	46	5	61
EMG-Lowendis GmbH	-	-	-	-	-	-
Total associated companies	**438**	**554**	**957**	**663**	**1,289**	**1,092**
Companies of Group SIEMAG Weiss	216	-	154	-	2,216	-
Total affiliated companies	**654**	**554**	**1,111**	**663**	**3,505**	**1,092**

Since 19 July 2011 SMS GmbH has held a majority holding in elexis. Sales totalling 2.216 million euros were achieved with the companies of the SIEMAG Weiss Group in this period. As at 31 December 2011 there are receivables from and liabilities to the SIEMAG Weiss Group total 216 thousand euros and 154 thousand euros respectively.

Remuneration of the Management Board and the Supervisory Board

The remuneration of the members of the Management Board and the Supervisory Board in the 2011 financial year is broken down as follows:

in €k	Fixed	Bonus	Gross remuneration	Other payment in kind*	Total
2011	540	297	837	99	936
2010	518	205	723	92	815

* Use of company car, insurance contributions

The amounts indicated represent compensation for activity as members of the Management Board of elexis AG and activities in the general management of the subsidiaries.

Management Board contracts do not include further remuneration components such as: pension schemes, pension claims, payments from third parties and affiliated companies of the Group, assumption of office payments, equity-based compensation models (e.g. share options), change of control clauses and, other payments in kind etc. In the event of a premature termination of membership on the Management Board by the Supervisory Board, its members will receive a severance payment worth no more than two full years' pay and no more than the amount corresponding to the remaining time on their contract.

The provision for current pensions and entitlements to pensions made for a previous member of the Management Board and his survivors totalled 64,000 euros as at 31 December 2011 (previous year: 339,000 euros). The reduction in the provision is the result of the first-time offset of this obligation with the reinsurance policy pledged in the year under review.

The remuneration of the Supervisory Board was set by the Annual General Meeting and is governed in § 15 of the articles of association of elexis AG. In accordance with this regulation the Supervisory Board was paid a total remuneration of 384 thousand euros in the past financial year (previous year: 229 thousand euros). Of this, 227 thousand euros (previous year: 229 thousand euros) related to fixed components and 157 thousand euros (previous year: 0 thousand euros) to variable components. The two employee representatives on the Supervisory Board of elexis AG, who are both employed by the elexis Group, receive in addition to their Supervisory Board remuneration, standard monthly remuneration set in accordance with ERA collective remuneration agreement.

The remuneration of the Supervisory Board is due for payment following after the Annual General Meeting, which has to decide on the appropriation of profit for the past financial year.

An explanation of the remuneration system and the individual-related disclosures are given in the remuneration report as part of the Corporate Governance report. The remuneration report is an integral part of the management report.

(34) Other financial obligations/contingent liabilities

Payment obligations result from operating lease contracts with the following maturities:

in €k	**31.12.2011**	31.12.2010
Within one year	953	1,203
Between two and five years	1,742	500
After five years	576	-
Total	**3,271**	**1,703**

In the 2011 financial year 1.771 million euros (previous year: 1.409 million euros) was spent on lease agreements. The lease agreements primarily relate to contracts for the leasing of other operating and office equipment. The increase in payment obligations compared to the previous year is due to the extension of a property lease agreement. There were no payment obligations relating to launched investment projects (previous year: 0 thousand euros).

In addition to this, sureties and a guarantee for real estate lease payments totalling 7.790 million euros (previous year: 8.267 million euros) were issued by the Group.

(35) Significant events after the balance sheet date

The elexis Group acquired on 17 January 2012 for a purchase price of 3.800 million euros all of the shares in betacontrol GmbH & Co. KG, Freudenberg, a company specialising in the development and distribution of systems for layer thickness and surface weight measurement.

The acquired net assets and goodwill are calculated as follows:

	(in k €)	**2012**
	Purchase price	
	Total purchase price	3,812
	Costs directly attributable to the acquisition (expense)	12
	Payment made	3,800
-	Fair value of the net assets acquired	-3,233
	Goodwill	**567**

The resulting goodwill is attributable to the strong market position and high development expertise of betacontrol GmbH & Co. KG in the market for layer thickness and surface weight measurement.

The provisional calculation of the acquired assets and liabilities is as follows:

in k€	Buchwerte unmittelbar vor Unternehmenszusammenschluss	**Fair value at the time of acquisition**
Assets and liabilities acquired		
Long-term assets		**3,440**
Other intangible assets		1,558
Property, plant and equipment		82
Land		717
Buildings		1,083
Short-term assets		**1,362**
Inventories		598
Trade receivables		581
Other short-term receivables and assets		20
Cash and cah equivalents		163
Total assets		**4,802**
Long-term liabilities		**788**
Deferred taxes		788
Short-term liabilities		**781**
Other short-term provisions		196
Overdraft liabilitites		368
Trade payables		147
Other liabilities		69
Total liabilities		**1,569**
Net assets acquired		**3,233**
Goodwill		**567**
Fair value of the consideration		**3,800**

Additional disclosures in accordance with the German Commercial Code, the German Stock Corporation Act and voluntary disclosures

(36) Shareholdings

elexis AG, Wenden

Presentation of the shareholdings in accordance with § 313 para. 2 of the German Commercial Code (HGB) as at 31 December 2011

elexis Group, Wenden

Presentation of scope of consolidation as at December 31, 2011
(IFRS-Values)

	Name, registered office	Share in capital %	Held by	Equity (T€)	Result (T€) 1)
Parent Company					
	elexis AG, Wenden				
Affiliated companies					
	Germany				
1.	BST International GmbH, Bielefeld	100	2.		
2.	EMG Automation GmbH, Wenden	100			
3.	HEKUMA GmbH, Eching	100	2.		
4.	P2T Protagon Process Technologies GmbH, Rengsdorf	51	2.		
	International				
5.	BST International (Shanghai) Co., Ltd., Shanghai/VR China	100	1.		
6.	BST Japan Ltd., Osaka/Japan	100	1. (67 %), 2. (33 %)		
7.	BST PRO MARK Inc., Elmhurst/USA	100	1. (51 %), 9. (49 %)		
8.	EMG Automation (Beijing) Ltd., Beijing/VR China	51	2.		
9.	EMG USA Inc., Warren/USA	100	2.		
10.	EMH Eletromecânica e Hidraulica Ltda., Belo Horizonte/Brasilien	100	2.		
Shareholdings					
	Germany				
11.	elexis beta GmbH, Wenden	100		438	16
12.	EMG-Lowendis GmbH, Wenden	51	2.	46	-4
13.	ELOTHERM GmbH, Remscheid (in administration)				
	International				
14.	elexis Automation (Shanghai) Co., Ltd., Shanghai/ VR China ³)	100			
15.	BST France S.A.R.L., Verrieres Le Buisson/Frankreich	100	1.	113	45
16.	BST Italia S.r.l., Saronno/Italien	100	1.	167	52
17.	BST Sayona Automations Private Ltd., Mumbai/Indien 2)	51	11. (mittelbar)	1,482	264
18.	EMG Automation India Private Ltd., Mumbai/Indien 2)	76	2. (51 %), 17. (49 %)	269	133

1) before profit and loss transfer

2) Financial statement as at March 31, 2011

³) Foundation of the company End of the year 2011. No financial statement available.

Data for the affiliated companies relates to the accounting year ending on 31 December 2011. Figures relating to foreign subsidiaries are converted to euro at the rate on the balance sheet date (equity) and at the annual average rate (for the result).

Application of § 264 para. 3 of the German Commercial Code (HGB)

EMG Automation GmbH, Wenden, has not prepared a management report and notes in accordance with § 264 para. 3 of the HGB. BST International GmbH, Bielefeld and Hekuma GmbH, Eching, have not prepared a management report in accordance with § 264 para. 3 of the German Commercial Code (HGB). All of the companies mentioned have not published annual financial statements documents referred to in § 325 of the 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 31 December were:

	2011 Number	2010 **Number**
Management Board	-	7,999
Supervisory Board	-	155,196
Total	**-**	**163,195**

Included in the shareholding in the previous year were 126,319 shares in Intec Beteiligungsgesellschaft mbH, Bad Homburg; the voting rights were assigned to the former chairman of the Supervisory Board Dr. Dirk Wolfertz, Bad Homburg, as the sole shareholder of Intec Beteiligungsgesellschaft mbH.

(38) Shareholdings in the share capital of elexis AG

As a result of its voluntary public takeover bid for shares in elexis AG and acquisition outside the bid, SMS GmbH has achieved a stake in the share capital of elexis AG of 90.92 %.

In accordance with § 21 para. 1 clause 1 of the Securities Trading Act (WpHG), the following shareholding thresholds must be disclosed: 3, 5, 10, 15, 20, 25, 30, 50 and 75 %. We received the following information in the 2011 financial year with regard to attaining, exceeding or falling below these thresholds.

- Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 3 May 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 5 % of the voting rights on 2 May 2011 and now amounted on this day to 3.63 % (334000 voting shares).

- LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 5 May 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 5 % of the voting rights on 2 May 2011 and now amounted on this day to 3.63 % (334000 voting shares). 3.63 % of the voting rights (334000 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 6 of the WpHG by Baden-Württembergische Versorgungsanstalt für Ärzte, Zahn- und Tierärzte, Gartenstraße 63, 72074 Tübingen.

- Union Investment Privatfonds GmbH, 60329 Frankfurt, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 6 May 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 3 % of the voting rights on 5 May 2011 and now amounted on this day to 3.26 % (299586 voting rights).

- Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 10 May 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 3 % of the voting rights on 9 May 2011 and now amounted on this day to 2.87 % (264000 voting shares).

- LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 12 May 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 3 % of the voting rights on 2 May 2011 and now amounted on this day to 3.63 % (264000 voting shares). 2.87 % of the voting rights (264000 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 6 of the WpHG.

- SMS GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 % of the voting rights on 28 June 2011 and now amounted on this day to 3.48 % (319852 voting rights).

- SMS Holding GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 29 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 % of the voting rights on 28 June 2011 and now amounted on this day to 3.48 % (319852 voting rights). 3.48 % of the voting rights (319852 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS GmbH, Germany.

- Siemag Weiss GmbH & Co. KG, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 29 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 % of the voting rights on 28 June 2011 and now amounted on this day to 3.48 % (319852 voting rights). 3.48 % of the voting rights (319852 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS Holding GmbH and SMS GmbH, Germany.

- Siemag Weiss Verwaltungs GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 29 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: WKN: 508500, had exceeded the threshold of 3 % of the voting rights on 28 June 2011 and now amounted on this day to 3.48 % (319852 voting rights). 3.48 % of the voting rights (319852 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH, Germany.

- Bernhard Weiss-Stiftung, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 29 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 % of the voting rights on 28 June 2011 and now amounted on this day to 3.48 % (319852 voting rights). 3.48 % of the voting rights (319852 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss Verwaltungs GmbH, Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH, Germany.

- Sterling Strategic Value Limited, British Virgin Islands, informed us in accordance with § 21 para. 1 of the WpHG on 27 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 15 % of the voting rights on 24 June 2011 and now amounted on this day to 15.0152 % (1,381,402 voting rights). Of this, 0.0092 % (850 voting rights) is assigned to it in accordance with § 22 para. 2 of the WpHG.

- Mr. Sebastian Reppegather, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 29 June 2011 that his share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 15 % of the voting rights on 24 June 2011 and now amounted on this day to 15.0152 % (1,381,402 voting rights). Of this, 15.0147 % (1381352 voting rights) is assigned to him in accordance with § 22 para. 2 of the WpHG, by among others Sterling Strategic Value Limited, British Virgin Islands, a shareholder with a share in the voting rights of elexis AG of 3 % or more.

- Mr. Massimo Pedrazzini, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 29 June 2011 that his share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 15 % of the voting rights on 24 June 2011 and now amounted on this day to 15.0152 % (1,381,402 voting rights). Of this, 0.0087 % (800 voting rights) is assigned to him in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG. Furthermore, 15.0152 % (1381402 voting rights) is assigned to him in accordance with § 22 para. 2 of the WpHG, by among others Sterling Strategic Value Limited, British Virgin Islands, a shareholder with a share in the voting rights of elexis AG of 3 % or more.

- Gritlot Limited, Isle of Man, informed us in accordance with § 21 para. 1 of the WpHG on 27 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 15 % of the voting rights on 24 June 2011 and now amounted on this day to 15.0152 % (1,381,402 voting rights). Of this, 15.0060 % (1380552 voting rights) is assigned to it in accordance with § 22 para. 1 no. 1 of the WpHG, by among others Sterling Strategic Value Limited, British Virgin Islands, a shareholder with a share in the voting rights of elexis AG of 3 % or more. Furthermore, 0.0092 % (850 voting rights) is assigned to it in accordance with § 22 para. 2 of the WpHG.

- MP ADVISORS SA, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 29 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 15 % of the voting rights on 24 June 2011 and now amounted on this day to 15.0152 % (1,381,402 voting rights). Of this, 15.0065 % (1380602 voting rights) is assigned to it in accordance with § 22 para. 2 of the WpHG, by among others Sterling Strategic Value Limited, British Virgin Islands, a shareholder with a share in the voting rights of elexis AG of 3 % or more.

- Mr. Tito Tettamanti, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 27 June 2011 that his share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 15 % of the voting rights on 24 June 2011 and now amounted on this day to 15.0152 % (1,381,402 voting rights). Of this, 15.0060 % (1380552 voting rights) is assigned to him in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG. These assigned voting rights are held by the following companies that are controlled by him and whose share in the voting rights of elexis AG is 3 % or more: Gritlot Limited; Isle of Man; Sterling Strategic Value Limited, British Virgin Islands. Furthermore, 0.0092 % (850 voting rights) is assigned to him in accordance with § 22 para. 2 of the WpHG.

- First Eagle Investment Management, LLC, New York, USA, informed us in accordance with § 21 para. 1 of the WpHG on 30 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 % of the voting rights on 29 June 2011 and now amounted on this day to 3.92 % (361039 voting rights). 3.92 % of the voting rights (361039 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 6 of the WpHG.

- Arnhold and S. Bleichroeder Holdings, Inc., New York, USA, informed us in accordance with § 21 para. 1 of the WpHG on 30 June 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 % of the voting rights on 29 June 2011 and now amounted on this day to 3.92 % (361039 voting rights). 3.92 % of the voting rights (361039 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 6 of the WpHG and § 22 para. 1, clause 2 of the WpHG by First Eagle Investment Management, LLC, New York, USA.

- Mr. Tito Tettamanti, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that his share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 15 % 10 %, 5 % and 3 % of the voting rights on 7 July 2011 and now amounted on this day to 0.8572 % (78859 voting rights). Of this, 0.8479 % of the voting rights (78009 voting rights) are assigned to him in accordance with § 22 para. 1, clause 1, no. 1 of the WpHG and 0.0092 % of the voting rights (850 voting rights) are assigned to him in accordance with § 22 para. 2 of the WpHG.

- Mr. Sebastian Reppegather, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 8 July that his share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 15 % 10 %, 5 % and 3 % of the voting rights on 7 July 2011 and now amounted on this day to 0.8572 % (78859 voting rights). Of this, 0.8566 % of the voting rights (78809 voting rights) are assigned to him in accordance with § 22 para. 2 of the WpHG.

- Mr. Massimo Pedrazzini, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that his share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 15 % 10 %, 5 % and 3 % of the voting rights on 7 July 2011 and now amounted on this day to 0.8572 % (78859 voting rights). Of this, 0.0087 % of the voting rights (800 voting rights) are assigned to him in accordance with § 22 para. 1, clause 1, no. 1 of the WpHG and 0.8572 % of the voting rights (78859 voting rights) are assigned to him in accordance with § 22 para. 2 of the WpHG.

- MP ADVISORS SA, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 15 %, 10 %, 5 % and 3 % of the voting rights on 7 July 2011 and now amounted on this day to 0.8572 % (78859 voting rights). Of this, 0.8485 % of the voting rights (78059 voting rights) are assigned to him in accordance with § 22 para. 2 of the WpHG.

- Sterling Strategic Value Limited, British Virgin Islands, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 15 %, 10 %, 5 % and 3 % of the voting rights on 7 July 2011 and now amounted on this day to 0.8572 % (78859 voting rights). Of this, 0.0092 % of the voting rights (850 voting rights) are assigned to him in accordance with § 22 para. 2 of the WpHG.

- Gritlot Limited, Isle of Man, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 15 %, 10 %, 5 % and 3 % of the voting rights on 7 July 2011 and now amounted on this day to 0.8572 % (78859 voting rights). Of this, 0.8479 % of the voting rights (78009 voting rights) are assigned to it in accordance with § 22 para. 1, clause 1, no. 1 of the WpHG and 0.0092 % of the voting rights (850 voting rights) are assigned to it in accordance with § 22 para. 2 of the WpHG.

- SMS GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 % of the voting rights on 7 July 2011 and now amounted on this day to 18.76 % (1725751 voting rights).

- Bernhard Weiss-Stiftung, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 5 %, 10 % and 15 % of the voting rights on 7 July 2011 and now amounted on this day to 18.76 % (1725751 voting rights). 18.76 % of the voting rights (1725751 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss Verwaltungs GmbH, Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH.

- Siemag Weiss Verwaltungs GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 5 %, 10 % and 15 % of the voting rights on 7 July 2011 and now amounted on this day to 18.76 % (1725751 voting rights). 18.76 % of the voting rights (1725751 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH.

- Siemag Weiss GmbH & Co. KG, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 5 %, 10 % and 15 % of the voting rights on 7 July 2011 and now amounted on this day to 18.76 % (1725751 voting rights). 18.76 % of the voting rights (1725751 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS Holding GmbH and SMS GmbH.

- SMS Holding GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 8 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 5 %, 10 % and 15 % of the voting rights on 7 July 2011 and now amounted on this day to 18.76 % (1725751 voting rights). 18.76 % of the voting rights (1725751 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS GmbH.

- MP ADVISORS SA, Massagno, Switzerland, informed us in accordance with § 21 para. 1 of the WpHG on 11 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had exceeded the threshold of 3 %, 5 %, 10 % and 15 % of the voting rights on 24 June 2011 and now amounted on this day to 15.0152 % (1,381,402 voting rights). Of this, 15.0065 % (1380602 voting rights) is assigned to it in accordance with § 22 para. 2 of the WpHG, by among others Sterling Strategic Value Limited, British Virgin Islands, a shareholder with a share in the voting rights of elexis AG of 3 % or more.

- First Eagle Investment Management, LLC, New York, USA, informed us in accordance with § 21 para. 1 of the WpHG on 11 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 3 % of the voting rights on 8 July 2011 and now amounted on this day to 0 % (0 voting rights).

- Arnhold and S. Bleichroeder Holdings, Inc., New York, USA, informed us in accordance with § 21 para. 1 of the WpHG on 11 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, ISIN: DE0005085005, SID: 508500, had fallen below the threshold of 3 % of the voting rights on 8 July 2011 and now amounted on this day to 0 % (0 voting rights).

- Siemag Weiss GmbH & Co. KG, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 14 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 20 % and 25 % of the voting rights on 12 July 2011 and now amounted on this day to 28.83 % (2652290 voting rights). 28.83 % of the voting rights (2652290 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS Holding GmbH and SMS GmbH.

- SMS GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 14 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 20 % and 25 % of the voting rights on 12 July 2011 and now amounted on this day to 28.83 % (2652290 voting rights).

- SMS GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 14 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany,

- had exceeded the threshold of 20 % and 25 % of the voting rights on 12 July 2011 and now amounted on this day to 28.83 % (2652290 voting rights). 28.83 % of the voting rights (2652290 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS GmbH.

- Siemag Weiss Verwaltungs GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 14 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 20 % and 25 % of the voting rights on 12 July 2011 and now amounted on this day to 28.83 % (2652290 voting rights). 28.83 % of the voting rights (2652290 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH.

- Bernhard Weiss-Stiftung, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 14 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 20 % and 25 % of the voting rights on 12 July 2011 and now amounted on this day to 28.83 % (2652290 voting rights). 28.83 % of the voting rights (2652290 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss Verwaltungs GmbH, Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH.

- Sterling Strategic Value Limited, British Virgin Islands, Gritlot Limited, Isle of Man, MP Advisors SA, Switzerland, Mr. Tito Tettamanti, Switzerland, Mr. Massimo Pedrazzini, Switzerland, and Mr. Sebastian Reppegather, Switzerland, informed elexis AG, Wenden, on 27 June 2011 and 29 June 2011 (including the correction notification of 11 July 2011) that their respective share in the voting rights of elexis AG had exceeded the threshold of 15 % and in respect of the share in the voting rights of MP Advisors SA, Mr. Massimo Pedrazzini and Mr. Sebastian Reppegather had additionally exceeded the thresholds of 3 %, 5 % and 10 % and in each case amounted to 15.0152 % (1,381,402 voting rights). For the rest, the correspondence of 27 June 2011, 29 June 2011 and 11 July 2011 is referred to, in particular with regard to the assignment of voting rights in accordance with § 22 of the WpHG (cf. announcements by elexis AG on 1 July 2011, 4 July 2011 and 13 July 2011).

- Sterling Strategic Value Limited, Gritlot Limited, MP Advisors SA, Mr. Tito Tettamanti, Mr. Massimo Pedrazzini and Mr. Sebastian Reppegather furthermore each informed elexis AG on 8 July 2011 that their respective share in the voting rights of elexis AG had fallen below the thresholds of 15 %, 10 %, 5 % and 3 % and in each case amounted on this day to 0.8572 % (cf. announcements by elexis AG on 11 July 2011).
  In respect of the shareholding in elexis AG which has now been disposed of, the notifying parties inform in accordance with § 27a of the WpHG the following:

  1. The investment was solely for the purpose of realising trading profits.

  2. Acquisition of further voting rights in the next 12 months is possible if, in the view of the notifying parties, trading profits can be realised by such an acquisition.

  3. The intention was to have their own representative elected to the Supervisory Board or to claim a position on the Supervisory Board in order to be able to actively exert an influence on the strategic alignment of elexis AG.

4. The intention was to actively influence the dividend policy to the effect that this would be consistent with the dividend payments of the past. There was no intention to bring about a significant change to the capital structure of elexis AG, in particular with regard to the relationship between equity and borrowed finance.

5. Own funds were used to acquire the voting rights in elexis AG.

- The above-mentioned goals no longer applied following the sale of the shareholding to SMS GmbH at a price above the original offer price, which resulted in a change in the offer and therefore appeared to benefit all of elexis AG's shareholders.

- SMS GmbH, Düsseldorf, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 19 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 30 %, 50 % and 75 % of the voting rights on 19 July 2011 and now amounted on this day to 84.46 % (7770299 voting rights).

- SMS Holding GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 19 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 30 % and 50 % of the voting rights on 19 July 2011 and now amounted on this day to 84.46 % (7770299 voting rights). 84.46 % of the voting rights (7770299 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS GmbH.

- Siemag Weiss GmbH & Co. KG, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 19 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 30 %, 50 % and 75 % of the voting rights on 19 July 2011 and now amounted on this day to 84.46 % (7770299 voting rights). 84.46 % of the voting rights (7770299 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by SMS Holding GmbH and SMS GmbH.

- Siemag Weiss Verwaltungs GmbH, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 19 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 30 %, 50 % and 75 % of the voting rights on 19 July 2011 and now amounted on this day to 84.46 % (7770299 voting rights). 84.46 % of the voting rights (7770299 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH.

- Bernhard Weiss-Stiftung, Hilchenbach, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 19 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had exceeded the threshold of 30 %, 50 % and 75 % of the voting rights on 19 July 2011 and now amounted on this day to 84.46 % (7770299 voting rights). 84.46 % of the voting rights (7770299 voting rights) are assigned to the company in accordance with § 22 para. 1 clause 1 no. 1 of the WpHG by Siemag Weiss Verwaltungs GmbH, Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH.

- DWS Investment GmbH, Frankfurt, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 27 July 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 5 % and 3 % of the voting rights on 21 July 2011 and now amounted on this day to 0 % (0 voting rights).

- L. Possehl & Co. mbH, Lübeck, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 3 August 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 15 %, 10 %, 5 % and 3 % of the voting rights on 19 July 2011 and now amounted on this day to 0 % (0 voting rights).

- Possehl-Stiftung, Lübeck, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 3 August 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 15 %, 10 %, 5 % and 3 % of the voting rights on 19 July 2011 and now amounted on this day to 0 % (0 voting rights).

- Union Investment Privatfonds GmbH, Frankfurt, Germany, informed us in accordance with § 21 para. 1 of the WpHG on 14 September 2011 that its share in the voting rights of elexis AG, Wenden, Germany, had fallen below the threshold of 3 % of the voting rights on 20 July 2011 and now amounted on this day to 0 % (0 voting rights).

The individual details of the announcements of the above-mentioned shareholders and/or the companies controlled by them, with additional announcements on allocation levels of voting rights in elexis AG are published in the company register and may be inspected there in accordance with the Securities Trading Act (WpHG).
As at the balance sheet date of 31 December 2011, or by the time these financial statements were prepared, the following announcements were made in accordance with the WpHG concerning reportable shareholdings in the share capital of elexis AG:

Investor	Shareholding at date of an-nouncement:	Announcement of:
Bernhard Weiss-Stiftung via Siemag Weiss Vewaltungs GmbH, Siemag Weiss GmbH & Co. KG, SMS Holding GmbH and SMS GmbH	88.95 %	4 August 2011

(39) Management Board

Composition of the Management Board in the year under review:

Siegfried Koepp (Dipl. Ing.), Mühltal (Chairman)

Edgar Michael Schäfer, Wilnsdorf

(40) Supervisory Board

The Supervisory Board of elexis AG was composed as follows during the 2011 accounting year:

Eckhard Schulte, Hilchenbach (Chairman) (since 1. September 2011)	Member of the Board of Directors SMS GmbH
Karl Heinz Gorgas, Mammern/Schweiz	Management Consultant
Ulrich M. Harnacke, Mönchengladbach (since 1. September 2011)	Auditor
Georg Keppeler, Olpe (Deputy Chairman)	Trade union secretary (employee representative)
Stefan Köster, Olpe	Chairman of the employees´ council (employee representative)
Klaus Kramer, Bielefeld	Foreman, Electrotecnology (employee representative)
Willi B. Loose, Tervuren/Belgien	Investment banker
Dr. Kay Mayland, Rösrath (since 1. September 2011)	Management Consultant
Dr. Joachim Schönbeck, Krefeld (since 1. September 2011)	Member of the Board of Directors SMS GmbH
Dieter Schulze, Pfaffing (until 31. August 2011)	Management Consultant
Klaus Schulze, Eschborn (until 31. August 2011)	Portfolio manager
Prof. Dr. Michael Wackenhuth, Weilheim/Teck (until 31. August 2011)	Lawyer
Dr. Dirk Wolfertz, Bad Homburg (Chairman until 31. August 2011)	Managing Shareholder of Intec Beteiligungsgesellschaft mbH, Bad Homburg

As a consequence of SMS GmbH’s acquisition of the majority shareholding, Dr. Dirk Wolfertz (Chairman), Mr. Dieter Schulze, Mr. Klaus Schulze and Prof. Michael Wackenhuth resigned from their positions on the Supervisory Board with effect of 31 August 2011.

The District Court of Siegen appointed Mr. Ulrich Harnacke, Dr. Kay Mayland, Dr. Joachim Schönbeck and Mr. Eckhard Schulte as new members of the Supervisory Board with effect of 1 September 2011. Dr. Schönbeck and Mr Schulte are members of the Management Board of SMS GmbH. Dr. Mayland was a member of the Management Board SMS GmbH at the time he took up his position on the Supervisory Board. Mr. Ulrich Harnacke is an auditor and independent financial expert in terms of § 100 para. 5 of the German Stock Corporation Act.

The Supervisory Board elected Mr. Eckhard Schulte as Chairman at its meeting on 23 September 2011. Mr Harnacke was appointed a member of the Audit Committee and Dr. Schönbeck joined the Nomination Committee.

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:

Member of the Supervisory Board	Other supervisory board mandates
Eckhard Schulte (since 1 September 2011)	SMS Meer GmbH
Karl Heinz Gorgas	Harms & Wende Beteiligungs GmbH Harms & Wende QST GmbH PROCON PAS Elektronik GmbH
Georg Keppeler	Treuhandverwaltung IGEMET GmbH Chairman of the Board of Directors of AOK NordWest Member of the Supervisory Board of AOK Bundesverbandes GbR
Willi B. Loose	Icafin SA, Brussels/Belgium
Dr. Kay Mayland (since 1 September 2011)	SMS Siemag AG Demag Cranes und Components GmbH
Dr. Joachim Schönbeck (since 1 September 2011)	SMS Siemag AG SMS Concast AG, Zurich/Switzerland (President)
Dieter Schulze (until 31 August 2011)	MS “E. R. Amsterdam” Schiffahrtsgesellschaft mbH & Co. KG
Prof. Dr. Michael Wackenhuth (until 31 August 2011)	Horst Mosolf GmbH & Co. KG, Internationale Spedition MAI MOSOLF Automotive Industries AG (Chairman)
Dr. Dirk Wolfertz (until 31 August 2011)	Nucletron Electronic AG (Chairman)

(41) Declaration in accordance with § 161 German Stock Corporation Act (AktG)

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

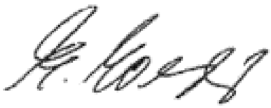
(42) Audit fees

Fees of 363 thousand euros (previous year: 197 thousand euros) paid to the auditors of the consolidated financial statements in the 2011 financial year in accordance with IDW HFA 1.006 are reported under operating expenses.

in €k	**31.12.2011**	31.12.2010
Audit fees	177	169
Fees for tax consulting	162	0
Fees for other services	24	28
Total	**363**	**197**

Wenden, 20 March 2012

elexis AG, The Management Board



Siegfried Koepp

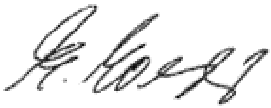
Edgar M. Schäfer

5. Responsibility statement by the Management Board

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position of the Group, and the Group management report represents a fair view 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, 20 March 2012

elexis AG, The Management Board



Siegfried Koepp

Edgar M. Schäfer

6. Auditor's report

We have audited the consolidated financial statements prepared by elexis AG, comprising the balance sheet, the consolidated profit and loss account, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the Group management report of elexis AG, which is combined with the management report of the company, for the financial year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRS as adopted by the EU, the applicable commercial law regulations in accordance with § 315 a para. 1 of the German Commercial Code (HGB) and the supplementary provisions of the articles of association are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code 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 asset, financial and earnings position in the consolidated financial statements in accordance with the applicable accounting regulations 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 when determining the audit activities. 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 scope of the audit. The audit comprises assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in the consolidated group of companies, the accounting and consolidation principles used and significant estimates made by the 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 assessment.

Our audit has not led to any reservations.

Siegen, 21 March 2012

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Maic Kunz
Auditor	Auditor

7. elexis AG: Annual financial statements as at 31 December 2011 (prepared in accordance with the HGB)

Profit and loss account of elexis AG for the periods 1 January 2011 to 31 December 2011 and 1 January 2010 to 31 December 2010

in €k	**2011**	2010
1. General administrative expenses	3,544	2,293
2. Other operating income	1,922	927
3. Other operating expenses	139	809
4. Income from profit and loss transfer agreements	3,800	10,474
5. Other interest and similar income	623	679
6. Interest and other expenses	95	115
7. Result from operating activities	**2,567**	**8,863**
8. Extraordinary income	-	396
9. Extraordinary expenses	-	124
10. Extraordinary profit	**-**	**272**
11. Taxes on income	323	-3,139
12. Net income	**2,890**	**5,996**

The extraordinary result of the 2010 financial year is due to the transitional regulations of the German Accounting Law Modernisation Act (BilMoG). The extraordinary income relates to deferred tax assets. The extraordinary expenses comprise deferred tax liabilities in the amount of 39 thousand euros and expenses relating to the reassessment of pension provisions in the amount of 85 thousand euros. There were no such items in the 2011 financial year.

Balance sheet of elexis AG as at 31 December 2011 and 31 December 2010

Assets	31.12.2011 €k	31.12.2010 €k
A. Fixed assets	**61,668**	**62,134**
I. Financial assets		
1. Shares in affiliated companies	59,501	59,301
2. Loans to affiliated companies	2,167	2,833
B. Current assets	**14,951**	**18,809**
I. Receivables and other assets	14,453	18,574
1. Receivables from affiliated companies	11,550	18,152
2. Other assets	2,903	422
II. Cash and bank balances	498	235
C. Prepaid expenses	**7**	**2**
D. Deffered tax assets	**39**	**28**
Total assets	**76,665**	**80,973**

Liabilities	31.12.2011 €k	31.12.2010 €k
A. Shareholders' equity	**74,136**	**74,650**
I. Capital subscribed	23,552	23,552
II. Capital reserve	3,555	3,555
III. Other retained earnings	44,139	41,547
IV. Net income for the financial year	2,890	5,996
B. Provisions	**2,207**	**4,996**
1. Provisions for pensions	61	334
2. Provisions for taxes	0	115
3. Other provisions	2,146	4,547
C. Liabilities	**320**	**1,325**
1. Trade payables	5	133
2. Liabilities to affiliated companies	6	324
3. Other liabilities	309	868
D. Deffered tax assets	**2**	**2**
Total liabilities	**76,665**	**80,973**

Wenden, 20 March 2012

The Management Board

The full annual financial statements of elexis AG (including the notes) as well as the Group management report with the combined management report, which has been given an unqualified opinion by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, is published in the electronic Bundesanzeiger. elexis AG is listed in the Commercial Register at the District Court of Siegen under HRB 7549. The financial statements can be requested from elexis AG, Industriestraße 1, 57482 Wenden.

Please note that due to rounded amounts and percentages, differences could arise in the tables and summaries shown.

8. Definition of indicators used / financial glossary

Ratio of equity to fixed assets	= (Equity + Long-term liabilities without deferred taxes) / Fixed assets
Gross margin	= Gross profit / Sales
CAPEX (Capital expenditure)	= Expenditure on investments incl. financial leasing / Depreciation and amortisation on property, plant and equipment and intangible assets
Debtor days	= Trade receivables / Sales x 360
Average capital invested	= (Fixed assets + working capital at beginning of year + fixed assets + working capital at end of year) / 2
Equity ratio	= Equity / Balance sheet total
Return on equity	= Net income / Equity (Net income and equity after the deduction of minority interests)
Investment ratio	= Investments not including leasing / Depreciation on property, plant and equipment and intangible assets
Net liquidity (cash and cash equivalents)	= Cash and cash equivalents + Securities – Overdraft liabilities
Material ratio	= Cost of materials / Sales
Personnel ratio	= Personnel expenses / Sales
Inventory turnover	= Inventories / Sales x 360
Cost of sales ratio	= Cost of sales / Sales
Administrative expenses ratio	= Administrative expenses / Sales
ROCE (Return on capital employed)	= EBIT/Average invested capital
Working capital	= Current assets (not including cash) – short term liabilities
BST	= BST International GmbH, High Quality Automation division
EMG	= EMG Automation GmbH, High Quality Automation division
HEKUMA	= HEKUMA GmbH, High Precision Automation division
Protagon	= P2T Protagon Process Technologies GmbH, High Quality Automation division

9. Company calendar

Release Annual Report 2011	March 30, 2012
Interim Financial Report 1-3/2012	May 2012
Annual General Meeting	May 16, 2012
Half Year Report 2012	August 2012
Interim Financial Report 1-9/2012	November 2012
German Equity Forum	November 2012

Impressum

Apart from the employees of elexis AG, the following helped to prepare this annual report:

Text, conception, layout and composition : CROSSALLIANCE communication GmbH, Gräfelfing

Photos: elexis AG

elexis AG
Industriestraße 1
57482 Wenden
Germany

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

info@elexis.de
www.elexis.de

elexis

vision for automation