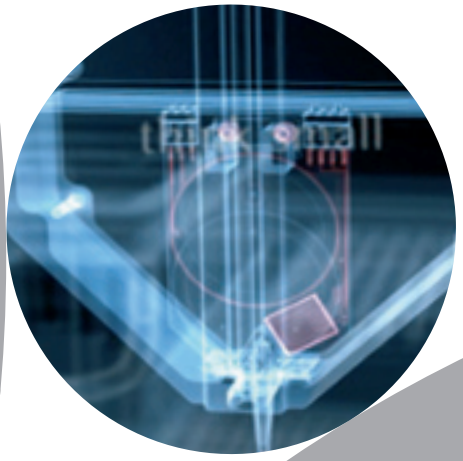
Annual Report 2005



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KEY FINANCIALS

		2000 US-GAAP	2001 US-GAAP	2002 US-GAAP	2003 IFRS	2004 IFRS	2005 IFRS	Change in %
Total net sales	EUR '000	258,397	289,235	297,325	270,058	286,517	**320,889**	12.0
North America	%	61.6	58.5	55.4	50.8	51.7	**54.4**	
Western Europe	%	28.6	31.2	30.7	34.7	32.5	**30.6**	
Asia/Pacific	%	7.9	7.7	11.4	11.8	12.8	**11.6**	
Other regions	%	1.9	2.6	2.6	2.7	3.0	**3.4**	
EBIT	EUR '000	24,686	28,851	36,063	36,908	40,118	**50,405**	25.6
EBIT margin	%	9.6	10.0	12.1	13.7	14.0	**15.7**	
Net income	EUR '000	8,592	13,582	22,440	22,268	24,388	**31,183**	27.9
Cash flow	EUR '000	21,806	29,215	37,874	37,762	39,452	**31,986**	–18.9
Equity ratio	%	34.2	48.5	52.5	49.0	49.6	**49.0**	
Total assets	EUR '000	209,855	248,153	252,972	237,560	254,525	**296,704**	16.6
R&D expenses	EUR '000	13,675	16,758	20,122	19,651	19,529	**20,976**	7.4
Capital expenditure	EUR '000	14,142	17,298	13,549	14,688	18,963	**19,289**	1.7
Earnings per share	EUR	0.17	0.25	0.41	0.41	0.45	**0.58**	28.9
Number of employees, annual average		1,497	1,568	1,624	1,725	1,748	**1,804**	3.2

Eppendorf is a global leader in the provision of specialized plastic products and devices for the entire work process of international life sciences research and industry. Eppendorf products such as tubes, pipettes and centrifuges set industry standards.

Klaus Fink

CEO and Chairman of the Board

In fiscal 2005, we celebrated the 60th anniversary of Eppendorf AG. These years were characterized by dynamic developments and far-reaching changes. A small workshop has grown into an internationally recognized group of companies that is now a driving force in the market and stands out from its many competitors in terms of experience, innovative strength, net asset value and broad product range.

Fiscal 2005 was an eventful, formative year. We continued to work on a future-oriented setup of our structures and realized considerable productivity gains in our competence centers. To achieve an even stronger focus on the core competencies of instrument manufacturing and pipetting technology, the Instruments and Liquid Handling segments at our Hamburg location were split into new, stand-alone entities. In the U.S., production of plastics consumables commenced at our new plant, Eppendorf Manufacturing Corp. in Enfield, Connecticut. The new site offers closer proximity to the large American market, improved logistics and less financial risk from exchange rate fluctuations. We were able to largely offset the relocation-induced capacity gap at the Oldenburg plant through growth.

Sales activities in the U.S. were managed by the newly created Eppendorf North America company, which is now responsible for the marketing and sales of all Eppendorf products in this region. At the beginning of the current fiscal year we sold our marketing company Brinkmann Instruments, whose portfolio focuses on other manufacturers' products.

Partnerships and collaborations are key elements of our growth strategy. At the end of fiscal 2005, we forged a strategic alliance with the Dutch company Qiagen N.V. for co-development and co-marketing purposes. In our respective markets, our two brands are considered to be the strongest in the industry, and together we address the core sample-preparation processes in the laboratory. To optimize our cooperation, we have sold our U.S. subsidiary Eppendorf-5 Prime Inc., which is based in Boulder, Colorado, to Qiagen.

We are convinced that this alliance will enable us to increase the value of Eppendorf products in life-science research and thus decisively shape the future of the market for “enabling tools” – a market that is developing rapidly and requires new standards. Key aspects are safety-of-use, integration and reliability.

We are continuously strengthening our global market presence through proactive research and development. In 2005, we developed and launched a wide variety of new products into the market. They include new instruments for real-time PCR, which has evolved from a rather experimental technique to an established technology in most molecular biology laboratories. A license agreement with the U.S.-based Applied Biosystems Group (ABI) allows our customers to access this innovative technology. In addition, we introduced a number of new microcentrifuges in the year under review, which set new standards as regard to versatility and ease of operation. We are also generating additional growth with our extended family of epMotion Workstations for liquid handling, PCR, nucleic acid purification and other applications.

The expansion of our resources and structures has been accompanied by a noticeable recovery in the global biotechnology industry – the interim period of consolidation seems to be over. We held our ground well against the competition, and again we grew at an above-average rate. Developments in the individual regions presented a varied picture: the U.S. market continued to be the growth driver, with high gains throughout the entire year; we also recorded sustained growth in markets throughout Europe as well as in Central and South America; in China, we are confident that our continued investments in new distribution structures will bring about favorable sales gains in the near future.

The Eppendorf Group's sales expanded by 12 percent to € 320.9 million. With an increase of more than 25 percent, earnings reached a record level of € 50.4 million (EBIT). This corresponds to an EBIT margin of 15.7 percent. The expiration of our long-term currency hedge and the disposal of the 5-Prime reagents business played a role in this context. After adjustment for these effects, the company increased its income from operations by about 20 percent. Since the close of the fiscal year under review, the Eppendorf Group has witnessed a further strengthening of its financial basis.

It remains important for our future to largely offset currency fluctuations in the markets by balancing our cost and revenue structures. The new plant in the U.S. is a key component of our ongoing adjustment measures, as are the preparatory activities in Asia with respect to procurement and production.

Our traditional markets are showing growth stimuli, and our development and product strategies are geared to market trends. We expect our product drive, including new manual pipetting devices, centrifuges and PCR systems, to provide additional momentum for 2006.

Our confidence rests on many pillars. In the final analysis, however, it is based on the trust in the people who comprise our organization. They shape Eppendorf's face in the world. I would like to take this opportunity to express my thanks and appreciation to all our employees as it is their performance, commitment and professional dedication that forms the foundation on which our success is built. I also wish to thank our customers, business partners and shareholders as their trust is our daily motivation.

Yours truly

Klaus Fink

62, CEO and Chairman of the Board,
Master of Business and Engineering
Joined Eppendorf in 1989

Detmar Ammermann

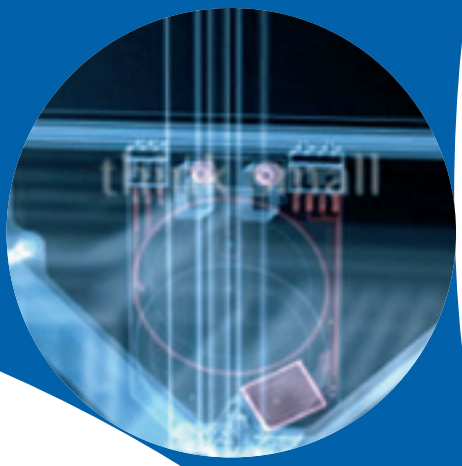
48, Board Member, Chief Financial Officer,
Master of Business Administration
Joined Eppendorf in 1992

Dr. Michael Schroeder

56, Board Member, Chief Marketing & Sales Officer,
Master of Agricultural Biology, Ph. D.
Joined Eppendorf in 1988

Dr. Heinz Gerhard Köhn

57, Board Member, Chief Technology & Production Offcer,
Master of Chemistry, Ph. D.
Joined Eppendorf in 1999



Competence Centers

Production and Development

- **Eppendorf Liquid Handling GmbH,**
  Hamburg/Germany
- **Eppendorf Instrumente GmbH,**
  Hamburg/Germany
- **Eppendorf Polymere GmbH,**
  Oldenburg in Holstein/Germany
- **Eppendorf Zentrifugen GmbH,**
  Leipzig/Germany
- **Eppendorf Array Technologies S.A.,**
  Namur/Belgium
- **Eppendorf Manufacturing Corp.,**
  Connecticut/USA

Sales Subsidiaries

Europe

- **Eppendorf Vertrieb Deutschland GmbH,** Cologne/Germany
- **Eppendorf UK Ltd.,** Cambridge/UK
- **Eppendorf Nordic ApS,** Copenhagen/Denmark
- **Eppendorf France S.A.R.L.,** Paris/France
- **Eppendorf s.r.l.,** Milan/Italy
- **Eppendorf Ibérica S.L.,** Madrid/Spain
- **Marketing Office,** Vienna/Austria

Americas

- **Eppendorf North America, Inc.,** New York/USA
- **Brinkmann Instruments, Inc.,** New York/USA
- **Brinkmann Instruments (Canada) Ltd.,** Toronto/Canada
- **USA Scientific, Inc.,** Ocala/USA
- **Eppendorf do Brasil Ltda.,** São Paulo/Brazil

Asia/Pacific

- **Eppendorf Co., Ltd.,** Tokyo/Japan
- **Eppendorf South Pacific Pty. Ltd.,** Sydney/Australia
- **Eppendorf China Ltd.,** Hong Kong/China
- **Eppendorf Biotechnology International Trade (Shanghai) Company Ltd.,** Shanghai/China
- **Eppendorf India Ltd.,** Chennai/India
- **Marketing Office,** Kuala Lumpur/Malaysia

“Biotechnology is a key technology for the 21st century”

Prof. Konrad Beyreuther, Prof. Cornelius Knabbe, Prof. Frieder W. Scheller, Prof. Rolf D. Schmid, Scientific Advisory Committee of Eppendorf AG

Biotechnology is one of the most pivotal technologies for the future. It is playing an increasingly important role in medicine, agriculture, environmental protection, food production – even in the generation of energy and chemical products.

High expectations are held for biomedicine. Our hopes focus on more comprehensive diagnostic methods and new therapies, frequently based on genetically engineered active substances naturally occurring in the human body, such as insulin for the treatment of diabetes. Industrially produced active substances that originate from our own immune systems are already being used to fight viruses, alleviate autoimmune diseases and treat tumors. The replacement of diseased by healthy genetic material by means of “genetic therapy” is being researched just as intensively as the replacement of diseased functional modules by bionic prostheses. At the same time, the progress made in “red biotechnology” is forcing us to think about fundamental questions concerning the way in which we should treat human life: one example is embryonic stem cell research, another is the idea that one day we will be able to predict a person’s health by analyzing their genes.

In agriculture, biotechnological and genetic-engineering methods are making it possible to reduce harvest shortfalls, e.g., by inserting mechanisms for natural protection against plant viruses, and improve the quality of agricultural produce. One example of such “green biotechnology” is “golden rice”: thanks to genetic engineering, it has a high content of vitamin A, which helps improve eyesight in children. Development of healthy food products in nutritional research is also benefiting from state-of-the-art genome, proteome and metabolite research.

Against the background of dwindling energy and raw material reserves, the chemical industry is discovering the need for more sustainable production methods by means of which thousands of chemical products are

derived from renewable raw materials such as wood, starch and plant oil rather then petroleum. The first "biorefineries" have already commenced operation, producing not only environmentally friendly chemical products, but also fuels such as ethanol and biodiesel. Environmental protection is also an integral part of this "white biotechnology" – be it through biological sewage treatment technology or assessment of competing processes in order to reduce the burden on the environment to a minimum.

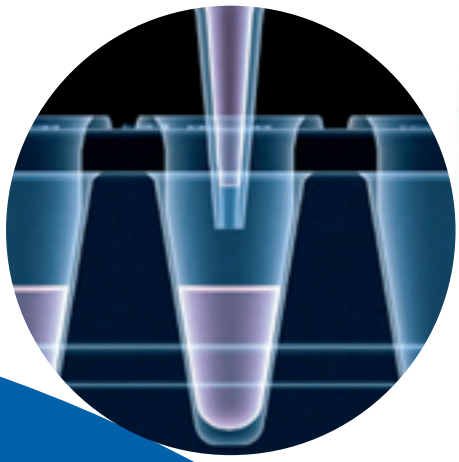
All around the world, in the thousands of research and diagnostics laboratories that are investigating these issues, Eppendorf products have made a good name for themselves – both as trend setters for new work methods and as reliable tools in routine laboratory work.

The Scientific Advisory Committee of Eppendorf AG is proud of its contributions in guiding these product developments in an era that has been characterized by constant and dramatic technological developments.

60 Years of Eppendorf

Eppendorf's path from repair workshop for medical devices to leading global supplier of biotechnology systems and research tools is paved with milestones. For 60 years, the company has continually provided innovative products for the life sciences originating from a philosophy aimed at relieving the distress and suffering of mankind, in May 1945, Dr. Heinrich Netheler and Dr. Hans Hinz – a scientist and an engineer – decided to dedicate themselves to medical technology. Dr. Netheler's drafts from that year show that the principles of radar technology can also be used for medical diagnostics. However, Netheler and Hinz did not pursue this technology, known as ultrasound diagnostics today. On August 7, 1945, they founded Eppendorf Gerätebau Netheler & Hinz, the nucleus of today's Eppendorf AG, on the site of the Hamburg University Hospital. In close cooperation with researchers and scientists from the medical and natural science disciplines, new devices and technologies – considered to be milestones at the time – were developed and they have been continually enhanced, even today they are considered the standard tools for medical diagnostics and molecular biology research. The company has always been a "pioneer" in its markets: Eppendorf invented the piston-stroke pipette, the glass tube, used for dispensing and transferring tiny quantities of liquids, is still an integral part of laboratories all over the world today. The Eppendorf microliter system, consisting of a pipette – the legendary "Eppendorf Tube" – a centrifuge and a thermomixer, set a new standard in laboratories worldwide. Photometers, automated pipetting systems, cell injectors and thermocyclers have continued to set standards until this very day.

Eppendorf's development during the past 15 years has been shaped by two fundamental strategic decisions: firstly, concentration on laboratory products and systems for the life sciences industry with a focus on biotechnology; and secondly, evolving from a largely regionally oriented enterprise into a globally operating corporate group. Today, Eppendorf generates more than 90 percent of its sales in international markets.



China is a major user of gene sequencing and gene analysis. The government subsidizes biotechnological research through clearly targeted, massive investments and economic incentives. Funding priority is given to projects in biomedicine, agricultural biotechnology, and white biotechnology.

China is a booming region for biotechnology due to its policy-makers commitment to life science research as well as its high level of subsidies and economic growth. At present, the same investment volume can fund six times as many development projects in China than in Europe or the United States.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"The Chinese market has a promising future market with enticing prospects."

Dr. Erich Mueller, Sales Manager
Molecular Technologies, Shanghai

China – A Booming Region for Biotechnology

In the last few years, China has gained significant ground in international scientific comparisons. The country's research capacities are extensive and permit almost every research approach. At present, there are about 200 major research centers that employ more than 20,000 individuals. Biotechnology is considered key to China's future. Policy-makers have realized the importance of this research area and they are promoting it fervently. Biotechnology research mainly focuses on biomedicine. Beijing has proclaimed its goal to be improving the population's health and identifying and combating hereditary diseases. In addition, green biotechnology (plants and animals) and environmental research are benefiting from large grants. In some research areas, in particular in genomics, China has reached a high, internationally competitive stage of development. In fact, China has contributed significantly to the international Human Genome Project, which it joined in 1998 with its large sequencing centers in Beijing and Shanghai.

The tremendous efforts being made by China's bioresearch sector are reflected in their soaring number of patents and their important contributions to renowned international journals.

Recognizing China's growing economy and potential, Eppendorf gained its first foothold in the Chinese market by opening a marketing office in Shanghai in 2003. In January 2005, Eppendorf China was established as a stand-alone sales organization, whose primary task is to set up a powerful sales network and analyze this market. Eppendorf China now has offices in Beijing, Guangzhou and Shanghai employing a total of 70 staff members who oversee sales, processing, applications and service.

We see our substantial structural investments in China as long-term projects. As one of the world's leading biotechnology companies, we want to tap the potential of this dynamic growth market and gain a position in China that is commensurate with our standing in the global market. We remain committed to our ambitious targets, despite the fact that business in China fell short of expectations in fiscal 2005. Our investments in sales and marketing structures are poised for creating a significant increase in demand for Eppendorf products and services in the current fiscal year. The development of this huge market requires patience.

All companies that are actively pursuing this market realize that China's path to global economic power is a rocky one: China needs foreign countries in order to further develop its economy; foreign countries look to China as a market and production location. Of the world's 500 largest corporations, 450 have invested in China. Some 60 percent of China's exports can be traced back to foreign companies that have relocated their production facilities to the Middle Kingdom. China offers foreign investors low wages, capable people and the prospect of tremendous domestic demand momentum.

Investors face innumerable pitfalls. When big-ticket, multi-billion orders are involved, China seizes the opportunity to shape market entry to suit its own requirements. One of the most important decisions in a company's commitment to China involves the staffing of jobs in management as well as research, production, sales and administration. The difficult Asian environment resulting from cultural differences requires highly trained and loyal employees who are familiar with the Asian world and its mentality and who can successfully motivate and manage within this framework.

The possibilities offered by the life-sciences industry and the resultant expectations placed in it are growing. Requirements with respect to accuracy and reliability of research results are increasing steadily, and the speed is accelerating as well, driven by miniaturization and automation. The research community needs new processes, for which suitable tools and instruments must be made available.

Biochips are the focus of miniaturization and automation aimed at handling exponentially growing research volumes. Innovative technologies are facilitating the individualization of science and research.

"Systems technology uses biochips as cell models."

Prof. José Remacle, Managing Director
Eppendorf Array Technologies, Namur, Belgium

Insights into Cell Behavior

How does a cell function? A cell works like a complex, integrated and strictly regulated system. So far, researchers can analyze one or several components of the cell, a number of cellular regulators such as proteins, genes, transcriptional factors and cytokines, and regulatory enzymes, such as kinases.

The new trend in biological research focuses on both the analysis of a large number of cell components and their various types in order to examine their mutual relationships and distill these findings into an overall view of all interactions within a cell. In a third step, researchers attempt to gain insight into the way in which cell components influence each other. With tools such as biochips, also known as microarrays, systems biology strives to gain a picture of the interactions between the individual cell components and predict the results of specific effects.

The predictions made by systems biology are valuable for identifying target molecules, which play a key role in cell reactions to pathological situations, and help pinpoint them as potential targets for pharmaceutical research. It is not too difficult to obtain a list of the genes or proteins whose quantities change in a pathological situation. A much more daunting task is to identify the key elements responsible for pathological behavior. This is one of the goals pursued by the systems biology approach.

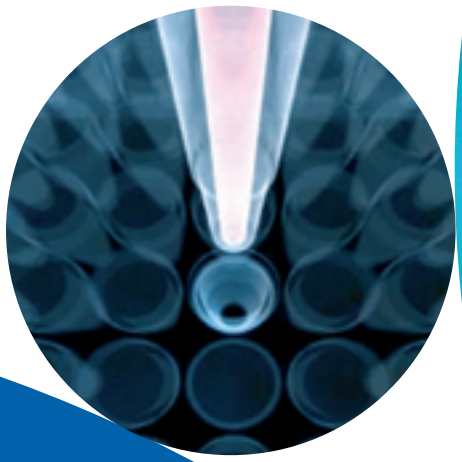
Microarrays are an ideal tool for the analysis of numerous proteins, genes, transcriptional factors and cytokines. The various pieces of information researchers are looking for are contained in a single array. Microarrays for the analysis of gene expression and transcriptional factors are already available. Microarrays for cytokines and miRNA are in preparation. A distinguishing feature of Eppendorf microarrays is the fact that they permit data from various regulatory levels to be combined on a single technological platform.

It is difficult to predict what implications microarray-based research will have for systems biology. Researchers dream of gaining as comprehensive a view as possible of a cell's behavior. This development is still in its infancy, and it will take years or even

decades until we reach our goal, because living cells are so complex. However, we will learn more and more about their key pathways and control processes. Systems biology will not only help us develop new drugs, but also give us insights in the symptomatics of chronic illnesses that modern medical treatments can alleviate only to a limited extent. These illnesses are characterized by slow and repeated changes in a number of tissues; the most critical ones affect the brain and the arteries. We believe that the approaches employed by systems biology will give us a better understanding of these chronic processes and allow us to gain more insight into how we can counteract the development of such irreversible damage.

Innovation Prize for Eppendorf

Eppendorf AG has been conferred the Frost & Sullivan "Technology Innovation Award 2005" in recognition of its achievements in biotechnology. In its laudatory comments, Frost & Sullivan, a consulting firm partnering with companies worldwide in the development of innovative strategies, points out that, with the DualChip Microarray technology, the company has successfully launched products for drug development and clinical research. The excellent quality and optimum hybridization conditions of the DualChip Microarray technology permit efficient gene expression studies. This platform is a trailblazer for future application possibilities in diagnostics and characterized by extraordinarily high result reproducibility. Apart from quality, the principle behind DualChip products is maximum ease of use. This helps to simplify initial use of array technology considerably, and users achieve good results faster. Use of such technology in drug development and clinical research applications will now also be accessible to scientists who have so far avoided such experiments because of their complexity.



Modern biotechnology has aroused great hopes, in particular in the field of human medicine. The draft DNA sequence of the human genome suggests that there are far fewer genes than had been assumed. Against this background, the functional analysis of genes and proteins is becoming increasingly important.

Biotechnology plays a key role in anti-cancer therapy. We know that in many cases cancer is a genetically induced disease, and one of the genetic mechanisms behind this disease is the loss of DNA repair genes and an ensuing loss of growth control.

Microarrays

"Microarrays" is a collective term for state-of-the-art molecular biology analytical systems that permit concurrent analysis of up to several thousand individual detection points in small quantities of biological samples. There are various forms of microarrays, which are sometimes also called "genetic chips" or "biochips" because they may contain enormous amounts of information in extremely small spaces – just like computer chips.

Biochips – Simply to the Point

The term "biochip" is derived from computer technology. Biochips are designed to realize scientists' vision of replicating as many functions of the living cell in the smallest possible space using microbiological reactions. They resemble microscopic slides and permit a wide variety of experiments. When the probe spots arranged on a biochip in a grid pattern react – or fail to react – with a substance, numerous questions can be answered and reproducible results ensured at the same time. Use of microarrays permits concurrent experimentation, saving considerable time and minimizing misinterpretations.

Eppendorf makes a major contribution to the equipment of microarray laboratories. At Eppendorf Array Technologies (EAT), our competence center in Namur (Belgium), we develop biochips as standard tools for biotechnology researchers. We offer users not only the actual microarrays, but also an entire system of peripheral equipment for safe, rapid and reproducible work processes. This not only includes a dedicated thermomixer for hybridization, but also a scanner and dedicated evaluation software. The goal is to map numerous functions and mechanisms of the three-dimensional cell in a two-dimensional model in order to understand its functions.

Examples of Eppendorf DualChips

DualChip Human General:

This biochip contains 202 key genes for the most important reaction cascades within the human organism. It can be used for screening experiments, providing a general overview of the entire organism. This is particularly helpful when scientists do not yet know which genes are involved in certain experimental questions.

DualChip Human Aging:

This biochip contains 240 genes that are specific to aging processes in cells, with a particular focus on skin aging. It permits the detection of aging processes in cells and their relevance with regard to certain long-term effects of stress factors, such as UV rays or alcohol.

DualChip Hepato Series (2):

These microarrays were designed for toxicology screening experiments in humans and rats. They contain 149 genes relevant for rats and 151 genes relevant for humans from the field of liver metabolism. They save time and money in the early stages of drug development in particular, because they permit effective testing of the efficacy or side-effects of drug candidates.

DualChip Rat GPCR:

This microarray contains 68 genes and it facilitates representation of G-protein-coupled receptors for various diseases, including Parkinson's and schizophrenia. G-protein-coupled receptors are the most important targets in pharmaceutical research: they are targeted by the efficacy of approximately 50 percent of all drugs.

DualChip Human Breast Cancer:

With 223 breast cancer markers, this DualChip is suitable for the classification of various types of breast cancer. It is an ideal tool for the development of new strategies in individualized breast cancer treatment.

DualChip Cancer Series (2):

These biochips represent 276 mice genes and 294 human genes and they permit the classification of various cancer types and stages. They are used in many areas of cancer research, allowing researchers to draw conclusions about carcinogenic substances or drug efficacy.

DualChip Human RNAi Side-Effect:

This array ensures that the side-effects of RNAi molecules, such as proliferation, differentiation or apoptosis, can be identified effectively and safely at a very early stage of screening. This biochip allows – for the first time – scientists to use an array as their personal tool in areas such as gene functionalization, target identification and validation and lead optimization.

DualChip GMO Kit:

This biochip and the associated Silverquant detection method enable reliable detection of all approved genetically manipulated organisms (GMOs) in food products through the use of standardized methods. All GMOs are analyzed simultaneously on a microarray, and newly approved GMOs can be easily added to the microarray format. Since 2004, the European Union's GMO regulation has required labeling of food products that contain shares greater than 0.9 percent. EU validation, which is important for certified laboratories, has been initiated.

"Research in the area of gene therapy is opening up promising strategies for the treatment of breast cancer through the selective killing of the tumor cells."

Dr. Thomas Helleday, winner of the Eppendorf Young Investigator Award 2005

New Approaches in Cancer Treatment

The winner of the 2005 Eppendorf Young Investigator Award, Dr. Thomas Helleday, has demonstrated in one of his studies that it is possible to develop a specific treatment for cells lacking the BRCA2 protein, i.e., the cells responsible for the development of breast and ovarian cancers.

Diverse sources of defects have resulted in the development of an efficient repair system in the human organism, which uses various strategies, depending on the type of defect. For each situation, there are different mechanisms identifying and repairing defects. Because of their wide variety and significance for the survival of an organism, these mechanisms can cover large genome fractions. The repair systems themselves are in danger of disappearing or, at the very least, of mutation, which, in turn, results in genetic instability. If the genes involved in growth control are affected by such instability, cells grow faster and faster. This phenomenon is typical of cancer cells.

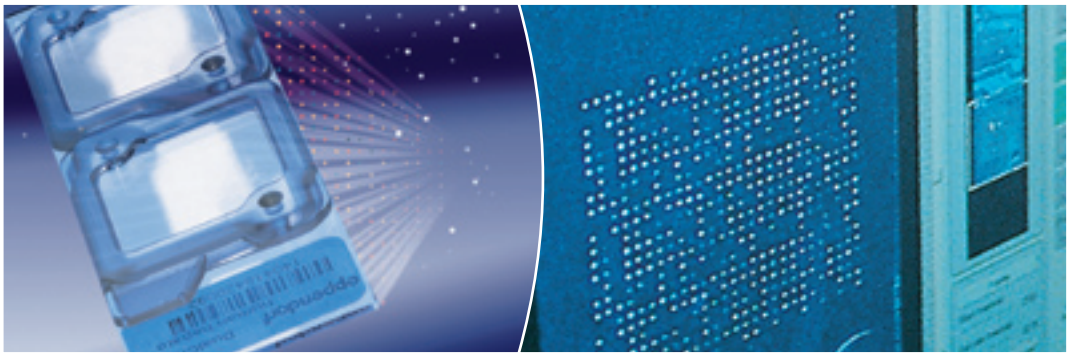
One mechanism for the preservation of the genome is genetic recombination. It is one of the most important processes in a living cell for the repair of DNA double-strand breaks. Each cell nucleus includes, among other things, deoxyribonucleic acid (DNA)

Personal Background

Dr. Thomas Helleday was born in Sweden in 1971. He studied molecular biology and business management at the University of Stockholm and graduated in 1995. After receiving his doctorate, he taught at the Institute for Cancer Studies at the University of Sheffield, UK. Since 2004, he has been working as a Research Fellow at the Arrhenius Laboratory of Stockholm University as a member of the Genetics, Microbiology and Toxicology Department.

as a key substance. The DNA is arranged helically in two strands, and it contains all genetic information. Prior to cell division, the DNA must first make a copy of itself. It divides itself into two equal portions, which are passed on to the two newly created daughter cells. DNA breaks must be repaired prior to cell division. The process of homologous recombination is mediated by proteins. Their key representative is the RAD51 protein. Cell defects in the RAD51 gene result in an accumulation of double-strand breaks, whose repair is not possible by means of genetic recombination.

Another marker for a DNA defect is poly(ADP-ribose) polymerase, abbreviated as PARP. This enzyme recognizes DNA breaks and attracts DNA repair enzymes to the damage site. If PARP functions are absent or impaired, an elevated number of double-strand breaks will occur in the DNA. This will lead to a breakdown of replication forks and ultimately to cell death. This effect is further intensified when basic levels of homologous recombination are absent, as in the case of cells with a recombination defect.



This is of great significance for cancer research. Cells with a recombination defect are cancerous cells. If PARP is present, these defects can be repaired within the context of endogenous recombination activity. If PARP is absent, however, the number of accumulated defective replication forks becomes so high that the cell dies. The acceleration of cancer cell death is ultimately the goal of all treatment strategies.

The proteins directly involved in homologous recombination include the products of the BRCA1 and BRCA2 genes. These genes favor the development of breast and ovarian cancer at the same time. Mutations in these genes increase a woman's risk of developing breast cancer in the course of her life by 60 to 85 percent. A lot is known today about the biochemistry of the BRCA2 protein. With nearly 3,500 amino acids, it is one of the largest cellular proteins and binds to the RAD51 protein.

In a number of carefully planned and conducted experiments, Dr. Thomas Helleday and his colleagues have demonstrated the validity of the hypothesis that there is a link between PARP activity and loss of the BRCA2 protein. Helleday has shown that the PARP path plays a key role only in cells with defective homologous recombination resulting from a lack of BRCA2 activity. Consequently, it should be possible to develop a treatment specifically for cells lacking BRCA2, i.e., cells responsible for the development of

breast and ovarian cancer. Such treatment must be based on the inhibition of the PARP enzyme. The pertinent inhibitors are already available. In addition, Helleday has demonstrated that the side-effects of such treatment are slight: mice that lack the PARP gene are viable and healthy.

Systematic analysis of the correlation between DNA repair and homologous recombination have enabled Helleday to develop a new approach for the treatment of an important type of cancer. The simple basis of this approach is the inhibition of an enzyme that is insignificant for normally developed, healthy cells, but essential for cells with defective homologous recombination.

Helleday's observations have been replicated and confirmed by other teams. It remains to be hoped that at least one PARP inhibitor will successfully complete all necessary clinical tests, so that it can be used for anti-cancer treatment.

For 60 years, the Eppendorf brand has been a hallmark of quality. “Eppendorf quality” is a term regularly used in laboratories around the world. Its yardstick is complete satisfaction of customer requirements. Our claim is to make a noteworthy contribution to high research quality for the benefit of the global community of researchers.

Innovative, powerful and precise products shape Eppendorf’s image. The piston-stroke pipette, an Eppendorf invention, can be found in almost every laboratory in the world. Eppendorf test tubes and microcentrifuges have established themselves as the standard tools in laboratories worldwide. Complex workstations and micorarrays that address a large number of experimental questions in genome and proteome research follow the trend towards automation and miniaturization.

Striving for Perfection

Safeguarding quality through certifications as well as external and internal audits is a matter of course for us. Validated processes at our customers' facilities require qualified suppliers. The efficiently structured quality management system used in all our plants is subject to uniform international standards. The corporate head office has been certified by TÜV Süd as per DIN EN ISO 9001:2000 and DIN EN 13485; our competence centers have their own certifications under the same standards.

Eppendorf is more broadly based than any other company in the biotechnology sector. In our areas of work, we have accumulated proprietary expertise and developed a wide variety of system packages. We supply researchers working on basic research and analyzing active substances with instrument and consumable systems to help make laboratory processes safer, simpler and more reliable. Business success in this respect is ensured not only through technologically advanced products, but also, and in particular, through innovations for specific problem solutions. In product development, we pursue a holistic approach, designed according to the requirements of our customers and their processes. Our existing technology portfolio is based on extensive observation and analysis of laboratory processes. We spend more than € 20 million per annum on research and development.

At Eppendorf, quality and knowledge go hand in hand. Technological leadership is inconceivable without a knowledge edge and internal expertise. Our success depends on our ability to disseminate knowledge to wherever it is needed: we have set up innovative communications systems and give our employees access to all of the organization's information sources; for our customers, we have installed communications platforms in the form of hotlines and electronic media.

Our Scientific Advisory Committee plays an important role in the selection and assessment of strategic goals for research and development. Given our broad product portfolio and the increasing complexity of the research environment, we regard such expert advice as indispensable.

Eppendorf worldwide

- 18 sales subsidiaries
- 5 competence centers for development and production
- More than 400,000 customers from science, research and industry

Automated systems are winning over laboratories

In the last few years, laboratory automation has seen a tremendous upswing. Fully automated systems permit the rapid performance of labor-intensive routine procedures under standardized conditions. Two different systems are used in this context.

Fully automated workstations perform all of the necessary steps on their own: from sample intake to sample preparation and analysis to the generating of result reports. Apart from high acquisition costs, their disadvantage lies in the complexity of their set-up time and operation. The use of such workstations is largely applied to the industrial and clinical diagnostic environment.

Automated laboratory systems, on the other hand, also enable laboratory personnel to speed up routine manual tasks. Such modular devices are attractive because they are reasonably priced and easy to use. All laboratory employees can operate them safely and reliably from the start.

Modular laboratory systems like the Eppendorf epMotion 5070 and epMotion 5075 liquid handling stations have now also proven their worth. The forefather of the epMotion family is the handheld Eppendorf pipette, which is known all around the world and has repeatedly set new standards for liquid handling in the laboratory over the past 40 years, right up to this very day. All dispensing processes on the epMotion are based on free-jet dispensing technology, which means that there is no contact between the pipette tip and the surface of the liquid at any time during the dispensing process. The advantage of this technology is contamination-free and precise liquid dispensing.

These modular automated systems are also highly flexible. Apart from routine pipetting jobs, epMotion can handle specialized experiments within the context of molecular biological processes.

Awards by Eppendorf

In 2005, the "Eppendorf & Science Prize for Neurobiology," an annually conferred international prize of US $ 25,000, was awarded to Pingxi Xu, M.D., Ph.D., University of Texas, Southwestern Medical Center, USA, for his work on "Extracellular LUSH Protein in VA Sensitivity".

With this prize, Eppendorf rewards young scientists who have obtained their Ph.D. or M.D. within the past 10 years for their outstanding contributions to neurobiological research using methods of molecular and cell biology. Their works are judged by a distinguished committee of scientists that is chaired by the editor-in-chief of Science magazine, Dr. Donald Kennedy.

The 2005 prize was presented during a gala dinner that took place in Washington, D.C., on November 14, 2005. More than 90 guests from the scientific community and related industries were in attendance. Following opening remarks by Dr. Donald Kennedy as well as Dr. Michael Schroeder, Board Member of Eppendorf AG, and a speech by last year's winner, Dr. Miriam B. Goodman, the achievements of this year's winner were honored.

Dr. Xu's work elucidates the role of the extracellular protein LUSH as a key player in pheromone sensitivity, and he plans on applying this knowledge to explore ways of blocking pheromone perception in mosquitoes.

In 2005, Eppendorf AG awarded its 11th Eppendorf Young European Investigator Award. The research prize, which honors outstanding work in biomedical research, went to Dr. Thomas Helleday (34) from the Arrhenius Laboratory, Stockholm, Sweden. His most recent work on concepts of gene therapy has opened up promising strategies for the treatment of certain forms of breast cancer through the selective killing of the tumor cells.

Reunification with University Medical Center

In January 2006, we forged an alliance with the Hamburg-Eppendorf University Medical Center, Universitätsklinikum Eppendorf, or "UKE". This alliance provides for close cooperation in research, development, marketing and sales, training, and public relations. Both partners have high expectations for this collaboration. According to Professor Joerg Debatin, Medical Director and CEO of the UKE, the medical center sees this cooperation as an opportunity to participate in progressive technology at its early stage and thus gain a competitive advantage. In addition, the UKE also wants to benefit from Eppendorf's experience in the tapping of international markets. Klaus Fink, CEO and Chairman of the Board at Eppendorf, can point out clear advantages, too: "We intend to use the future collaboration to identify our customers' requirements more rapidly and translate them into products more efficiently." The agreement between UKE and Eppendorf represents a reunification, if you will. Today's Eppendorf AG was established in 1945 in a shed on the premises of this university medical center. Named after its founders, Eppendorf Gerätebau Netheler & Hinz initially repaired instruments and later began to manufacture its own laboratory devices.

Committed to Mankind

At Eppendorf, employee development takes all relevant community-related, economic and social aspects into account. Our human resource management strikes a balance between corporate and human needs: we secure our employees' personal future through reliable and continual training and create a climate that encourages personal responsibility, social competence and communicative and cooperative behavior. All our efforts are based on the fact that our family of Eppendorf employees works around the globe, cultural diversity is an important part of the company and we take the expectations and values of these different cultures into account. We value these differences and use them to learn, grow and enrich our own identity at the same time.

And in a world where economic borders are disappearing, requirements with respect to the quality and cost of our products – as well as our employees' reliability and willingness to perform are increasing. We appreciate this and wish to express our gratitude to them. We seek employees with a high level of expertise, commitment and loyalty. One of the key tasks of human resource management is to encourage and deploy employees in accordance with their virtues, talents and abilities. Internal, rather than external, candidates continue to be our choice to optimally staff managerial positions.

In fiscal 2005, Eppendorf employed an average of 1,804 employees, of whom 989 were located in Germany.

Eppendorf has a longstanding tradition of offering professional training. We train young people in tried-and-proven as well as future-oriented careers. Suitable candidates are attracted and recruited through targeted advertising and we offer high-school and university students an opportunity to gain experience through internships; we also support scientific studies keeping in close and friendly contact with the university research community. Awarding research prizes has become a tradition. The "Eppendorf Young European Investigator Award" offers prize money of € 15,000; the international "Eppendorf & Science Prize for Neurobiology", which is awarded in the United States, is worth US $ 25,000.

At the end of the fiscal year under review, 29 young people were being trained as apprentices at Eppendorf, 14 of them at our Hamburg location.

Eppendorf develops high-quality solutions that will improve people's living conditions. We have a duty towards our customers, shareholders, employees and business partners to make this contribution. And, ultimately, towards our location, too.

Product Overview (Examples)

Instruments

Pipettes/Dispensers
For dispensing, transferring and mixing defined microvolumes. A wide range of fixed-volume, adjustable-volume and multi-channel pipettes meets all application requirements.

Mastercycler® ep realplex
The ideal link between extensive, intuitive software and state-of-the-art, real-time PCR technology.

Benchtop centrifuges
Eppendorf microcentrifuges: the global standard in research and routine laboratories.

Femtojet® express
For injection experiments in functional genomics or developmental biology.

Workstations
epMotion® 5070 and 5075 are fully automated workstations performing a wide variety of routine tasks in the laboratory.

Multiporator®
In combination with specifically developed electroporation buffers, the Multiporator® is an ideally aligned system for efficient and gentle electroporation of eukaryotic cells.

Consumables

Pipette tips
Achieving the highest level of precision from today's pipettes is only possible if perfectly manufactured pipette tips are used. epTips are perfectly matched to Eppendorf pipettes.

Test tubes
Laboratory vessels used to carry out experiments or analyses.

Microplates
For multiple experiments in automated sequencers that are used in high-throughput DNA analysis.

Biochips/Arrays

Silverquant
Scanner for microarrays based on colorimetric detection technology.

Thermomixer comfort
For hybridization experiments with microarrays or for *in-situ* hybridization.

DualChip® microarrays
Carrier on which biomolecules are positioned in a defined arrangement. Our microarrays have a special surface that optimizes the binding process.

Report on the Financial Situation of the Eppendorf Group

- Noticeable pickup in the international biotech markets
- Significant sales and earnings growth
- Expansion of production facilities in the dollar area
- Strategic alliance with Qiagen

After the consolidation process of recent years the global biotechnology sector is on a path of growth again. The course of recovery has, however, varied greatly from region to region. While the business in the United States and Asia picked up considerably, certain market segments in Western Europe only showed lackluster results.

In 2005 the Eppendorf Group continued its tried-and-proven strategy to invest in distribution channels and new markets, with a heavy concentration on the expansion of the existing organization. New products were launched as planned. The expansion of manufacturing operations in the dollar denominated area, which was started last year, was successfully continued in the United States.

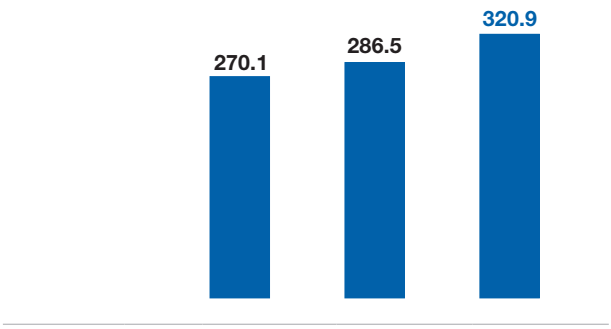
We also entered into a strategic alliance with Qiagen N.V. in Venlo, The Netherlands, to jointly develop and market new products. To avoid overlapping activities in the reagent market, Qiagen acquired the Eppendorf “5 Prime” reagent business, with its product lines of nucleic acid purification and PCR reagents, including all related patents.

In 2005 Eppendorf again demonstrated the vitality of its business. Excluding currency fluctuations, consolidated sales increased significantly, whereby North America grew above average again and Europe overall still exceeded the industry average rate of growth.

Sales growth accelerated due to North America

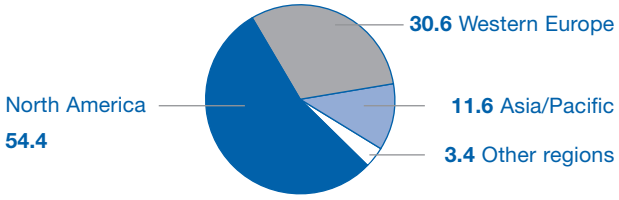
In 2005, consolidated sales increased by 12.0 percent to € 320.9 million. Exchange rate fluctuations hardly impacted the sales growth from prior year, which achieved a rate of 12.1 percent to € 321.1 million on a constant basis.

Sales



Sales by region 2005

in %



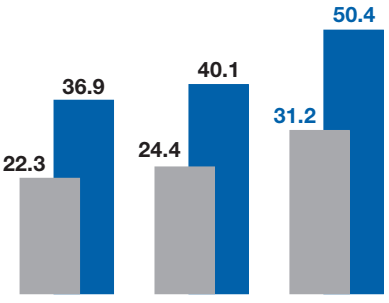
in € million	2003	2004	2005
North America	137.2	148.1	174.5
Western Europe	93.7	93.3	98.1
Asia/Pacific	31.9	36.6	37.3
Other regions	7.3	8.5	11.0

Excluding currency effects, net sales in North America grew at a double-digit rate of 17.8 percent. In absolute terms, they increased by € 26.4 million to € 174.5 million. This growth includes a first time consolidation effect from previous year related to the distribution of complementary products. After several years Western Europe experienced an across-the-board overall growth of 5.2 percent again. The markets in Spain, Northern Europe and the U.K. fared especially well.

In the Asia/Pacific region we generated sales growth of 2.4 percent on a currency neutral basis, with Japan continuing its positive development. China showed almost no growth due to the delay in setting up our own company. This has been completed by now and we expect considerable growth for 2006.

EBIT and net income

in € million 2003 2004 2005



In 2005 an income from operation (EBIT) of € 50.4 million was achieved – an increase of over 25 percent compared to prior year (€ 40.1 million). It has to be noted, however, that prior year's operating result benefited from favorable currency hedges, which ran out by the end of that year. On the other hand in 2005 a one time gain from the divestiture of the "5 Prime" reagent business was recognized. If both of these impacts are excluded, the Eppendorf Group increased its operating result by about 20 percent again.

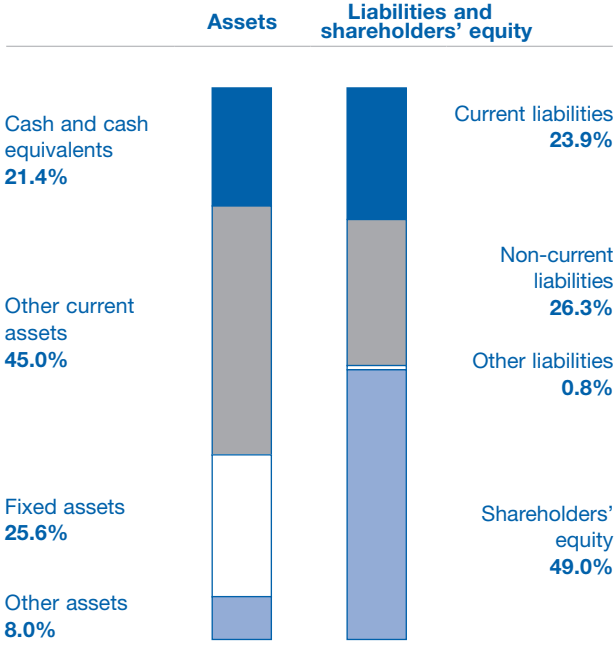
Consolidated net income after minority interests increased by 27.9 percent to € 31.2 million.

Asset and financial position strengthened further

Total assets grew by 16.6 percent to € 296.7 million over prior year.

From the annual net income generated, shareholders' equity rose by € 19.0 million or 15.0 percent to € 145.4 million. The equity ratio was at 49.0 percent (prior year: 49.6 percent).

Balance sheet 2005



Slight increase in capital expenditures, continued build-up in cash position

The Eppendorf Group invested € 19.3 million in tangible and intangible assets (prior year: € 19.0 million). Depreciation accumulated to € 12.9 million (prior year: € 13.3 million).

Net cash held in bank accounts increased to € 63.4 from € 58.8 million in prior year.

Research and Development maintained its high quality status

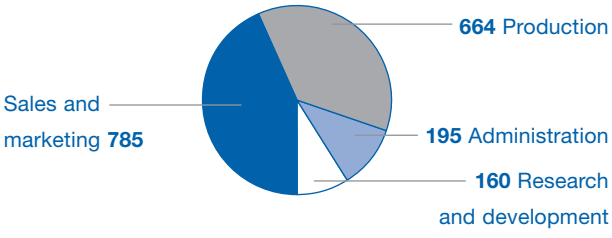
The key element of our strategy lies in the rigorous expansion of our competency in the related technology and its consequent protection through patents coverage. On average 160 employees (prior year: 163) worked in our Research and Development departments to continue the advance of the technology in our Group. Our total investment in Research and Development was € 21.0 million in 2005 (prior year: € 19.5 million).

Number of employees slightly increased

On average Eppendorf employed 1,804 individuals in 2005 (prior year: 1,748), an increase of 3.2 percent. The workforce expansion in 2005 was concentrated on the sales organization. Excluding currency effects, sales per employee increased by 8.6 percent.

Number of employees by function, 2005

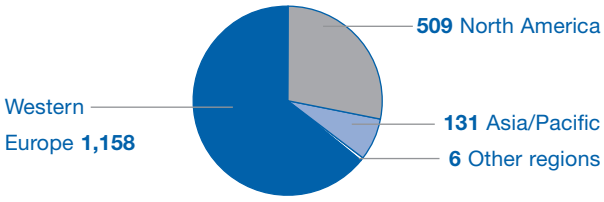
Annual average



	2003	2004	2005
Sales and marketing	649	702	785
Production	720	687	664
Administration	195	196	195
Research and development	161	163	160
Total	1,725	1,748	1,804

Number of employees by region, 2005

Annual average



	2003	2004	2005
Western Europe	1,222	1,187	1,158
North America	425	459	509
Asia/Pacific	73	96	131
Other regions	5	6	6
Total	1,725	1,748	1,804

Risk management

Apart from the general business risk, Eppendorf is exposed to specific risks resulting from a global business, its customer base, development of technology and its products.

In a globally operating company with a high degree of exports from its local manufacturing base, Eppendorf is exposed to the risk of exchange rate fluctuations. Sales in the US and Japan are generated in local currencies. To protect against exchange rate risks, currency hedging transactions are entered into on a case-by-case basis. An increase of product manufacturing in dollar denominated territories partially compensates the exchange rate risk.

Also, economical and political changes in individual country specific markets can impact the company's profitability negatively. However, our regional sales management constantly monitors local market trends in order to develop and implement protective measures. On the other hand dealer bonus systems also have a stabilizing effect.

Our customers are mainly in the biotechnology as well as in the pharmaceutical and chemical industry. Cuts in R&D budgets, capital expenditures or public/private funding may have negative impacts on our net sales.

It is part of Eppendorf's strategy to continuously introduce innovative products into the market. We very often introduce new cutting edge technologies with limited available experience for its applications. Insufficient maturity and quality of these products may result in warranty and product liability obligations. There is a risk that new technologies from competing products render our own technology ineffective or that new patents could delay our own product development or introduction of new products to the market. That would negatively impact our market presence. To protect against such risks Eppendorf has introduced a comprehensive quality assurance and project management system.

Subsequent events

To increase the focus on our core competencies we have sold the major part of our business with third party products in the US at the start of fiscal year 2006. In 2005 these products generated sales of € 39 million. The elimination of this business will improve the gross margins of our Group.

Outlook

Q1/2006 has shown clear indications for dynamic growth. These positive trends became visible in all major markets in North America, Europe and also in Asia. On that basis we expect the positive development of our business for fiscal year 2006 to continue.

Consolidated financial statements according to IFRS (abbreviated version)

The information below provides an overview of the consolidated financial statements in accordance with IFRS, which were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart, Hamburg office, and received an unqualified auditor's opinion.

Consolidated Balance Sheet

at December 31

ASSETS

EUR '000	2003	2004	2005
Current assets			
Cash and cash equivalents	44,586	58,768	63,370
Trade accounts receivable	48,409	52,513	61,992
Inventories	50,493	53,862	68,056
Other assets	21,394	3,310	3,528
Total current assets	**164,882**	**168,453**	**196,946**
Property, plant and equipment (net)	50,951	55,856	60,678
Goodwill and acquired intangible assets (net)	4,895	8,820	14,716
Investments in associates	4,020	551	496
Deferred tax assets	12,039	19,817	22,967
Other assets	773	1,028	901
Total assets	**237,560**	**254,525**	**296,704**

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR '000	2003	2004	2005
Current liabilities			
Short-term borrowings from banks	0	0	0
Trade accounts payable	12,920	10,294	16,918
Provisions for income taxes	2,811	7,096	10,070
Other short-term provisions	29,045	30,438	36,224
Other current liabilities	3,941	3,894	7,728
Total current liabilities	**48,717**	**51,722**	**70,940**
Deferred tax liabilities	1,109	1,525	2,256
Provisions for pensions and other employee benefits	71,209	74,758	77,971
Other liabilities	44	180	184
Total liabilities	**121,079**	**128,185**	**151,351**
Shareholders' equity			
Common stock	54,700	54,700	53,893
Paid-in capital	49,496	61,385	64,781
Retained earnings	13,878	19,778	27,953
Minority interests	2,179	5,265	8,113
Accumulated other aggregate income	–3,772	–14,788	–9,387
Total shareholders' equity	**116,481**	**126,340**	**145,353**
Total liabilities and shareholders' equity	**237,560**	**254,525**	**296,704**

Consolidated Income Statement

at December 31

EUR '000	2003	2004	2005
Net sales	**270,058**	**286,517**	**320,889**
Cost of sales	–108,568	–116,060	–146,707
Gross profit	**161,490**	**170,457**	**174,182**
Operating expenses			
Sales and marketing	–76,505	–81,436	–89,070
Research and development	–19,651	–19,529	–20,976
Administrative	–28,294	–28,037	–28,784
Other operating income	907	–17	15,487
Amortization of goodwill and acquired intangible assets	–1,039	–1,320	–434
Total operating expenses	**–124,582**	**–130,339**	**–123,777**
Income from operations (EBIT)	**36,908**	**40,118**	**50,405**
Other income/expenses			
Share of profit of associates	630	458	209
Financial results	555	726	1,075
Income before income taxes and minority interests	**38,093**	**41,302**	**51,689**
Income taxes	–15,774	–16,870	–20,052
Income before minority interests	**22,319**	**24,432**	**31,637**
Minority interests	–51	–44	–454
Net income	**22,268**	**24,388**	**31,183**

Consolidated Cash Flow Statement

at December 31

EUR '000	2003	2004	2005
Cash flow*	**37,762**	**39,452**	**31,986**
Changes in operating assets and liabilities	–1,817	–1,498	–11,407
Net cash provided by operating activities	**35,945**	**37,954**	**20,579**
Net cash from/used in investing activities	–14,396	–17,941	5,800
Net cash used in financing activities	–5,322	–5,462	–22,685
Effect of changes in exchange rates on cash	–838	–369	908
Net change in cash and cash equivalents	**15,389**	**14,182**	**4,602**
Cash and cash equivalents			
Beginning of year	29,197	44,586	58,768
End of year	44,586	58,768	63,370

*) Net income adjusted for non-cash expenses/income

Report of the Supervisory Board

In fiscal 2005, the Supervisory Board convened for a total of four meetings, on March 11, June 2, September 8, and December 8, in which it looked closely at the financial situation and development of the company. In addition, it was regularly briefed by the Management Board about the latter's activities and business trends in the group. The emphasis in these discussions was on the company's revenue trend, major development projects, capital expenditure plans and the financing of the group. Transactions requiring the approval of the Supervisory Board were reviewed in detail and discussed jointly by the Supervisory and Management Boards.

In addition, the Chairman of the Supervisory Board was kept constantly informed by the Chairman of the Management Board and consulted in cases of doubt or far-reaching decisions.

The accounts, annual financial statements, consolidated financial statements and management reports for the company and group were examined by the auditor Ernst & Young AG Wirtschaftsprüfungsgesellschaft. The auditor was commissioned to carry out this assignment at the Annual General Meeting, held on June 24, 2005, and issued an unqualified opinion. The Supervisory Board discussed the audit reports as well as the accompanying reports prepared by the Management Board for the corporate and consolidated financial statements of Eppendorf AG. The auditor informed the Supervisory Board of the key findings of its audit, and no objections were raised. The Supervisory Board concurred with the audit result and approved the annual financial statements of Eppendorf AG and the consolidated financial statements.

The Supervisory Board would like to thank the Management Board, the executives and all domestic and international employees of the Eppendorf Group for their dedicated efforts and successful work for the company in fiscal 2005.

Hamburg, June 8, 2006

Dr. Robert Mann
Chairman of the Supervisory Board

Boards

Supervisory Board

Dr. Robert Mann
Chairman

Ernst Arp
Vice Chairman

Adrian Déteindre

Hans Hinz

Marlis Kripke-Wallon
Staff representative

Peter Schmidt
Staff representative

Management Board

Klaus Fink
Chairman

Detmar Ammermann

Dr. Heinz Gerhard Köhn

Dr. Michael Schroeder

Committee

Scientific Advisory Committee

Prof. Rolf D. Schmid
Speaker

Prof. Konrad Beyreuther

Prof. Cornelius Knabbe

Prof. Frieder W. Scheller

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Hamburg/Germany

This report is also
available in German.

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As of: December 31, 2005

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