

Annual Report 2006



eppendorf

Key Financials

		2000 US GAAP	2001 US GAAP	2002 US GAAP	2003 IFRS	2004 IFRS	2005 IFRS	2006 IFRS	Change in %
Total net sales	EUR '000	258,397	289,235	297,325	270,058	286,517	320,889	314,476	-2.0
North America	%	61.6	58.5	55.4	50.8	51.7	54.4	45.7	
Western Europe	%	28.6	31.2	30.7	34.7	32.5	30.6	34.7	
Asia/Pacific	%	7.9	7.7	11.4	11.8	12.8	11.6	14.8	
Other regions	%	1.9	2.6	2.6	2.7	3.0	3.4	4.8	
EBIT	EUR '000	24,686	28,851	36,063	36,908	40,118	50,405	73,175	45.2
EBIT margin	%	9.6	10.0	12.1	13.7	14.0	15.7	23.3	
Net income ¹⁾	EUR '000	8,592	13,582	22,440	22,268	24,388	31,183	45,491	45.9
Cash flow	EUR '000	21,806	29,215	37,874	37,762	39,452	31,986	49,265	54.0
Equity ratio ²⁾	%	40.0	48.7	53.3	49.0	49.6	49.0	54.9	
Total assets	EUR '000	209,855	248,153	252,972	237,560	254,525	296,704	312,849	5.4
R&D expenses	EUR '000	13,675	16,758	20,122	19,651	19,529	20,976	18,445	-12.1
Earnings per share	EUR '000	0.17	0.25	0.41	0.41	0.45	0.58	0.84	44.8
Number of employees, annual average		1,497	1,568	1,624	1,725	1,748	1,804	1,838	1.9

¹⁾ Net income of equity holders of parent company

²⁾ Incl. minority interests

Mission

Quality, innovation and service—these are the guidelines of our work. With our system solutions for all work processes in life science laboratories, we support the research community—worldwide—in the interest of progress.

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Foreword by the Board

Ladies and Gentlemen,

I am pleased to report that the last fiscal year was an extremely successful one for our company. We succeeded in boosting our operating profit by 45 percent compared with 2005, generating an EBIT margin of more than 20 percent. In addition, we again succeeded in winning customers for Eppendorf products and services all over the world, thus coming closer to realizing our strategic goals. The sale of the "Brinkmann" business, based in New York, enabled us to achieve a clear focus on our brand in our single-most important market, North America. We have improved productivity in our competence centers and our new production facility in the U.S., systematically setting the stage for growth, while minimizing currency risks. Last but not least, we have strengthened existing and set up new sales organizations in Asia, enabling us to exploit existing potentials to an even greater degree. Special mention should be made regarding the markets of China and India, as they have contributed above-average growth in the fiscal year under review.

In the wake of the consolidation processes that characterized much of the life science market in the last few years, we have been able to benefit from renewed momentum; initial signs of this trend had already begun to emerge in late 2005. I am firmly convinced that this development will continue, as indicated by the growth stimuli discernible in the markets.

To improve the living conditions of mankind—this has been Eppendorf's objective ever since the company was established more than 60 years ago. Much has happened since then. Eppendorf has grown from a regionally oriented equipment maker into a global player, generating 90 percent of its sales abroad. In fiscal year 2006, we again focused all of our efforts

on facilitating our customers' laboratory work. Our innovative technologies provide scientists and their co-workers with the tools they need to advance their research—to the benefit of mankind. For this report, we have interviewed our customers in public and private research institutes, asking what the Eppendorf brand means to them. Their answers make me proud: In our users' eyes, we stand for quality, service and reliability, as well as for innovations that facilitate researchers in generating future-oriented results. For us, this is the most important reason for continuing on our path.

We have many reasons to look to the future with confidence. My first acknowledgement goes out to our customers and business partners. Naturally, I also wish to thank our shareholders, who place their trust in us. However, it is our employees who play an essential role in shaping Eppendorf's positive image throughout the world. They place both their technical expertise and also their personal integrity at the service of our company. I would like to take this opportunity to express my appreciation and thanks to all of them.

Yours truly,



Klaus Fink
Chairman of the Management Board

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Interview with Klaus Fink

“Our innovations translate industry trends into real solutions.”

Eppendorf's systematic strategy is paying off, as noted by this interview with Klaus Fink, Chairman of the Management Board, about their successful fiscal year and promising outlook.



Klaus Fink
Chairman of the Management Board

“Mr. Fink, how would you sum up fiscal year 2006?”

“We have good reason to be satisfied with the last fiscal year. The entire biotech industry saw favorable performance in the year under review; the consolidation process is finally showing its promise. Among the companies posting positive results in this sector, Eppendorf again held a top position in terms of growth and return. Our EBIT margin, for instance, advanced from 15.7 percent in the previous year to nearly 20 percent. That alone is an impressive result. The rise in the number of employees is also a favorable sign. With an annual average of 1,838 employees, we recorded an increase of two percent.”

“A number of restructuring initiatives were implemented in the organization, e.g., the sale of the “Brinkmann” business in New York and the establishment of a new company, Eppendorf Biochips Systems GmbH. What was the strategy underlying these transactions?”

“Our work on creating a future-oriented structure began years ago, so the current changes must be viewed in this context. Our aim is to bundle our competencies, spur clearly targeted growth in our core business and strengthen our own brand. To this end, we decided to sell the distribution of third-party products. In North America, we are now concentrating our activities exclusively on our core business. In contrast, the microarray segment offers tremendous growth potential; thus, this new company allows us to take advantage of a ripe opportunity.”

“Productivity in the competence centers has been enhanced further . . .”

“Yes, this is a logical step in our growth strategy and involves all plants engaged in development and production. We have continued to expand our U.S. production facility in Enfield, Connecticut, and we are now in a position to produce plastic products in close proximity to one of our major markets. This also helps reduce currency risks.”

“Your strategy also involves strengthening the company's global market presence. Business in China, for instance, has, on occasion, stayed shy of expectations. Not so last year. Has your patience paid off?”

“Definitely. Our activities in China highlight the importance of systematically pursuing your goal. The structural investments we have undertaken since entering this market in 2003 are in line with demand. We are extremely satisfied with the results.”

“Satisfactory results have likewise been recorded in other parts of Asia, such as Japan, but also in India. Overall, the region’s growth rate comes to 20 percent—and the trend is pointing up. How do you intend to secure this growth potential for the future?”

“We have increased our sales organizations, particularly in India and China; here, too, it is a question of bundling our strengths and ensuring closer proximity to the market. We have also consolidated marketing activities for the entire Asian/Pacific region into one regional center in Malaysia. Japan has a special role in this context—we are continually growing that business at a high level, and in the face of a complex market scenario. We do this with great perseverance, which is a prerequisite for success in these markets.”

“What do you think about trends in the rest of the world? Results are, after all, favorable across the board.”

“That’s correct. The markets in Europe, in particular, show sustained pickup. Here, we grew eight percent year-on-year. The U.S. is still growing strongly, at the rate of ten percent, but we might see a slight softening there. We are generating above-average growth of about 30 percent in regions such as Latin America and Eastern Europe, the reason being the favorable investment climate in our core industries.”

“Some may view Eppendorf as a company that can only be as good as its products. To what extent can these strong numbers be attributed to new products?”

“Research is advancing rapidly, and our products keep pace, which means that our innovations always account for a large share of our growth. They address industry trends by combining user needs with advanced technology to provide concrete solutions. For example, our recently launched workstations

for liquid handling and our PCR (polymerase chain reaction) product lines support the trend towards increasing automation in laboratory work processes. As they also offer broad user potential, they have become one of our growth drivers. The high-tech family of products to support real-time PCR has likewise been a genuine success story. We have followed the trend towards miniaturization with our intelligent mixers for small sample sizes, new microcentrifuges and manual dispensers. In the case of the latter, we won customers over with their functionality as well as their design. We are especially proud recipients of the renowned ‘reddot design award’.”

“A successful fiscal year now lies behind you. Will you be able to keep this performance up in the future?”

“Our strategy is geared to sustained, rather than short-term, growth. I am convinced that we will be able to profit from this strategy in the future, too. Signs also point to expansion in the industry; as the number of grants continue to rise, this allows opportunities to further develop and introduce novel active substances to the market. We have already received strong growth signals in our traditional markets in the biotechnology sector—and this trend is set to continue.”

“What strategy will you pursue in 2007?”

“A strategy that changes every year is not a strategy. Our goals remain the same: Growth in our core business and a stronger global market position. The most important task will be the expansion of our capacities in the U.S.—including the development of new production capacities for additional products. We will fulfill our customers’ increasingly sophisticated requirements with a product offensive. In the coming year, we will again launch a number of attractive products in our markets.”

“Mr. Fink, we would like to thank you for this interview.”



Dr. Heinz Gerhard Köhn

58, Board Member,
Chief Technology & Production Officer,
Master of Chemistry, PhD
Joined Eppendorf in 1999

Dr. Michael Schroeder

57, Board Member,
Chief Marketing & Sales Officer,
Master of Agricultural Biology, PhD
Joined Eppendorf in 1988

Detmar Ammermann

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

Klaus Fink

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



Europe

Eppendorf Biochip Systems GmbH,
Hamburg/Germany

Eppendorf Liquid Handling GmbH,
Hamburg/Germany

Eppendorf Instrumente GmbH,
Hamburg/Germany

Eppendorf Polymere GmbH,
Oldenburg in Holstein/Germany

Eppendorf Zentrifugen GmbH,
Leipzig/Germany

Eppendorf Vertrieb Deutschland GmbH,
Cologne/Germany

Eppendorf Array Technologies S.A.,
Namur/Belgium

Eppendorf France S.A.R.L.,
Paris/France

Eppendorf UK Ltd.,
Cambridge/UK

Eppendorf Iberica S.L.,
Madrid/Spain

Eppendorf Nordic ApS,
Copenhagen/Denmark

Marketing Office,
Vienna/Austria

Eppendorf s.r.l.,
Milan/Italy

6/7 Locations



Americas

Eppendorf Canada Ltd.,
Toronto/Canada

USA Scientific, Inc.,
Ocala/USA

Eppendorf Manufacturing Corp.,
Enfield/USA

Eppendorf North America, Inc.,
New York/USA

Eppendorf do Brasil Ltda.,
São Paulo/Brazil

Asia/Pacific

Eppendorf India Ltd.,
Chennai/India

Marketing Office,
Kuala Lumpur/Malaysia

Eppendorf China Ltd.,
Hong Kong/China

**Eppendorf Biotechnology
International Trade (Shanghai)
Company Ltd.,**
Shanghai/China

Eppendorf Co., Ltd.,
Tokyo/Japan

Eppendorf South Pacific Pty. Ltd.,
Sydney/Australia

Eppendorf Middle East FZ-LLC,
Dubai/United Arab Emirates

- Sales Subsidiaries
- Competence Centers
- ⊙ Head Office



“What, in your experience, are typical characteristics of Eppendorf products?”

Interview with Paula Stein, Philadelphia/USA

“All Eppendorf products I have worked with so far have been characterized by excellent quality, which is not necessarily something I can say of other companies’ products. Their design is also pleasing; and Eppendorf products are generally very user-friendly. My impression is that Eppendorf performs extremely stringent quality controls.”

“What made you decide to use Eppendorf products in your laboratory?”

“Word has gotten around about the quality of Eppendorf products, such as centrifuges and thermomixers. All my colleagues are very satisfied with them. The decision to buy them was, thus, easy for me, too. I first used Eppendorf microcapillaries and micromanipulators in the ‘Frontiers of Reproduction’ course in Woods Hole, where I have worked as a course teacher for several years. Although the equipment available in our laboratory was relatively old, we found it easy to work with and did not intend to buy new equipment. Eventually, the Eppendorf sales specialists convinced the laboratory management to purchase new equipment and as their customer, we received the best possible follow-up support whenever we asked.”

“What has been your experience with Eppendorf’s customer service?”

“Completely positive. My questions have always been answered quickly and any issues/concerns addressed swiftly. The sales reps are very accommodating and efficient—always focused on customers’ requirements.”

“Is Eppendorf’s performance in terms of innovation and technology in line with what you expect of a market leader?”

“I consider Eppendorf a leader in the field of laboratory technologies. Of course, we also use other manufacturers’ products—sometimes it’s a matter of what you’ve gotten used to, and you are unaware of competitors’ benefits. To win new customers, you need more than good quality and innovation, you also need a comprehensive marketing strategy, including advertising and samples.”

“How is Eppendorf represented in your scientific environment?”

“Most laboratories that I am acquainted with use Eppendorf. With regard to micromanipulation in particular, these labs use some or all of the following Eppendorf products: micromanipulators, injectors and microcapillaries. Many also use Eppendorf pipettes; and the researchers are thrilled with the new models.” • • • •

After obtaining her PhD in Biological Chemistry from the University of Buenos Aires, Paula Stein took up research activities in the United States. She is currently a Senior Research Associate at the University of Pennsylvania Department of Biology in Philadelphia, USA. Stein’s teaching experience includes a summer reproduction course at the Marine Biological Laboratory in Woods Hole, Massachusetts. Her most recent publications have focused on the influence of RNAi (ribonucleic acid interference) on oocyte and early embryo development. RNAi is used as a genetic-engineering process for gene silencing in laboratory experiments. Researchers are hoping that this “negative gene therapy” will be of great assistance in the treatment of certain diseases.



Strategy

Technology Leadership, Global Presence and Sustained Growth

Making researchers' laboratory work easier—this is Eppendorf's mission and primary objective. Given the rapid pace of progress, it requires us to live up to high innovative potential; therefore technological leadership in our core competencies is one of our key areas of focus. We ensure such leadership through our professional knowledge bank and a harmonized human resources policy.

Group export sales

90%

Sustained growth is our aim. Thus, we always carefully analyze the opportunities available in the individual markets and align our resources and potentials accordingly. Another strategic goal is the expansion of our production capacities in international core markets which plays a key role in minimizing the impact of currency fluctuations on our business performance. As we generate 90 percent of our group sales overseas—with the dollar area accounting for more than 50 percent—capacity expansion in the relevant markets will thus become even more important in the future.

International research needs suppliers with a global foothold, which means that our numerous sales and service organizations around the world are of great strategic significance. More than 650 Eppendorf specialists in our sales companies serve the core markets of North and South America, Asia/Pacific and Europe, all maintaining personal customer contacts. In 2006, we opened an additional sales office in Dubai and a liaison office in Moscow. Powerful marketing organizations in Hamburg and New York support our sales specialists' activities and ensure that Eppendorf products can be found in laboratories all over the world. New regional marketing headquarters in Kuala Lumpur are coordinating our activities in the Asia/Pacific region.

Eppendorf's production sites

Hamburg	Instruments, pipettes, dispensers
Leipzig	Centrifuges
Oldenburg in Holstein	Plastic products
Enfield, Connecticut, USA	Plastic products
Namur, Belgium	Microarray systems

Life Science Market

Eppendorf's Global Markets

Europe and North America strong

The Western European and North American markets have been the backbone of Eppendorf's business for more than a decade. North America took the lead in the last few years and now clearly accounts for the highest share. The two regions now make a combined contribution of more than 80 percent to sales. In the year under review, our business growth in these core regions again outpaced the overall industry's performance. Growth rates in the vicinity of ten percent allowed us not only to maintain, but even expand our strong position. This development will be sustained and secured by our effective local sales and support organizations.

Asia with dynamic performance

We also benefit from our good name in Asia. The industry trend is and promises to remain dynamic. Asia contributed approximately 25 percent to Eppendorf's growth. We have seen particularly impressive growth rates in India and China, two booming regions for the biotechnology sector, each of which seems destined to

continue to grow strongly. We continued to strengthen our sales organizations in these countries. In China, more than 70 employees in a number of offices are now ensuring that our products will also become the standard in Chinese laboratories. The region's potential should allow Eppendorf to continue to generate high growth rates in the future.

Other markets

Central and South America as well as Eastern Europe and the Middle East also proved to be growth markets characterized by strong momentum in the year under review. Sales increased by nearly 40 percent in these markets.

The significance of these results is underscored by the challenges and differences in competitive intensity: In each product segment, such as pipettes, centrifuges or plastic products, Eppendorf faces competition from other companies. Despite this, we are among the most successful players in each.



Life Science Market

Life Sciences and Biotechnology—Important Future Growth Markets

The progress made in life sciences has generated high hopes for a better future. As life sciences benefit from extensive research grants, today's biotech industry is also developing practical applications and thus becoming a promising growth market in and of itself.

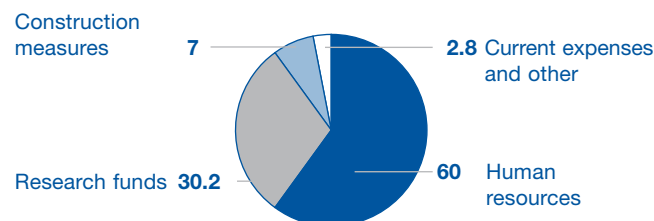
Life sciences comprise basic and applied research in all scientific sectors dedicated to the structure, form, function and behavior of living organisms. Biotechnology is a subset, and a key element, of the life sciences sector. It comprises all methods, processes or products using living organisms or their cellular components, and it relies on research findings in the areas of biochemistry, molecular biology, immunology, virology, cell biology and environmental and process technology.

The global biotechnology market is growing. According to the "Global Biotechnology Report 2006", published by Ernst & Young (E&Y), an auditing and tax services firm, global revenues grew by 18 percent in 2005, crossing the US\$60 billion threshold for the first time in the industry's 30-year history. While the American market continues to post stable growth and increasingly promises successful products and reliable

valuations, European biotech companies are going through a catch-up process. In 2005, they surpassed their U.S. counterparts for the first time in terms of initial public offerings. A total of 23 IPOs raised new capital totaling US\$560 billion. The Asian market is playing an increasingly significant role. Growing sales markets and favorable underlying economic conditions are attracting an increasing number of foreign companies.

Distribution of public grants in Germany

in %



Source: German Diagnostics Industry Association (VDGH)

Apart from the United States, Germany has become a strong foothold for biotechnology operations. A study commissioned by the German Federal Ministry for Research and Education counted some 540 companies active in the biotechnology sector in Germany in 2006. With a workforce of approximately 24,000 employees, they generated revenues of €1.5 billion in 2005—and the trend is pointing up. Biotech companies are increasingly financing private research institutes, so this industry is poised to rapidly become a significant market for Eppendorf as well. All in all, 400,000 end users are potential Eppendorf customers.

According to the German Diagnostics Industry Association (Verband der Diagnostika-Industrie e.V., VDGH), public and private investments in German life science research amount to €4.3 billion per annum. A large portion of this covers staff expenses, and roughly 30.2 percent are available for research funds. Approximately 100 companies operate in the life science research product segment in Germany, employing some 6,000 staff members. The German market has a volume of €1.3 billion; the size of the global market is estimated at €18.6 billion.

Market segments in the biotechnology sector

Green biotechnology	Agriculture (crop breeding, renewable raw materials, food production)
Red biotechnology	Medicine/pharmaceuticals (drugs, vaccines, medical products, diagnostics)
Blue biotechnology	Products of marine origin
White biotechnology	Biotechnology products/ industrial processes (enzymes, fine chemicals)
Gray biotechnology	Waste management



“How would you describe a typical Eppendorf product?”

Interview with Edith Dichtl, Frankfurt am Main/Germany

“A typical Eppendorf product is completely user-friendly. As a customer, you quickly realize that the company’s product developers address—down to fine details—application-related problems faced by laboratories. To cite but one example: Pipette tip boxes can be opened with just one hand—a small detail that makes work processes much easier. No other company offers this detail. Eppendorf is on the ball.”

“You can look back on many years of experience with Eppendorf. What has changed in your opinion, and what has remained the same?”

“Eppendorf products have been an integral part of my everyday work ever since I completed my training in the late 1960s. Of course, the product range has changed since then. The focus on molecular biology has pushed products for clinical chemistry somewhat to the backburner, which we sometimes regret. The quality of consumables such as pipette tips has remained unchanged. It is just as good today as it was in the past.”

“Does this also refer to the technical equipment with which you work?”

“Yes, it does. Our laboratory still has an EPOS Analyzer 5060, which has been around for a good 25 years or so. Its quality is simply fascinating. Officially, there are no spare parts available any more; however, Eppendorf’s Customer Service manages time and again to procure this or that part. And the machine runs and runs and runs . . .”

“How important is such customer service to you?”

“It’s what makes Eppendorf a customer-oriented company. The sales reps are attentive and friendly and refrain from aggressive sales practices. Instead, they even develop great understanding for specific requirements.”

“How important is the company’s tradition for you as a long-term user?”

“It’s very important for me because it instills trust. My impression is that Eppendorf has remained a sound company that has retained its original values, despite its expansion into other markets around the world.”

“What do you expect of Eppendorf in the future?”

“My expectation is that the company’s positive characteristics will not change in the future either.” • • •

Edith Dichtl has been working in the field of clinical chemistry since completing training at Farbwerke Hoechst in 1964. As a chemical technician, she focuses on new drug development at the Hoechst successor company, Sanofi-Aventis, in Frankfurt. Together with a team of seven colleagues in the Metabolism Department, Edith Dichtl analyzes the effect of developed drug candidates on laboratory animal serums, such as blood and urine.



Products and Innovations

Our Products: System Solutions rather than Stand-Alone Applications

We have the most extensive product range of all companies in the biotechnology sector. Our offerings are not developed indiscriminately, rather, they are the result of our holistic approach. Our aim is to take all relevant aspects of an application into account. Through extensive observation and analysis of laboratory processes, we have developed a wide variety of systems that consist of instruments and consumables for researchers performing basic research and working with active substances.

Our customers are traditionally engaged in life science research in industry and universities, as well as in medicine. Increasingly, we are also focusing on industrial companies' private research institutes. We take their requirements as a measure for further developments aimed at helping to make laboratory processes safer, easier and faster. Our products are now used by laboratories all over the world; not just due to their sophisticated technology, but because our innovations offer comprehensive problem solutions.

Our holistic corporate philosophy also explains our service orientation: Our service for the customer does not end when we deliver the product. We offer extensive support with our after-sales service and communication platforms, such as hotlines, electronic media and training centers, where we convey our knowledge through training, product and user seminars.

A broad range of technologies

Separation technology, mechanical and chemical

Liquid handling: Manual and automated dispensing, incubation, mixing and transfer of liquids

Instrumental analysis

DNA analysis

Measuring and control technology

Surface chemistry for functionalized surfaces

Precision mechanics

Spectroscopy

Electronics, software

Plastics injection-molding technology



Strategy

Tapping Synergies and Markets through Collaborations

Collaborations with other companies or institutions are another key element of Eppendorf's growth strategy, and they have a long tradition in our corporate history. Our partners come from all around the world, and they are engaged in a wide variety of application and research areas.

We have finalized an agreement for joint product marketing with Qiagen. Headquartered in the Netherlands, this company is the world's leading provider in the area of preanalytical sample preparation for nucleic acid purification and automation. Eppendorf and Qiagen are considered to be the strongest companies in their markets and together address the key sample preparation processes in the laboratory.

In January 2006, we revitalized the company's oldest alliance, with the Hamburg-Eppendorf University Medical Center, Universitätsklinikum Eppendorf, or "UKE". Today's Eppendorf AG

was established on the UKE premises in 1945. Named after its founders, Eppendorf Gerätebau Netheler & Hinz initially repaired instruments and later began to manufacture its own laboratory devices. More than 60 years have since passed, and our new-found alliance brings close and far-reaching cooperation in research, development, marketing and sales, training, and public relations. The UKE sees this cooperation as an opportunity to play a greater role in technological progress. In addition, it will also benefit from the experience we have gained in international markets. For Eppendorf, the collaboration provides an opportunity to identify customers' requirements more rapidly and translate them into products more efficiently.

We also cooperate closely with Leica Microsystems in the distribution field. We have agreed to expand our product and service range as well as intensify our collaboration at the local sales level.

Life Science Market

Eppendorf Products Facilitate Research by Focusing on the Blueprint of Life

Decoding the basis of life is one of the most exciting tasks of our times. Numerous achievements have already been made, but the future still holds even greater challenges. Eppendorf products are there to help master these challenges.



Extended microarray portfolio receives innovation award

An innovation award has been conferred to the Eppendorf DualChip® microarray line by Frost & Sullivan, a consulting firm.

The DualChip platform is a trailblazer for future application possibilities in diagnostics, and it is characterized by extraordinarily high reproducibility of results.

The principle behind the DualChip system is complete ease of use. This helps make, in particular, the initial use of array technology considerably simpler and faster.

Thanks to the efforts of the International Human Genome Sequencing Consortium, virtually complete DNA sequences of all 24 human chromosomes have been mapped with an accuracy of 99.99 percent and are now publicly available. In the future, gene analysis will focus on researching the details of DNA content and their significance. Because several genes are involved in almost all hereditary diseases, researchers now face the long-term task of identifying their detailed interaction and developing suitable drugs. Proteomics is an even greater challenge; it is based on the results of gene analysis and involves researching all proteins that exist in a cell or an organism under defined conditions and at a defined time. Unlike the relatively static genome, the proteome is highly dynamic and changes the quality and quantity of its composition depending on various conditions, such as environmental factors, temperature or the addition of active substances. This discipline is still in its infancy today; experts think that it will rapidly gain significance within the next five years.

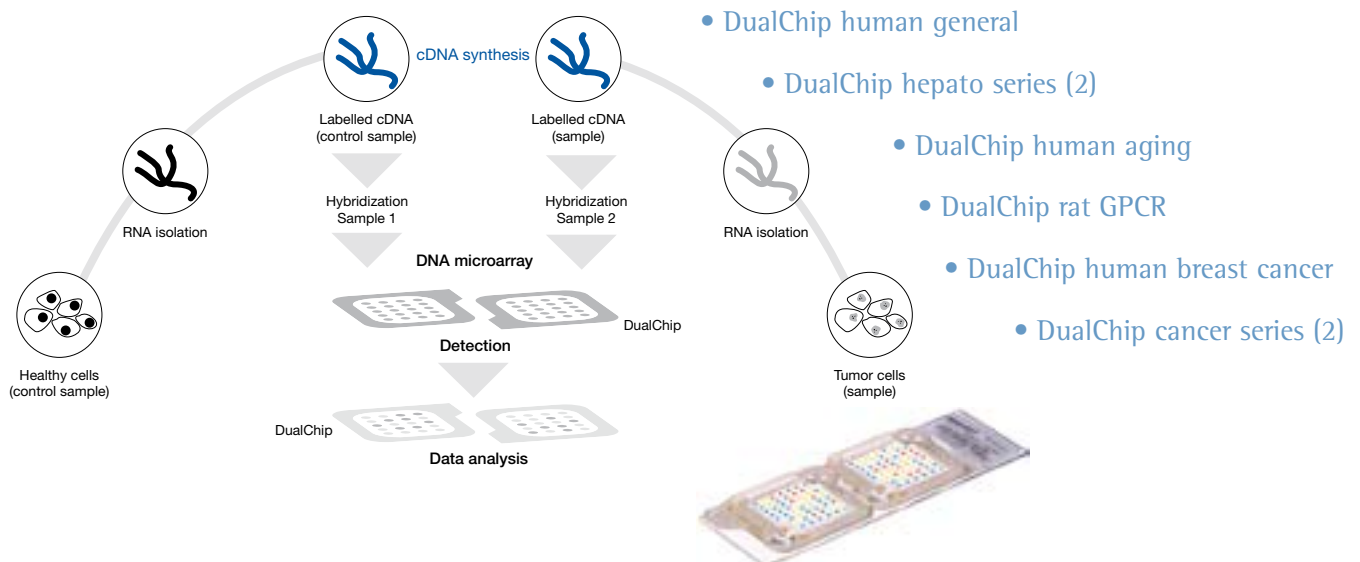
Systems biology likewise offers promising approaches. This recent addition to the biological sciences aims at understanding biological organisms as a whole. The goal is to provide a comprehensive picture of all processes—from an organism's genome and proteome to its organelles, behavior and biomechanics. Researchers hope that this knowledge will allow them to discover the root causes of diseases.

Eppendorf supplies the instruments and tools for successful research. The new procedures developed by our company address "real" requirements: With the number of samples



growing exponentially, process automation is an important trend; automation ensures reliable performance of routine procedures, especially when processing small units that are difficult to handle manually. Miniaturization is another important aspect as it permits the use of small sample sizes. In addition, tests must be reproducible in order to guarantee accurate and repeatable

results. Speed is also becoming an increasingly important factor, as sophisticated software reduces the number of testing and evaluation steps required. Eppendorf continually tackles the challenge of translating these requirements into reliable tools and offers efficient solutions.





“What is the essence of the Eppendorf brand for you?”

Interview with Dr. Gang Wang, Shanghai/China

“Eppendorf is known as a company with a long tradition; its good reputation is based on the sound quality of its products, which are appreciated by everyone who works with them. My faith in the brand largely stems from the many years of experience I have gathered with it. Eppendorf has succeeded in keeping pace with progressive developments in life sciences and laboratory requirements. It is not uncommon for Eppendorf products to surprise their users with innovations and useful adaptations. One case in point are centrifuges, which truly fulfill researchers’ requirements.”

“You work in China. Why is it that numerous Eppendorf products can be found in your laboratory?”

“Since my time as a researcher in the United States, Eppendorf has always been an integral part of my work. I am very familiar with the brand; I know that I can rely on it. This is a feeling I also wanted to share with my Chinese team.”

“What do you consider to be the special features of Eppendorf instruments?”

“We use the most important Eppendorf products in my laboratory—centrifuges and pipettes. Compared to other brands, Eppendorf centrifuges are easier to handle, and Eppendorf pipettes allow

you to work especially precisely. And there is another aspect that is important for me: The design is not an end in itself, but geared to users’ requirements. That makes working with Eppendorf products a pleasant experience.”

“How important is Eppendorf’s customer service for you?”

“Eppendorf stands out from its competitors in this respect, too. When the purchase of a large piece of equipment was involved, the local representative visited me twice in one month. This typically German commitment impressed me very much—and may even have tipped the scales when it came to my purchase decision.”

“Your research is making rapid progress. Will Eppendorf be able to keep pace with changing requirements?”

“Eppendorf may be an old brand with a history, but it nevertheless stands for state-of-the-art technology and innovation. Until recently, I had worked exclusively with the normal PCR cyclers. Now, however, I have opted in favor of the latest real-time instrument, which uses a number of new technologies. I made this decision not only because I trust the brand, but also because I expect it to be innovative. My hope is that this impressive piece of equipment will also deliver impressive success—but time will tell . . .” ● ● ●

Dr. Gang Wang obtained a PhD in molecular and cellular biology from Tulane University in New Orleans, Louisiana/USA, in 1998. From 1999 to 2005, he worked as a post-doc and later as an assistant researcher at the Molecular Biology Institute of the University of California, Los Angeles. Subsequently, he was appointed to the Shanghai Institute for Biochemistry and Cell Biology within the framework of the Chinese Academy of Sciences’ “Hundred Talents Program”. Here, he heads the Mediator Complex and Eukaryotic Gene Regulation Group.



Strategy

From Equipment Maker to Biotech Company

In the early 1990s, Eppendorf-Netheler-Hinz GmbH was faced with a difficult environment in the German healthcare sector. Against the background of cost containment discussions, the earnings outlook of the company—whose operations focused largely on Germany—was more than uncertain. One proposed strategy aimed at going beyond the national focus, another sought to penetrate the emerging biotechnology market with existing expertise and technologies.

Favorable results were not long in coming: While the company had generated two-thirds of its sales in Germany in previous years, the US soon became its single-most important market in the 1990s. Western Europe now accounted for one-third of the company's sales.

At the same time, corporate structures were not only extended, they were also restructured. Stand-alone sales companies were established in many important markets, and production units were converted into separate legal entities. In its capacity of holding company, the parent company was assigned far-reaching control functions.

Once a regionally oriented company, Eppendorf has since become a globally operating group, generating more than 90 percent of its sales overseas. It offers a diverse range of products and technologies geared to customers' requirements and processes.

A key element of its corporate strategy lies in the analysis of individual product solutions currently available. Add to it a keen sense of research trends and an open dialog with the scientific community at large, and this leads to building system solutions with more benefits for researchers in the laboratory—and, thus, a sound basis for Eppendorf's business success.



reddot design award
winner 2006

Design in the laboratory

Eppendorf products not only fulfill the highest technical requirements, they are also esthetically pleasing: The Multipette® Xstream and Multipette® stream pipettes (marketed as the Repeater® Xstream/stream in North America) have been honored with the world's most coveted design prize, the "reddot design award." Conferred annually since 1955, the award honors a wide variety of industrial products for exceptional design. In addition, both of our products also received the "Instrument Business Outlook Gold Award for Laboratory Equipment Industrial Design 2006." This award is given to analytical instruments and laboratory equipment of outstanding quality and function.



Gudrun Vogeser, who has a PhD in biology, founded PIKA Weihestephan together with two doctoral candidates in 2000. Located in Freising, Bavaria, the company offers systems for microbiological analyses aimed at rapid detection of production contaminants. So far, its focus has been on the beverage industry, but the company is currently also expanding into non-food industries, such as leather and paper. PIKA Weihestephan uses only real-time PCR for its analyses.

Interview with Gudrun Vogeser, PhD

“Eppendorf quality is simply fascinating!”

“Dr. Vogeser, what words would you use to describe ‘Eppendorf quality’?”

“High quality, reliable, durable and seldom in need of repair.”

“What differentiates Eppendorf from the competition?”

“Although Eppendorf products are initially somewhat more expensive than those of the competition, they offer better quality and good service—which, of course, has its price. Use and handling are extremely well geared to meet practical requirements.”

“What made you decide to use Eppendorf products?”

“Quality and durability make these products a good investment. Spare parts are available even after many years of operation, and customer service supports them throughout their entire life cycle.”

“You mentioned service: What experiences have you had in your cooperation with Eppendorf employees?”

“Only good ones—employees have time for their customers, pay attention to their individual requirements and also find unconventional solutions. In addition, the company responds rapidly to inquiries, and the staff members have sound technical knowledge. They treat customers like partners and are always friendly and polite.”

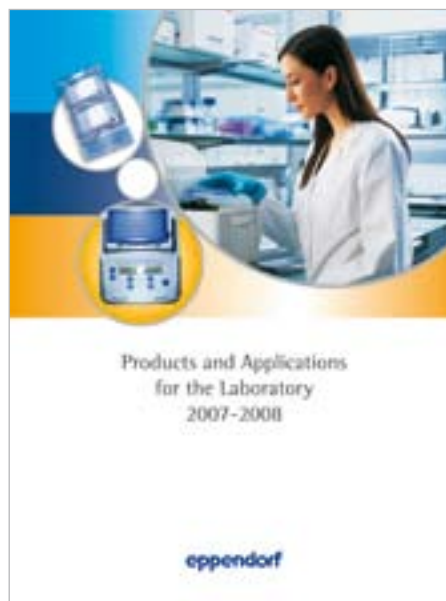
Brand

Our Brand Strength: An Investment in a Successful Future

In Hamburg, Eppendorf is the name of an attractive neighborhood. In laboratories all over the world, however, the term “Eppendorf” means something completely different: Laboratory instruments and technologies that have often proven to be milestones. From the legendary piston-stroke pipette, which is part of the standard equipment of each and every laboratory, to instruments equipped with state-of-the-art technology, every product embodies the attributes that make the Eppendorf brand so valuable: Quality, innovation, service and design. We are not satisfied with our products until they fulfill our high standards for precision, reliability, safety and ease of use.

A systematic, long-term strategy is a prerequisite for establishing awareness and brand value in the research community—and creating the necessary trust. A good name is not an end in itself, but rather a means of achieving an enduring and sustained position in the marketplace. Strengthening the brand further through suitable measures and, hence, enhancing both the brand's and the company's value is an important part of Eppendorf's strategy.

Our catalogs are published in
11 languages





The cornerstone—and main foundation—for the strength of the Eppendorf brand is our aim to expand technological leadership in our core competencies. Our close contacts with all kinds of research institutes enable us to obtain a steady flow of reliable information about new methods, processes and challenges. Our customer orientation helps us enhance our brand value because this close dialog with users helps us in developing products that optimize work processes and offer genuine benefits. We can only achieve this goal with the best staff. We go to great lengths to qualify and continually train our employees in order to steadily improve their competence. Accompanying measures such as workshops for technical users and a stately presence at the world's most important trade fairs are also important measures. Last but not least, our communications are another key element of our brand strategy: Catering to the diversity of our various customer bases, our catalogs are published in 14 versions and eleven languages. In our BioNews customer newsletter, we regularly inform our customers about the latest trends and developments at our company as well as research applications. Our own Eppendorf sponsored research awards are also important tools for strengthening our brand.

International trade fair participation

Lab Automation	Palm Springs/USA
PITTCON	Orlando/USA
Forum LABO	Paris/France
ANALYTICA	Munich/Germany
Mip Tec	Basle/Switzerland
ACHEMA	Frankfurt/Germany
ESHRE	Prague/Czech Republic
AACC	Chicago/USA
ABIC	Melbourne/Australia
Analytica China	Shanghai/China
Bio Tech Forum + Scanlab	Copenhagen/Denmark
MEDICA	Düsseldorf/Germany



“How long have you been working with Eppendorf products?”

Interview with Barbara L. Zane, New York/USA

“The cooperation between Eppendorf and our lab has a long history. Eppendorf loans us equipment for our labs and donates supplies to our advanced post-doctoral course program. Through their generosity, we have become acquainted with and developed our appreciation for Eppendorf quality. In addition, we have the impression that Eppendorf, the company, supports research and development.”

“How would you define Eppendorf quality?”

“In my opinion, Eppendorf products are tried and tested, reliable and durable. Eppendorf supplies state-of-the-art lab equipment, reflecting its close relations to the research community. At the same time, the products always meet high quality requirements.”

“How does this apply to you as an Eppendorf customer?”

“Much of the laboratory products we purchase are also Eppendorf. For example, our course instructors here at Cold Spring Harbor specifically request Eppendorf manipulators by name. This speaks of their quality—they know they will receive equipment they can rely on over a long period of use. Of course, in the Meetings and Courses Programs we try to satisfy the specific needs of our instructors whenever possible.”

“How do you rate your collaboration with Eppendorf on a personal level?”

“My experience with Eppendorf personnel has been positive, and I enjoy working with them. They react very quickly, and they are helpful in answering any queries.”

• • •

Barbara L. Zane graduated from Long Island University with a Bachelor of Science degree. Since 1998, she has been coordinating and managing the logistics of the post-doctoral course program at Cold Spring Harbor Laboratory, a private, non-profit institution with research programs in cancer, neuroscience, plant genetics, genomics and bioinformatics.



Quality

Quality and Innovation—Two Pillars of Our Success

“Eppendorf quality” has become common terminology in today’s laboratories. Our high standards are known all over the world; thus, quality assurance plays a correspondingly important role in our company. We rely on process-oriented quality management to safeguard the quality of our products, and we strive for continuous improvement. Quality is the hallmark of our corporate

our technologies. In the year under review, our research and development budget exceeded the €24 million mark. During the same period, Eppendorf applied for 386 patents.

Our Scientific Advisory Committee plays an important role in our company’s innovation process. Given our broad product portfolio and the complexity of the research environment, we regard such expert advice as indispensable. This body supports us in the selection and assessment of strategic goals, evaluates competing technologies and identifies technological trends.

Number of patents granted

377

culture; it not only encompasses our products, it also extends to our suppliers, internal processes and employees. A group-wide, efficiently structured quality management system has been installed at all production sites. We perform regular internal and external audits to ensure that we meet our own high standards—and those of our customers.

Our stringent quality standards are complemented by our innovativeness, and this combination of quality and knowledge is the basis of our outstanding market position. Professional knowledge management, the use of state-of-the-art communication tools and comprehensive training management drive and protect our knowledge bank. We patent a large share of

IP* Portfolio

386 patents pending

25 utility models

38 registered designs

405 brand registrations for 143 brands

* Intellectual property

Responsibility

Our Most Valuable Asset: Motivated Employees

Our employees have played a major role in the Eppendorf success story. Because their expertise, dedication and loyalty are behind our continuous evolution, we are committed to promoting each and every employee in accordance with his or her talents and abilities. As a globally operating company, we face special challenges resulting from the need to integrate employees from different cultures. Our common values are what make it work: These key pillars are mutual appreciation and respect, fair and open actions and the great importance we all attach to teamwork.

Number of employees

1,838

We offer our employees job security, a pleasant working environment and personal growth. We empower them with critical thinking skills as well as opportunities to assume greater responsibilities and to participate in constructive criticism and decision-making. We support our employees in their target-oriented efforts to hone their knowledge and competencies. A broad range of training opportunities are available in our company—from the enhancement of individual work skills to business administration training and advanced language courses to leadership training.

One focal point of our human resources management is to develop leaders within our own organization. True to our motto, “promote from within,” we identify potential high achievers, provide them with individual advice for their training and prepare them for greater responsibilities. Rotating domestic and international assignments is another opportunity to gain valuable experience. Our search for the best starts with recruiting young talent for initial job training.

In fiscal 2006, we employed an average of 1,838 staff members, of which 849 were located outside of Germany. During the same period, 33 young recruits were hired as trainees in Germany.

Responsibility

Eppendorf Awards: Recognition for Young, Talented Scientists



Doris Tsao, PhD

Born in China, Doris Tsao grew up in Maryland, USA. In her graduate work at Harvard Medical School, she analyzed depth perception of binocular neurons in the primary visual cortex. Dr. Tsao became interested in monkey fMRI as a way of charging unexplored regions of the brain beyond primary sensory areas. She was awarded her PhD in 2002. In 2004, the Humboldt Foundation presented Dr. Tsao with the Sofja Kovalevskaja Award, which allowed her to set up her own lab at the University of Bremen, Germany.

Close ties to science and research are very important to and for Eppendorf; they help sustain the company's technological leadership, one of our declared strategic goals. To support young researchers, Eppendorf offers two prizes that over the years have become coveted awards, as reflected in the increasing number of applicants.

The "Eppendorf & Science Prize for Neurobiology" awards a cash prize of US\$25,000 to young international scientists (who have received their PhD or MD in the past ten years) for outstanding contributions to neurobiological research using methods of molecular and cell biology. In 2006, the committee of scientists, chaired by the Editor-in-Chief of Science magazine, Dr. Donald Kennedy, selected Chinese native Doris Tsao, PhD, from the University of Bremen, Germany. Her work entitled, "What's in a face? Recognition at the cellular level," elucidates the role of the neural basis for face perception. Using functional magnetic





resonance imaging (fMRI) in monkeys, Dr. Tsao has identified three macaque brain regions that show increased blood flow as a reaction to faces as compared to non-face objects.

Since our 50th anniversary, the company has honored outstanding work in biomedical research with the annual “Eppendorf Award for Young European Investigators,” which offers a cash prize of €15,000. The target group is European researchers younger than 36 years of age. The 12th annual prize was awarded in 2006 to Dr. Luca Scorrano, born in 1971, from Dulbecco-Telethon Institute, Venetian Institute of Molecular Medicine, Padova, Italy, for his research on apoptosis, or “programmed cell death.” Dr. Scorrano has discovered a mechanism by which mitochondria release a key mediator of irreversible apoptosis, opening up new possibilities to control cell death in disease. The award committee, which had been presided over for many years by Professor Ernst-Ludwig Winnacker, President of the German Research Foundation, is now headed by his successor, Professor Kai Simons, Managing Director of the Max Planck Institute of Molecular Cell Biology and Genetics in Dresden.

Winners of the “Eppendorf Award for Young European Investigators” since 1995:

2006	Dr. Luca Scorrano	Italy
2005	Dr. Thomas Helleday	Sweden
2004	Prof. Dr. Patrick Kramer	Germany
2003	Prof. Dr. Silvia Arber	Switzerland
2002	Dr. Thomas Tuschl	Germany
2001	Dr. Andreas Mayer	Germany
2000	Dr. Dario Alessi	UK
1999	Dr. Jan Pieters	Switzerland
1998	Prof. Dr. Michael Wegner	Germany
1997	Prof. Dr. Helena Edlund	Sweden
1996	Prof. Dr. Ueli Suter	Switzerland
1995	Prof. Dr. Stephen P. Jackson	UK

Workflow in Life Science Research

Sample extraction

Tissue, microbial contaminated samples, food and environmental samples, bacteria and cell culture

Sample handling

Liquids, solutions, emulsions, suspensions

Sample pulping and purification

DNA, RNA, proteins, cell compartments and other biomolecules

Liquid handling



Reaction tubes



Manual pipette
Pipette tips



Dispenser
Combitips

Sample preparation



Centrifuge rotor



Microcentrifuge



Multipurpose centrifuge

Cell manipulation



Micromanipulator

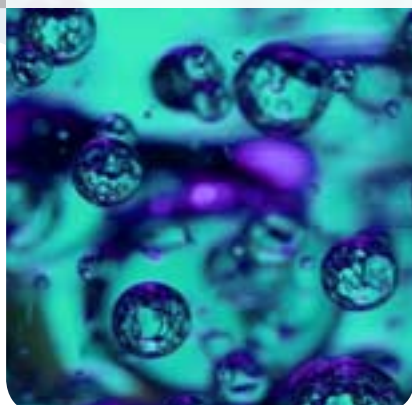


Microinjector

PCR



Automated pipetting





Experiment

Information retrieval on function and interaction in biological processes

Analysis

Qualitative and quantitative data collection and validation



Multichannel pipette



Filter tips for pipettes



Automated pipetting



Deepwell plates



Mixer



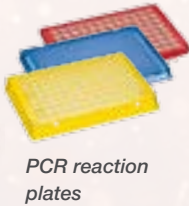
Photometer



Cuvette



PCR Thermocycler

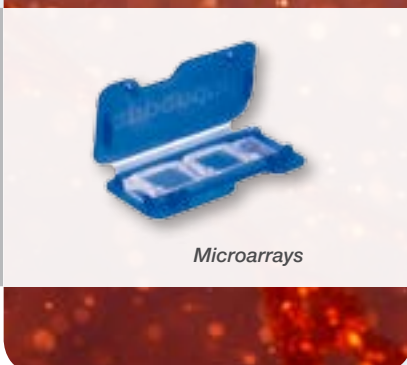


PCR reaction plates

Real-time PCR



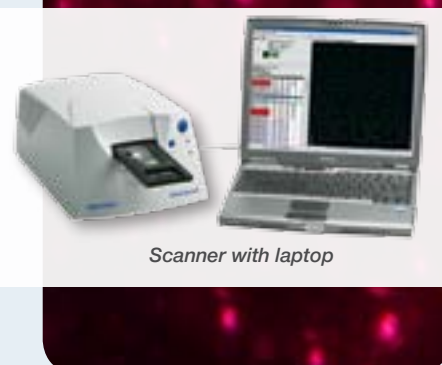
Real-time PCR cyclometer



Microarray system



Microarrays



Scanner with laptop

Objectives

Industrial research and application

- New drugs
- New diagnostic methods
- New therapies
- New agro and environmental technologies

Academic research

Enhancing scientific knowledge base by fundamental research

Governmental labs

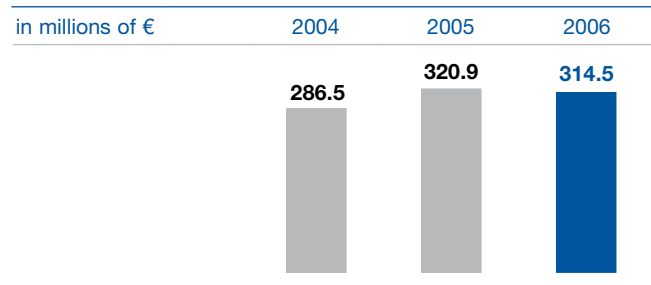
- Reliable diagnostics
- Efficient testing and inspection
- Forensic evidence

Report on the Financial Situation of the Eppendorf Group

- Expansion of the life science markets continues
- Organic sales growth in the double-digit range again
- Earnings growth above average

After a period of international consolidation in the life science markets, 2005 saw initial signs of a pickup. This trend continued in 2006, but slowed down during the course of the year. This was mainly due to decelerating economic momentum in the United States and, to a lesser extent, Japan. More buoyant expansion in Europe partially offset this trend. Economic growth in Asia remained vigorous; this particularly applies to China.

Sales



In 2005 Eppendorf systematically continued its course of growth by focusing to a greater extent on its core competencies. This strategy involved the sale of a major part of our business with third-party products in North America (the “Brinkmann” business, prior-year sales: Approximately €39 million) at the start of the year.

At Eppendorf, we continued to invest in the ongoing revitalization and broadening of our existing product range, the gradual expansion of production capacities in North America and the extension of our existing distribution network. For the latter the growth region of Asia was the focal point.

On the basis of organic growth that clearly outpaced the industry average, Eppendorf has further expanded its international position. The sales decline resulting from the disposal of the “Brinkmann” business was almost completely offset in the same year.

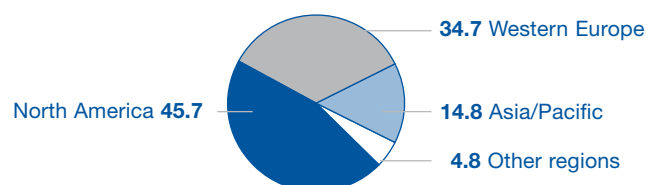
Double-digit organic sales growth

At €314.5 million, Eppendorf’s 2006 consolidated sales were more or less in line with the previous year’s level. After adjustment for the spin-off of the “Brinkmann” business, the Group again recorded double-digit sales growth of 11.7 percent.

Exchange rate fluctuations had no significant impact on sales growth in the year under review. Excluding currency effects, consolidated sales would have been €316.8 million.

Sales by region 2006

in %



in millions of €	2005	2006
North America	174.5	143.8
Western Europe	98.1	108.9
Asia/Pacific	37.3	46.6
Other regions	11.0	15.2

Key data income statement

in millions of €	2005	%	2006	%
Net sales	320.9	100.0	314.5	100.0
Cost of sales	-146.7	-45.7	-130.6	-41.5
Gross profit	174.2	54.3	183.9	58.5
Selling and marketing expenses	-89.1	-27.8	-84.8	-27.0
Research and development expenses	-21.0	-6.5	-18.4	-5.9
Administrative expenses	-28.8	-9.0	-29.1	-9.2
Other expenses/income	15.1	4.7	21.6	6.9
EBIT	50.4	15.7	73.2	23.3

With sales growth of 11.0 percent, Western Europe returned to the double-digit range again. All major submarkets contributed equally to this growth.

Adjusted for the “Brinkmann” business divestiture, sales in North America experienced growth of 7.4 percent excluding currency effects.

In the Asia/Pacific region, we generated sales growth of 27.7 percent on a currency-neutral basis, with China and India making especially strong contributions to this result. The Chinese sales organization, which commenced full operations in late 2005, expanded its market position in 2006 as expected. Significant growth was also generated again in the established Japanese market.

Gross profit margin improved as expected

On the basis of a virtually unchanged sales level, cost of sales decreased by 11.0 percent to €130.6 million (prior year: €146.7 million). The gross profit margin thus improved by 4.2 percentage points, to 58.5 percent. This trend is largely due to the fact that the disposal of the “Brinkmann” business was offset by organic growth. The focus on our core business thus had the expected favorable effect on the Group’s gross profit margin.

Internationally oriented selling and marketing activities

Sales growth largely correlated with the expansion of global sales and marketing activities. All in all, expenses in this area amounted to €84.8 million (prior year: €89.1 million). Excluding the “Brinkmann” business, however, sales and marketing activities moved up 9.8 percent. The resulting sales growth exceeded the additional expenses, thus reducing the ratio of costs to sales from 27.8 to 27.0 percent.

Research and development at a high level

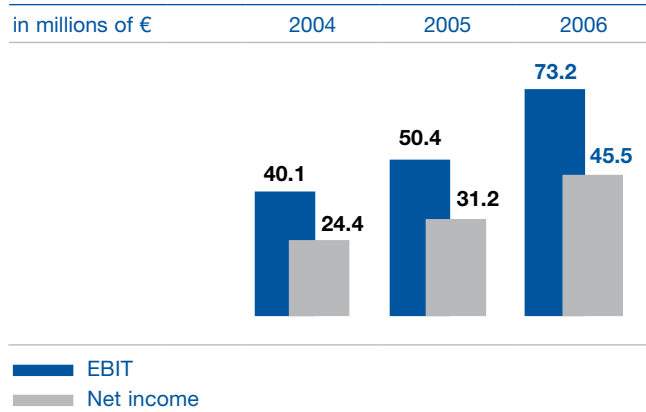
Key elements of our corporate strategy lie in the systematic expansion of our technological competencies and suitable protection of the latter through patents. On average, 147 employees (prior year: 160) worked on this task in the Group’s production and development companies. The reduction in the number of employees was due to the sell-off of the “5 Prime” reagents business in the previous year. Eppendorf’s total investment in research and development in the year under review was €18.4 million (prior year: €21.0 million).

Above-average increase in earnings

Operating profit (EBIT) of €73.2 million in the reporting year exceeded the prior-year level by 45.2 percent. After adjustment for the proceeds from the divestiture of the “5 Prime” reagents business in the previous year and the “Brinkmann” business in the year under review, we saw over-proportional growth of 34.4 percent.

The company’s favorable overall business performance resulted in net income of €45.5 million (prior year: €31.2 million).

Operating profit (EBIT) and net income



Excellent cash position, high capital expenditure level

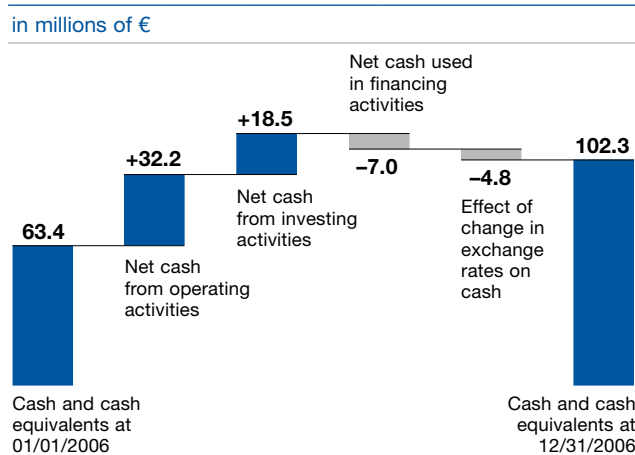
Our positive business performance in 2006 resulted in a corresponding improvement in our gross cash flow to €49.3 million (prior year: €32.0 million).

Clearly targeted investments in our sales structure led to an increase in working capital. Net cash from operating activities (net cash flow) nevertheless climbed to €32.2 million (prior year: €20.6 million).

These strong internal financing capabilities enabled us to maintain a consistently high investment volume. In our consolidated cash flow statement, funds used in investing activities in 2005 and 2006 were more than offset by cash inflows from the sale of the above-mentioned business activities. Net cash from investing activities amounted to €18.5 million (prior year: €5.8 million).

Overall, net cash held in bank accounts increased by €38.9 million to €102.3 million.

Change in cash position



Strong asset and financial position

Assets (short version)

in millions of €	2005	%	2006	%
Cash and cash equivalents	63.4	21.4	102.3	32.7
Trade accounts receivable	62.0	20.9	51.6	16.5
Inventories	68.1	23.0	58.3	18.6
Property, plant, equipment and intangible assets	60.7	20.5	57.1	18.2
Other assets	42.5	14.2	43.5	14.0
Total assets	296.7	100.0	312.8	100.0

Trade accounts receivable decreased by €10.4 million to €51.6 million. Excluding currency effects, trade accounts receivable were reduced to €7.5 million, bringing the average days sales outstanding (DSO) down to 62 (prior year: 69).

Inventories declined by €9.8 million to €58.3 million. Through the sale of the “Brinkmann” business, inventories worth €14.5 million were transferred at net book value. After adjustment for this transfer and excluding currency effects, inventories increased by €8.2 million. This was mainly caused by the expansion of our international sales network.

Tangible and intangible assets declined by €3.6 million, to €57.1 million. The key contributing factors were currency effects (€1.8 million) and the fact that depreciation exceeded the capital expenditure incurred by the reporting date by €1.3 million.

Equity and liabilities (short version)

in millions of €	2005	%	2006	%
Trade accounts payable	16.9	5.7	11.5	3.7
Other short-term provisions	36.2	12.2	34.8	11.1
Provisions for pensions	78.0	26.3	80.5	25.7
Other liabilities	20.2	6.8	14.2	4.6
Total equity	145.4	49.0	171.8	54.9
Total equity and liabilities	296.7	100.0	312.8	100.0

The net income generated increased shareholders' equity by 18.2 percent to €171.8 million. Based on a 5.4 percent rise in total assets to €312.8 million, the equity ratio was 54.9 percent on the reporting date (prior year: 49.0 percent).

Other short-term provisions of €34.8 million (prior year: €36.2 million) largely consisted of liabilities due to customers and employees.

Eppendorf has a defined benefit pension plan for most current and former employees in Germany. The increase in provisions for pensions and other employee benefits to €80.5 million (prior year: €78.0 million) is largely associated with this pension plan.

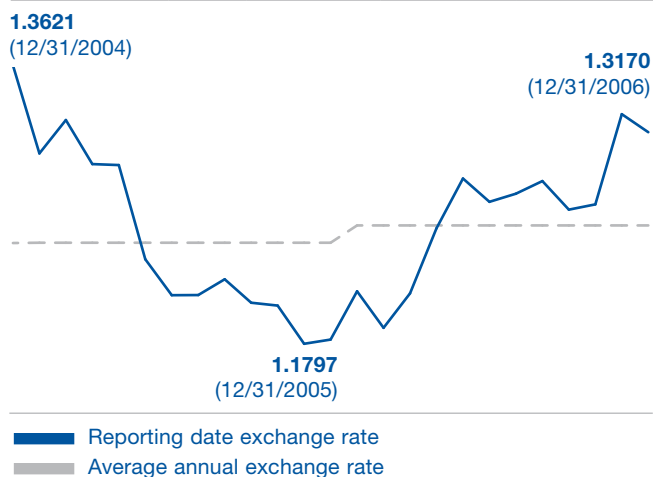
Exchange rate fluctuations

Eppendorf generates the majority of its sales in regions in which the US dollar is the dominant currency, while the share of expenses not denominated in euros is considerably lower. Given an almost constant annual average exchange rate of USD/EUR 1.2556 (prior year: USD/EUR 1.2441), the trend in the US dollar had hardly any effect on the Group's profitability.

By contrast, the company's asset and capital structure is dependent on the exchange rate valid on the respective reporting date. Compared to the previous year, the assets of the subsidiaries headquartered in dollar-denominated territories thus saw a correspondingly strong devaluation at the 2006 reporting date. Overall the currency-induced decline in the value of the Group's net assets came to €10.4 million.

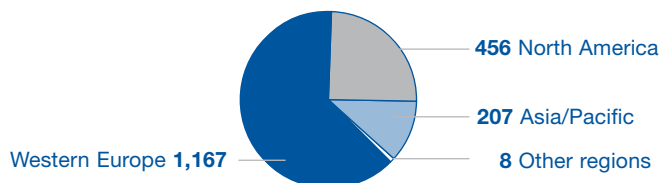
USD/EUR

December 2004–December 2006



Number of employees by region, 2006

Annual average



	2005	2006
Western Europe	1,158	1,167
North America	509	456
Asia/Pacific	131	207
Other regions	6	8
Total	1,804	1,838

Number of employees in growth regions increased

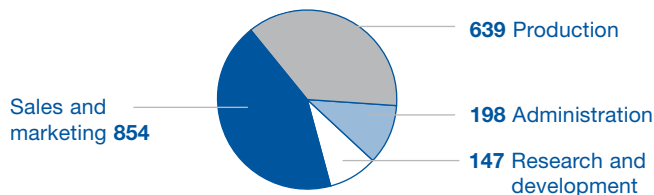
On average Eppendorf employed 1,838 persons in 2006 (prior year: 1,804).

Because of the systematic expansion of the sales organization, the average number of employees in the Asia/Pacific region climbed to 207. This corresponded to an increase of 58.0 percent compared to the previous year.

By contrast, the number of employees in North America declined to 456 (prior year: 509). Here, the expansion of the core business—extension of the regional sales structure and investments in production capacities in the dollar-denominated area—was more than offset by the disposal of the “5 Prime” reagents business in late 2005 and the “Brinkmann” business in early 2006.

Number of employees by function, 2006

Annual average



	2005	2006
Sales and marketing	785	854
Production	664	639
Administration	195	198
Research and development	160	147
Total	1,804	1,838

Risk management

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

As a globally operating company with a high share of exports, we are exposed to the risk of exchange rate fluctuations. Sales transactions in North America are billed exclusively in US dollars, and sales in Japan are invoiced in yen. An increase in product manufacturing in dollar-denominated territories partially compensates for the exchange rate risk. We enter into currency hedging transactions on a case-by-case basis.

In addition, economic and political changes in individual country-specific markets may impact the company's profitability negatively. Our regional sales management constantly monitors local market trends in order to initiate any necessary measures. Dealer bonus systems also have a stabilizing, or risk-equalizing, effect.

Our customers are mainly from the biotechnology as well as the pharmaceutical and chemical industry. Their cuts in R&D budgets, capital expenditure or public/private funding may negatively impact our sales.

It is part of Eppendorf's strategy to continuously introduce innovative products into the market. We often introduce new cutting-edge technologies with limited available experience of their use. If these products are lacking in maturity and quality, they may result in warranty and product liability obligations. New technologies from competing products may render our own technology ineffective; third-party patents may delay our own product development or introduction of new products to the market. To protect against such risks Eppendorf has introduced a comprehensive quality assurance and project management system.

Subsequent events

No developments or events occurred after the close of the fiscal year under review that might influence the financial status of the company presented in these consolidated financial statements.

Outlook

The Kiel Institute for the World Economy (IFW) expects global economic growth of 4.4 percent in 2007. A slight economic cooldown is anticipated for the United States, one of the strongest drivers of economic growth in the last few years. By contrast, virtually unchanged growth rates are predicted for Europe. The Asian Development Bank expects the strong growth in Asia to continue.

The life science markets are expected to grow in line with the global economy. Asia offers the greatest growth opportunities in this sector.

On that basis we expect the positive overall performance of our business to continue. Sales and operating profit in the first few months of the new fiscal year confirm this trend.

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	2004	2005	2006
Cash and cash equivalents	58,768	63,370	102,311
Trade accounts receivable	52,513	61,992	51,629
Inventories	53,862	68,058	58,284
Other current assets	3,310	3,528	4,833
Current assets	168,453	196,946	217,057
Property, plant, equipment and intangible assets	55,856	60,678	57,081
Goodwill and intangible assets from equity investments	8,820	14,716	13,822
Investments in associates	551	496	589
Other non-current assets	1,028	901	4,624
Deferred tax assets	19,817	22,967	19,676
Non-current assets	86,072	99,758	95,792
Total assets	254,525	296,704	312,849

EQUITY AND LIABILITIES

EUR '000	2004	2005	2006
Short-term borrowings from banks	0	0	0
Trade accounts payable	10,294	16,918	11,544
Provisions for income taxes	7,096	10,070	3,882
Other short-term provisions	30,438	36,224	34,809
Other current liabilities	3,894	7,728	7,507
Current liabilities	51,722	70,940	57,742
Provisions for pensions	74,758	77,971	80,536
Other non-current liabilities	180	184	178
Deferred tax liabilities	1,525	2,256	2,571
Non-current liabilities	76,463	80,411	83,285
Common stock	54,700	53,893	53,893
Retained earnings and other reserves	66,375	83,347	112,736
Minority interests	5,265	8,113	5,193
Total equity	126,340	145,353	171,822
Total equity and liabilities	254,525	296,704	312,849

Consolidated Income Statement

at December 31

EUR '000	2004	2005	2006
Net sales	286,517	320,889	314,476
Cost of sales	-116,060	-146,707	-130,535
Gross profit	170,457	174,182	183,941
Selling and marketing expenses	-81,436	-89,070	-84,795
Research and development expenses	-19,529	-20,976	-18,445
Administrative expenses	-28,037	-28,784	-29,129
Other income	-17	15,487	22,238
Amortization of intangible assets from investment activities	-1,320	-434	-725
Income from operations (EBIT)	40,118	50,405	73,175
Financial results	726	1,075	1,884
Share of profit of associates	458	209	277
Income before tax	41,302	51,689	75,336
Income taxes	-16,870	-20,052	-29,166
Net income	24,432	31,637	46,170
Thereof attributable to			
- Equity holders of the parent	24,388	31,183	45,491
- Minority interests	44	454	679

Consolidated Cash Flow Statement

at December 31

EUR '000	2004	2005	2006
Cash flow*	39,452	31,986	49,265
Changes in short-term assets and liabilities	-1,498	-11,407	-17,047
Net cash provided by operating activities	37,954	20,579	32,218
Net cash from/used in investing activities	-17,941	5,800	18,507
Net cash used in financing activities	-5,462	-22,685	-7,026
Effects of changes in exchange rates on cash	-369	908	-4,758
Net change in cash and cash equivalents	14,182	4,602	38,941
Cash and cash equivalents			
Beginning of year	44,586	58,768	63,370
End of year	58,768	63,370	102,311

* Net income adjusted for non-cash expenses/income

Report of the Supervisory Board

In the year under review, the Management Board of Eppendorf AG provided the Supervisory Board with regular, timely and comprehensive information about the company's business performance and major business transactions. The Supervisory Board continuously monitored and provided advice to the Management Board. 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.

In fiscal 2006, the Supervisory Board convened for a total of four meetings, at which it looked closely at the financial situation and business development of the Group. The emphasis was on the revenue trend and earnings situation of the company and its affiliated businesses. In addition, discussions revolved around development projects, capital expenditure plans and other business transactions that were of particular significance for the Group. Transactions requiring the approval of the Supervisory Board were reviewed in detail and discussed jointly by the Supervisory and Management Boards.

The consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). These accounts as well as the annual financial statements of Eppendorf AG and the management reports for the company and Group were examined by the auditor Ernst & Young AG Wirtschaftsprüfungsgesellschaft. The auditor was elected by the Annual General Meeting and commissioned by the Supervisory Board and issued an unqualified opinion. The annual

financial statements and management report for the company, the consolidated annual financial statements and management report for the Group as well as the audit reports were made available to all members of the Supervisory Board and were discussed, including the accompanying reports prepared by the Management Board. The auditor informed the Supervisory Board of the key findings of its audit. The Supervisory Board concurred with the audit result and concluded, on the basis of its own review, that no objections had to be raised. The Supervisory Board approved the annual financial statements of Eppendorf AG and the consolidated financial statements prepared by the Management Board. The annual financial statement is hereby established. In addition, the Supervisory Board also reviewed the profit appropriation report and agreed with the proposal presented.

The Supervisory Board would like to thank the Management Board and all domestic and international employees of the Eppendorf Group for their dedicated efforts and successful work for the company in fiscal 2006.

Hamburg, March 29, 2007



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
Employee representative

Peter Schmidt
Employee representative

Management Board

Klaus Fink
Chairman

Detmar Ammermann

Dr. Heinz Gerhard Köhn

Dr. Michael Schroeder

Committee

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Prof. Cornelius Knabbe

Prof. Frieder W. Scheller

As at: December 31, 2006

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