

**analytikjenaAG**

The Company of Discovery.



Analysis systems for environment, medicine and biotechnology.

Annual report 2000

## Analytik Jena AG

The Company of Discovery

Is the drinking water pure enough or contaminated with heavy metals? Does a medication contain the correct proportion of active agent? Can an offender be identified for certain by DNA analysis? Analytical methods provide us with the answers to these typical questions concerning the environment, medicine and biotechnology. State-of-the-art technologies and measuring techniques are researched, developed, produced and sold for this purpose in the

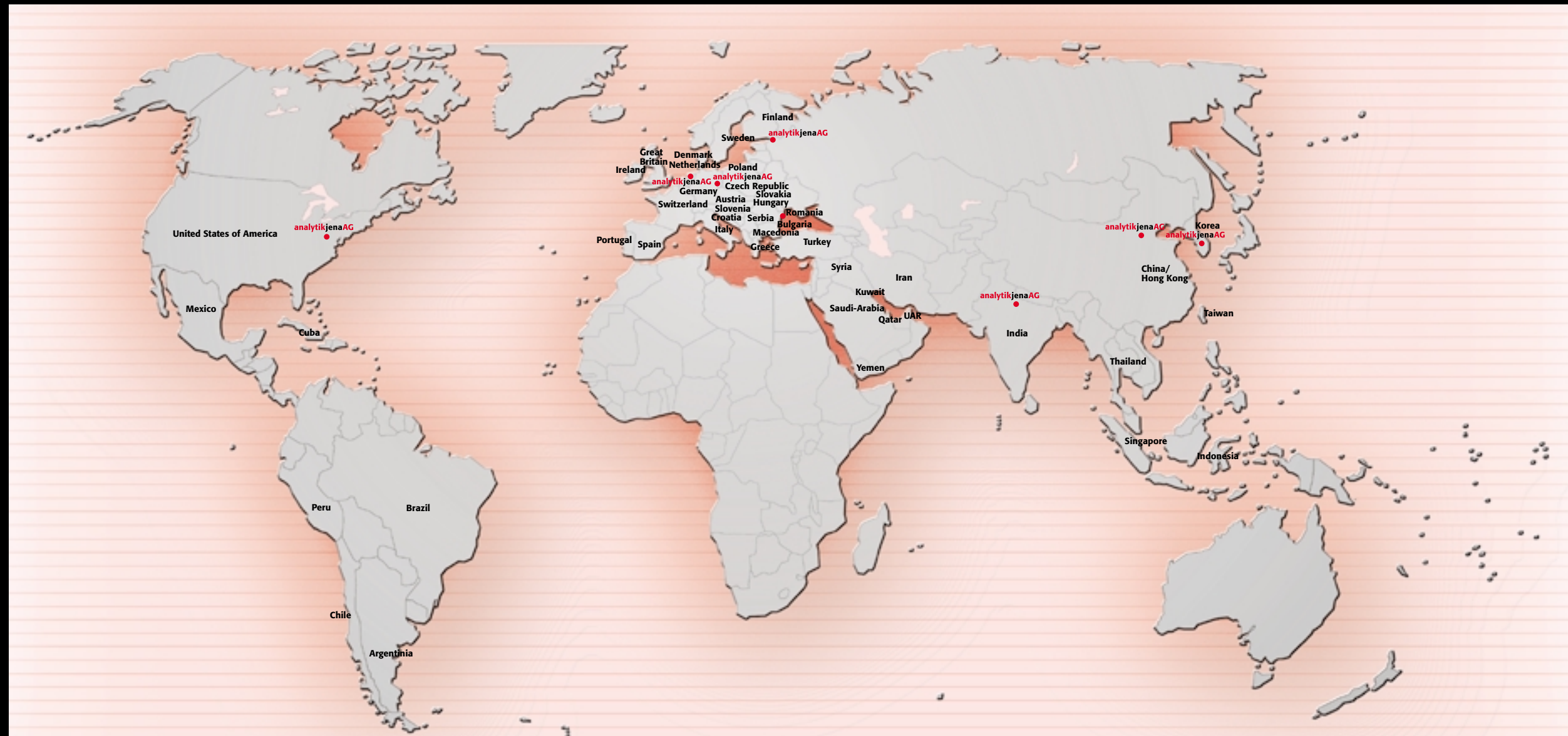
creative environment of Jena, "the German Valley" of biotechnology, as a platform for pioneers all over the world.

Analytik Jena AG offers industrial and scientific users extensive solutions from one source: from classical analysis techniques via bioanalytical measuring systems right through to planning and equipping complete laboratories.

Through the expansion of our core competences in the development of physical-optical, high-performance analysis systems as well as in the miniaturization and automation of processes we are present in the markets of the future: environment, life sciences and biotechnology. As an innovation leader with superior technologies, especially in these key markets, we use our know-how for sustainable profitable and dynamic growth.

Besides technical ability, our strengths have also contributed to the 10-year success story of Analytik Jena AG: the imagination to anticipate the future questions of science and industry. Strategic thinking, to steer our own research and development into the right pipelines. Swift and decisive action to generate marketable products therefrom at the right time. And not to be forgotten: the required down-to-earth approach to remain with our feet on the ground, in spite of all successes.

## International presence



**Selected data and ratios**

based on US-GAAP

	Oct. 1, 1999– Sept. 30, 2000	Oct. 1, 1998– Sept. 30, 1999	Change
<b>Earnings data</b>			
analytical solutions <sup>1</sup>	9,282	7,884	17.8 %
bioanalytical solutions	842	–	–
lab solutions <sup>1</sup>	8,997	7,303	23.1 %
manufacturing	4,185	3,802	10.1 %
Total net sales	23,306	18,989	22.7 %
Gross profit	7,581	5,917	28.1 %
Earnings before interest, taxes depreciation and amortization, EBITDA	2,652	1,363	94.6 %
Earnings before interest and taxes, EBIT	1,762	642	174.5 %
Net income for the period	731	299	144.5 %
Net income to sales ratio	3.14 %	1.57 %	100.0 %
Basic earnings per share <sup>2</sup>	0.26	0.12	116.7 %
Diluted earnings per share <sup>3</sup>	0.26	0.12	116.7 %
<b>Financial data</b>			
Capital investment (gross)	3,393	1,873	81.2 %
Depreciation and amortization	890	721	23.4 %
Net cash flow	11,950	(56)	
<b>Balance sheet data</b>			
Shareholders' equity	27,088	3,523	668.9 %
Balance sheet total	34,373	12,102	184.0 %
Shareholders' equity ratio	78.8 %	29.1 %	170.8 %
Number of employees (per Sept. 30)	207	180	15.0 %
Sales per employee	113	106	6.6 %

in thousands of Euros, excepting earnings per share and employees

<sup>1</sup> After adjusting for sales reclassifications of 2,550 thousand Euros from analytical solutions to lab solutions<sup>2</sup> Net income for year/weighted capital stock (2000: 2,771,233 shares; 1999: 2,500,000 shares)<sup>3</sup> Net income for year/weighted capital stock (2000: 2,780,397 shares; 1999: 2,500,000 shares)

Letter from the executive board	6
Official bodies of the Company	8

**Company**

A retrospective	12
The success story of the financial year 2000	14
Analytik Jena in profile	15
The executive directors in interview	20

**Shares**

Successful start on the stock market	28
--------------------------------------	----

**Management Report**

Group management Report	36
-------------------------	----

**Consolidated financial statements**

Report of the supervisory board	54
Independent auditor's report	56
Income statement	58
Balance sheet	59
Statement of changes in shareholders' equity	60
Cash flow statement	61
Notes on the consolidated financial statements	62
Movements on non-current assets	82
Differences in accounting, valuation and consolidation methods	84
Supplementary information in the notes	90

Financial calendar	92
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**Dear shareholders,**

With the present annual report you are getting an extensive retrospective of the most successful financial year in our 10-year Company history. The growth achieved is an impressive confirmation of this. Turnover was increased by 22.7% to Euros 23.31 million. EBIT rose by 174.5% to Euros 1.76 million.



Jens Adomat, Klaus Berka; Executive board Analytik Jena AG

The further expansion our operative business, the concentration on the expanding biotechnology market and our stock market flotation in July 2000 were among the topics that dominated the financial year.

Many distribution agreements were concluded with international selling partners. Representatives who are active in our name in China, India and the USA, speeded up the expansion of the international infrastructure of the business.

In 1999, in order to concentrate our activities on the biotechnology market, the business unit bioanalytical solutions was established. By means of combining the core competences of Analytik Jena – as for example in the development of physical-optical high-performance analysis systems as well as in the miniaturization and automation of spectroscopic procedures – we already have at the present time the technological platform for a great many bioanalytic systems. Our know-how provides an excellent basis for us to become a leading partner for enterprises in the pharmaceutical, biotechnological, molecular-biological and environmental-analysis industries.

The preparations for our stock market flotation on the Neuer Markt represented an additional challenge for management and employees. In spite of a difficult

market environment, we were able to successfully launch Analytik Jena on July 3, 2000 on the Neuer Markt of the Frankfurt Stock Exchange. The lively interest shown by numerous institutional and private shareholders in our shares resulted in the issue being 19-times over-subscribed.

By means of the stock market flotation, considerable capital funding flowed into the enterprise which has contributed to the strengthening of the equity capital base. We therewith also possess the necessary financial power to be able to market our excellent products better still, to continue to penetrate the biotechnology market, to extend our systems range on offer and to increase our international presence through targeted acquisitions and cooperations.

We can present you with a splendid result at the close of the financial year. We have markedly exceeded our ambitious goals. We take this opportunity to thank heartily the supervisory board for its support and our shareholders for their confidence in us. We also wish to express our warm thanks and respect to our employees for their tremendous commitment.

It is now time to translate the impulses for growth and the technological capability of our "Company of Discovery" into further business successes and thus to ensure further growth in turnover and an increase in the return on sales revenues. We feel ourselves to be very well-equipped for these outstanding prospects.

**Klaus Berka**

Chairman of the executive board

**Jens Adomat**

Member of the executive board

## Official bodies of the Company

### Executive board members

<b>Klaus Berka</b>	Chairman of the executive board, CEO, born 1949
1971 – 1975	Studied chemical process engineering at the Fachhochschule (College of Technology), Köthen, Saxony-Anhalt
1975 – 1979	Scientific officer in the field of research and development/ laser spectrum analysis in the collective combine Carl Zeiss Jena
1979 – 1990	Employed in the application center as well as in the selling of analytic measuring technology at Carl Zeiss Jena
Since 1990,	managing shareholder and, since 1999, chairman of the executive board of Analytik Jena AG

### Divisional responsibilities

analytical solutions, bioanalytical solutions (instruments, systems, software, accessories, consumables)

<b>Jens Adomat</b>	Member of the executive board, COO, born 1960
1980 – 1984	Studied automation engineering at the Technische Hochschule (College of Technology), Leipzig
1984 – 1986	Employee in the development area of the collective combine Robotron, Leipzig
1986 – 1990	Scientific officer in the field of application/molecular spectroscopy of the collective combine Carl Zeiss Jena
Since 1990,	managing shareholder and, since 1999, member of the executive board of Analytik Jena AG

### Divisional responsibilities

lab solutions (planning, project management, engineering and services)

### Members of the supervisory board

#### Alexander von Witzleben, Chairman of the supervisory board

Member of the executive board of Jenoptik AG.

Mr von Witzleben has been a member of the supervisory board of Analytik Jena since April 29, 1999.

#### Professor Dr Manfred Grün, Vice-chairman of the supervisory board

Managing director of AUA Agrar- und Umweltanalytik GmbH

Professor Grün has been a member of the supervisory board of Analytik Jena since April 29, 1999.

#### Dr Nikolaus Reinhuber

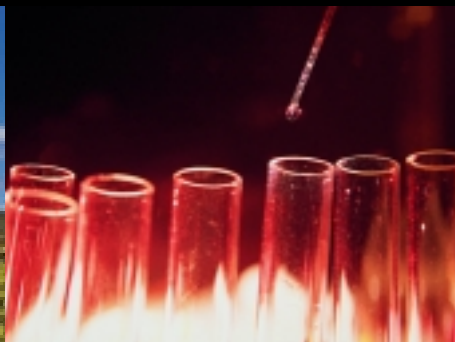
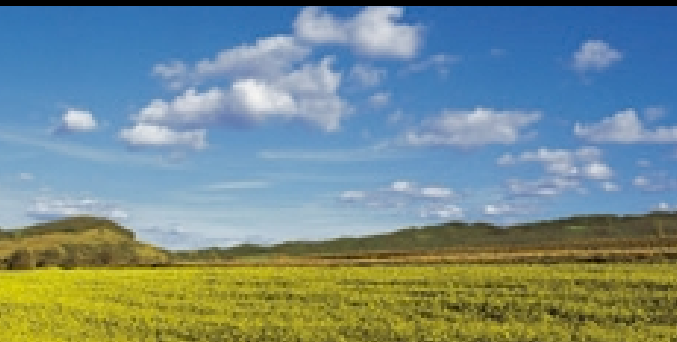
Lawyer in Leipzig, partner in Freshfields Bruckhaus Deringer

Dr Reinhuber has been a member of the supervisory board of Analytik Jena since November 24, 1999.

# How many pollutants does the ground under me contain?

Atomic spectroscopic instruments from Analytik Jena enable probes of almost all substances to be made: whether solid

or liquid, food or soil samples, blood plasma or serum, cooling water or oil, semiconductor or pharmaceutical substances.



## A retrospective

### The growth chronicle from 1990 to 1999

Analytik Jena was founded in 1990 by three applied scientists from the combine collective Carl Zeiss Jena as one of the first enterprises based in the new federal states. Business activities were begun with the sale of analytical measuring systems. Later, this developed into the three business units characteristic for Analytik Jena: analytical solutions, bioanalytical solutions and lab solutions. The enterprise thus developed within a very short time from being a pure marketer of analytical systems, via its own development and production, into a complete systems supplier.

<b>1990</b>	Foundation of the Company Establishment of the business unit analytical solutions
<b>1991</b>	Establishment of a sales network in the new federal states for international manufacturers of analytical systems  Establishment of a technical and application-oriented service for customer support
<b>1993</b>	Establishment of the business unit lab solutions
<b>1994</b>	30% participatory investment in IDC-Geräteentwicklungsgesellschaft mbH in Langewiesen. Development and production of sum parameters, AOX, TOC for the business unit analytical solutions
<b>1995</b>	Acquisition of the division laboratory analysis technology from Carl Zeiss Jena GmbH Expansion of the business unit analytical solutions Foundation of AFP Analytik Forschungs- und Produktions GmbH in Jena and participatory investment in the amount of 9%

<b>1996</b>	Orientation at international level, establishment of export capacities  Start-up of development and production of analytical products
<b>1997</b>	Expansion of production capacities, acquisition of the site at Eisfeld  Market launch of an automated direct solid-sampling atomic absorption spectroscopic system, technological quantum leap in the field of atomic spectroscopy (innovation award 1998)
<b>1998</b>	Participation in capital by Deutsche Effekten- und Wechsel-Beteiligungsgesellschaft AG  Market launching of SPECORD 200 with double-detector system for real time measurement  Start of research and development activity for bioanalytical systems
<b>1999</b>	Corporate reconstruction into an Aktiengesellschaft (Public Joint-Stock Corporation)  Increase of the participatory interest in AFP Analytik Forschungs- und Produktions GmbH in Jena to 39% and in IDC-Geräteentwicklungsgesellschaft mbH in Langewiesen to 50%  Foundation of the business unit bioanalytical solutions  Launching of the VITA <sup>®</sup> method, a process for optimizing signal evaluation in analyses of organically-bound carbon

## The success story of the financial year 2000

AFP Analytik Forschungs- und Produktions GmbH in Jena, manufacturer of accessories for analytical systems, was taken over 100% as per January 1, 2000. The stock exchange flotation on July 3, 2000 was a milestone in the 10-year corporate history of Analytik Jena. With this move to the capital markets, important prospects for the enterprise regarding the financing of future business growth are opened up. To the highlights of the financial year belong the market launches of new products in the business units analytical solutions and bioanalytical solutions:

### analytical solutions

With the AAS ZEE nit 60®, an atomic absorption spectrometer with Zeeman-correction and the unique possibility for direct solid-sampling analysis was introduced. The multi N/C 3000 serves for fast and reliable determination of total organic carbon (TOC) and also total nitrogen (TNb) content in liquid samples. It is an ideal analysis instrument e.g. for environmental monitoring. With the SPECORD range 50/40/30, three modified spectral photometers for universal applications in environment, medicine and bioanalytics were introduced.

### bioanalytical solutions

In the business unit bioanalytical solutions, the chemiluminescence-measuring instrument PHOTOCHEM®, manufactured and sold under license, was launched in the market. It makes possible, for the first time, the quantitative determination of anti-oxidative properties in water-soluble and fat-soluble substances in one system. By securing the worldwide rights (patent rights and know-how) to PHOTOCHEM®, Analytik Jena has established for itself an outstanding starting position in this fast-growing segment of the market. Additional products, for example a microplate reader for active-agent screenings or a SPECORD bio range are shortly to be launched in the market.

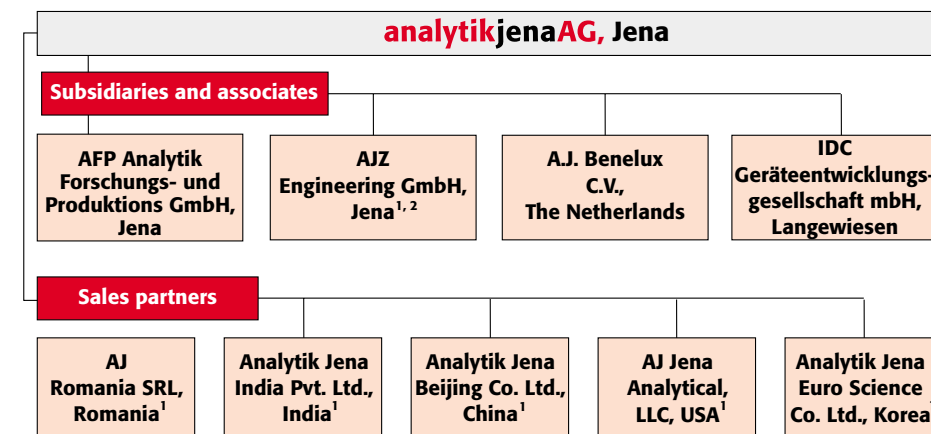
### lab solutions

The financial year finished with a record turnover. In September 2000, Analytik Jena obtained a major order, of a size of more than Euros 0.82 million (m), for technically equipping the laboratory of the University Clinic of the Friedrich-Schiller-University of Jena. The project "Klinikum 2000" is the largest investment of the State of Thuringia and will serve as a health-care facility with maximum provision for approx. one million people.

## Analytik Jena in profile

Analytik Jena develops, produces and distributes worldwide modern, analytic-measuring technology for industrial and scientific applications, particularly for the growth markets environment, life sciences and biotechnology. The core competences lie in developing

physical-optical, high-performance analysis systems as well as in the miniaturization and automation of the latest technologies in this field. Beyond this, the Company is active in the planning and equipping of complete laboratories.



1 not included in companies consolidated financial statements as per September 30, 2000  
2 joint venture with Carl Zeiss Jena GmbH, commenced December 1, 2000

### Innovations with substance

The 10-year Company history represents an impressive growth story. The enterprise developed, within a very short space of time, from being a pure marketer of analytical systems, via its own development and production, into a complete systems supplier. In the meantime, Analytik Jena has become

one of the leading manufacturers of analytical systems for many dynamically-growing market segments. Thus, in direct atomic spectroscopic, solid-sampling analysis, the Company, as technological leader with its atomic-absorption spectrometers AAS 6 solid® and AAS ZEE nit 60®, has established benchmarks.





Numerous important patents were registered and confirmed within the last few years. A bubbling-over product pipeline is the guarantee for 3 to 5 new product introductions per annum. Due to the large number of innovative products with unique features and a global marketing structure, market shares can be continually expanded, thereby, in the long run, also securing growth. Analytik Jena is at present developing several "world firsts". Another four product launches are planned for the financial year 2001.

**Know-how transfer in the field of bioanalytics**

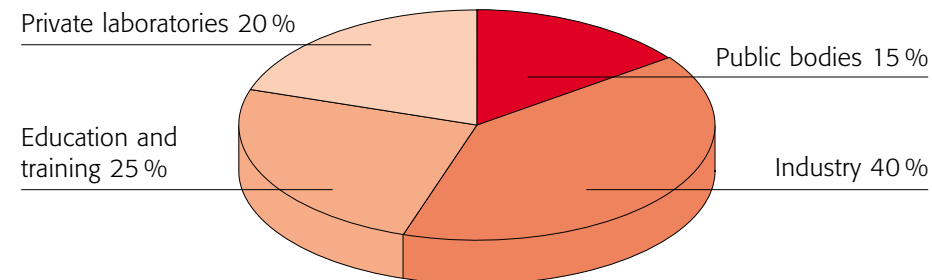
Based on the knowledge gained in the area of the "classic" analysis methods, a new pillar was established in bioanalytics in 1999. We are using our core competences in the area of molecular spectroscopic processes as a platform for innovative systems which represent a decisive portion of bioanalytical applications. The creation and exploitation of synergies in research and development, production and sales are good prerequisites for increases in turnover, accompanied by a dynamic development in earnings.

**Partners for new markets**

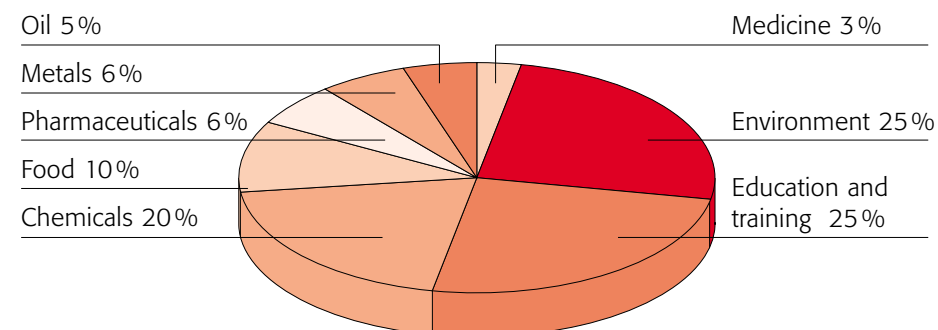
In the growth strategy of Analytik Jena, international expansion takes on an important role. Sale activities are concentrated on the European, Asian and American regions. We are building up our own representation offices in important marketing territories like India, China and the USA. Within this framework, targeted participatory investments in robust sales companies are planned. Top-class international references support the purposeful canvassing and retention of qualified executives.

Analytik Jena maintains close cooperation with renowned national and international scientists who make valuable contributions to the research and development of market-oriented products. Well-known enterprises in the pharmaceutical, environmental and the booming biotechnology industries as well as universities and research institutes belong to our 7,000 customers worldwide. In this list are included all well-known industrial groups in Germany e.g. ABB Kraftwerke AG, BASF, Bayer, Daimler Chrysler Aerospace, Degussa Hüls, DOW Chemical Deutschland, Esso, Hoechst/Aventis, Jenoptik, Linde, Roche, Siemens, VEAG and Zeiss.

**Customer structure:**



**Structure per industry:**



**Advantages of a systems supplier**

Analytik Jena is subdivided into closely-linked business units. In the orientation of these structures, logical and logistical synergies were crucial, both in develop-

ment as well as in production and sales, as, there analysis technology is needed is potentially also the market for laboratory outfitters.

## Structure of the company

analytical solutions	bioanalytical solutions	lab solutions
<b>Analytical systems</b> for investigating atoms, molecules and substance groups	<b>Bioanalytical systems</b> for application in biotechnology, active-agent search, molecular biology	<b>Systems laboratories, turn-key laboratory projects</b>
atomic spectroscopy, molecular spectroscopy, sum parameters, elemental analysis, accessories,	chemiluminescence and fluorescence spectroscopy, molecular spectroscopy, molecule interaction/ molecular biology, accessories	engineering, equipment, disposition
<b>manufacturing</b>		
Sales synergies: analysis systems and complete laboratories from one source Production and development synergies		

In the business unit **analytical solutions**, employees deal with analytical systems which are based predominantly on spectroscopy. The product spectrum can be divided up, in turn, into three special fields: In atomic absorption spectroscopy we are concerned with, for example, the examination of element concentrations and trace elements. Molecular spectroscopy analyses molecule concentrations or the structure or type of molecule. The object of sum parameters analysis is the investigation of elemental or substance groups. This is of prime importance for environmental analysis and high-purity-water analysis.

In the business unit **bioanalytical solutions**, so-called biosubstances are characterized and analyzed by means of various physical, chemical or biological methods. The important processes in this case are molecule interaction analysis, chemiluminescence,

fluorescence as well as molecular spectroscopy. For this, Analytik Jena develops and manufactures systems, equipment and instruments for new bioanalytic applications, for example, for biochemical, genetic research, molecular biology, medicinal, pharmaceutical, life sciences, food and environmental analytics.

Through the business unit **lab solutions**, Analytik Jena has distinguished itself as systems supplier of individual customer solutions for complete laboratory systems and laboratory projects. All services relating to project conception, planning, project management as well as the equipping of whole laboratory complexes with analysis technology, peripherals, media supplies and pure gas plants are part thereof. The customers are accompanied from the planning stage up to the auditing, and receive turn-key laboratory complexes from one source. Above-average in-

vestments and highly-specialized employees ensure that Analytik Jena continues to exercise an influence on the rapid technological development in this field, too.

The business units are complemented by a central production function in which also optical products are manufactured and sold.

### Success factor research and development

For Analytik Jena, as an innovative technology-enterprise, the area research and development plays an outstanding role. To keep doing justice to the growing demands, the number of employees at the beginning of the year was increased from 27 to 38 at the end of the financial year. Altogether, 15 % of our employees are employed in research & development as of September 30, 2000. The tasks of the R&D department comprise not only technical and application developments (hardware and software) but also administration and patenting.

The technicians, engineers and physicists responsible for the operative, conceptual tasks are occupied with the construction and development of hardware and software as well as with

the manufacturing and the testing of prototypes. Parallel to this, chemists and biologists, biochemists and process technicians develop the appropriate methods and applications. For this purpose, one of the largest application laboratories in Germany is at the disposal of the scientists of Analytik Jena.

Exactly this combination of engineers/scientists and chemists together with the excellent possibilities in our own application laboratories is an essential prerequisite for the swift and market-oriented translation into action of ideas into successful products. The communication between the technical and application areas, early-on in the emergent process, stimulates total development activity. Through the symbiosis of development and manufacturing it is possible for Analytik Jena, with its product range, to react swiftly to customers and market needs.

To ensure long-term growth, Analytik Jena will continue to invest heavily in research & development in the future.

## COMPANY





## The executive directors in interview

The signals are set for growth. For ten years now, Analytik Jena has been building up a success story. With the stock market flotation in July 2000, a new chapter began. The two executive directors explain which visions the Company follows.

### Let's look at the past financial year. Has everything turned out as you would have wished?

**Klaus Berka:** Two major goals were the focus of this financial year: the stock market flotation and – for us of even greater importance – the achieving of the sales and earnings targets. We are, in the meantime, quoted on

priority. Thanks to dedicated employees and well-functioning structures, we can be optimistic in this regard.

### In July 2000, Analytik Jena went public on the stock exchange. Have your expectations been met?

**Jens Adomat:** Emphatically, "yes". Preparing for the stock market flotation was a real challenge, but the lively interest of investors at the start was the best acknowledgement. Our share was oversubscribed more than 19 times. We also have a stable base to continue to hold our own on the stock exchange. Our product pipeline is well-filled and profitable developments are in pro-



the stock exchange and with Euros 1.76 million EBIT achieved our best result to date. In this respect, we can be extremely satisfied with the financial year. But dynamism and growth continue to be on our agenda. The acceleration of product development in favour of faster market launchings and a further disproportionately higher turnover growth take

gress. Thus, our fundamental data are sound and we possess the necessary imagination for the growth market of biotechnology.

**Klaus Berka:** Right now we are experiencing a phase of consolidation in stock markets. People are again looking more closely at enterprises which

already are making profits today. Substance is being sought after – I believe this to be an advantage for Analytik Jena. Each investor can easily convince himself/herself of the continuity of our 10-years' development. He/she will recognize that we represent a quite different risk-exposure mix than with "start-ups". For the further expansion of our position in the market, we also need, in addition to our own cash flow, an external cash injection. The stock market flotation was therefore very important.

### The stock market flotation resulted in net issue proceeds of approximately Euros 21 million. How is the money used in the Company?

**Jens Adomat:** We have already purchased licenses and trademarks and are in the process of internationalizing our sales network. Initially, the activities in Western Europe as well as in the US market are to be substantially expanded. The proportion of foreign sales, compared to today's figure, is to double by 2003 to over 35 per cent. With further investment, particularly in research and development, we want to establish and secure a leading edge in specific product lines. We wish to invest, above all, in new technologies in

the division bioanalytics. Combined with high-performance optics, bio-chips and bio-sensory analysis should make possible the further miniaturization of analysis systems as well as the swift analysis of samples. This is the first step to the fully automatic, intelligent, computer-controlled laboratory. We wish to continuously develop, with our know-how, new methods of analysis in order to become a leading supplier for the pharmacy, biotechnology and molecular-biology industries.

### Buzzword international competition. Are you already strong enough to stand your ground in the market?

**Klaus Berka:** We are strong in Germany. According to our information, we are, for example, market leader in systems for sum parameters analysis, in the case of atomic absorption spectrometers we are already number two or three and are distinguishing ourselves also in UV spectroscopy. At the present time, more than 80 % of our sales are achieved in Germany. Germany has a market share of approximately 10 % in the worldwide analysis equipment market. We regard it as realistic to considerably increase our level of foreign sales in the coming years. The growth potential abroad is, in any case, very

large. And so are the possibilities for an enterprise with such a strong domestic position.

**Your biggest competitors are based in the USA. And now you want to enter the lion's den?**

**Jens Adomat:** Naturally. Initially, we shall achieve this through trading partnerships, because in this way we can more swiftly create market shares. Thus, SPECTRO Analytical Instruments will distribute our AAS in the USA. The next step is the establishment of our own representation firm in the USA. It is the aim to make ourselves better known in the American market, which makes up 40 % of the worldwide analysis market. At the same time, we are orienting ourselves in the direction of Eastern Europe and Asia.

**Analytik Jena generates the largest portion of its turnover in the areas analytical solutions and lab solutions.**

**What is happening to the biotech fantasy?**

**Klaus Berka:** We possess the fundamental technologies on which bioanalytics is built up. Whoever operates a laboratory also needs equipment for this purpose. And this is our big opportunity. The customer of the business unit lab solutions is, at the same time, a potential customer of the business

units analytical solutions and bioanalytical solutions. Especially here, the fantasy fast becomes reality because we already have the customer potential.

**Jens Adomat:** Analytik Jena is growing enormously with these two business units. The business unit bioanalytical solutions is our youngest child. 2 years ago we started with the development and now the first products are on the market. After the stock market flotation, one of our aims was the market launching of PHOTOCHEM®. We acquired the worldwide rights to this chemiluminescence-measuring instrument and therewith have a product on the market with absolutely unique features. I see here an enormous future. Whether in cancer research or in the bio-industry, everywhere antioxidant agents today play an important role. And we offer the measuring instrument with which the related investigations can be carried out. Additionally, we concluded an exclusive sales contract with Carl-Zeiss-Jena for a product with which one is able to measure interactions of biological macromolecules e.g. proteins, nucleic acids and enzymes. This is of great significance for the investigation of causes of illnesses.

**Klaus Berka:** Biotechnology is the big hope for many areas of our life. To be

able to offer innovative solutions in this area, one must be a visionary and a forerunner at the same time. We recognized early-on the great chance which this market offers and invested in basic research. This all relates to new technologies with which a variety of investigations and analyses can be carried out. It concerns reliable pronouncements in respect of substances and active agents. Often, an unbelievable number of probes become necessary, which cannot be coped with using conventional analysis methods. The trend is towards chip technologies, where, for example, whole laboratories can be fitted into the smallest space (lab-on-the-chip-technology).

**Well-known trading partners are very important. Which companies belong to the list of your largest customers?**

**Jens Adomat:** Analytik Jena achieves 40 % of its turnover with industrial customers. Enterprises with a worldwide reputation are among them. I believe this to be an important argument for our entry into the international arena and a very good starting point for the international marketing of our products. Besides industry, we also cooperate with important universities for the purposes of product development. Everywhere where basic research is carried out, in institutes like Fraunhofer,

Hans Knöll, Max Planck etc., one finds, these days, products of Analytik Jena. And the scientists trained there later become our best "multipliers". This is because they have already gained good experience with our products at the beginning of their careers.

**Research and development are the basis for success. How much is spent in this area?**

**Klaus Berka:** Research and development expenditure in the business units analytical solutions and bioanalytical solutions in the reporting year, before deducting subsidies, totalled over Euros 1.4 million, which is, expressed as a percentage of the turnovers of these divisions, 14 %. This expenditure is in close correlation with our growth in sales. In future, too, we intend to invest on a comparative scale in research and development. In the business units analytical solutions and bioanalytical solutions, three to five products are launched in the market per annum.

**The employees are the most important capital of the Company. How do you motivate more than 200 employees?**

**Klaus Berka:** The share option programmes arising as a result of the stock market launch help us in this respect. We were thus able to offer shares in the "Friends & Family Programme" to all





employees. With the "Stock Options Programme" we are exploiting a further possibility of securing the allegiance of the employees to the enterprise. One must not view the employees as being only on the costs side of the income statement. Our human capital is our know-how, it is our resource which we care for and properly train.

But the broad assignment of responsibility also motivates and binds. We shall further expand this endeavour. Internal communications continues to play an important role with a personnel growth of over 10 % per annum. Our employees must know the business goals at all times and feel involved in achieving them.

**How are the young discoverers coming along?**

**Jens Adomat:** Thanks to the excellent cooperation with the technical college Jena and with Friedrich Schiller University, we are managing to instil enthusiasm for Analytik Jena into young graduates and trainees. These favourable

connections also exist with many other cooperation-partners and customers. In addition, we have at present 20 trainees in the Company. Due to our history and visions for the future, we offer excellent prospects for biologists, biochemists, bio-technologists, chemists, physicists and engineers. Just this combination of experienced and young employees makes an enterprise like ours so successful.

**The financial year was completed with a 23 % increase in turnover. What level of growth do you expect in the coming year?**

**Klaus Berka:** Average growth will again continue to be around 30%. In the business unit lab solutions, a much higher level of sales than expected is possible. This is due primarily to the contract with Barnaul in Russia. Analytik Jena is responsible for the planning, fitting-out and equipping of super-clean rooms and laboratory units with radiological and endoscopic diagnosis systems. The volume of orders for technical planning and turn-key clinical equipment amounts to over Euros 25 million.

Here, we shall attain, for certain, substantial rates of increase within the next few years. In our new business unit, bioanalytical solutions, a turnover of over Euros 0.84 million was achieved in the first financial year. Here, growth rates of over 75% are planned. Of course, it's not only just about achieving turnover. After all, the net income has to increase as well.

Generally speaking, we have very good margins in the segments analytical solutions and bioanalytical solutions. In the project business of lab solutions, the margins are lower. But here too, we are increasing our range of engineering services in favour of a higher margin.

**And how are the earnings prospects for the following years?**

**Jens Adomat:** If we invest disproportionately more today in the areas of research and development, personnel and sales expansion, then clearly, in spite of a disproportionately higher growth in turnover, earnings cannot grow in the same measure. The investment only pays off in one or two years.

**Future visions. Your plans for the future?**

**Klaus Berka:** In the business unit analytical solutions, market penetration with technologically-leading products will be

continued and expanded and also the position in the high price segment strengthened by quality leadership and a broad range of services on offer. We are concentrating on new systems and procedures in the division bioanalytical systems. A strategic core element is represented by our advancement to systems-supplier through research into new technologies, such as bio-sensory analysis and lab-on-the-chip technology.

**Jens Adomat:** Due to increasing complexity, the need for advisory services regarding laboratory equipment has increased. As a result, advisory services in the area lab solutions are being further expanded. In future, we will increasingly concentrate on the target markets clean-room laboratories, high-tech bio-laboratories and gene laboratories.

**Klaus Berka:** Analytik Jena shall grow and shall be an up-front player among the large internationally-operative enterprises. I believe that we have the ideas, strong trading partners and competitive products to this end. Both of us are in the enterprise with body and soul. For the future, I wish our employees and ourselves personally good health, vigour and the necessary, regenerative scope, also within the family.



SHARES



# Will a medicine be discovered which makes one happy?

Inventions of Analytik Jena help pioneers throughout the world in the search for new medicines.

Automated screening practices cope with gigantic samples fast and economically.

Without these probes, progress isn't conceivable.

## Successful start on the stock market

On July 3, 2000, a decisive chapter was written in the successful history of Analytik Jena AG. After intensive two-year planning, the enterprise took the plunge on the Frankfurt Stock Exchange. The response to the "going-public" was very positive. Despite the turbulence in the markets and the many new issues, the shares were oversubscribed more than 19 times. The issue price of Euros 24.00 could therefore be fixed at the upper end of the bookbuilding range. Altogether, 1,733,000 ordinary shares were issued

successfully on the Neuer Markt. In this way, gross proceeds of Euros 24.0 million (m) were realized. The costs of the stock market flotation amounted to 11% of the issue proceeds. The stock market flotation was carried out by issuing 553,000 "old" shares and 1,000,000 "new" shares, representing an increase of nominally Euros 1.0m as well as a fully-exploited, surplus allocation option of 180,000 "old" shares. The premium from the increase of capital was allocated fully to additional paid-in capital.

Bookbuilding range	Euros 19.00 – 24.00
Over-subscription	19.3 times
Issue price	Euros 24.00
Issue volume	1,733,000 ordinary shares of no par value
Gross issue proceeds	Euros 24.0m

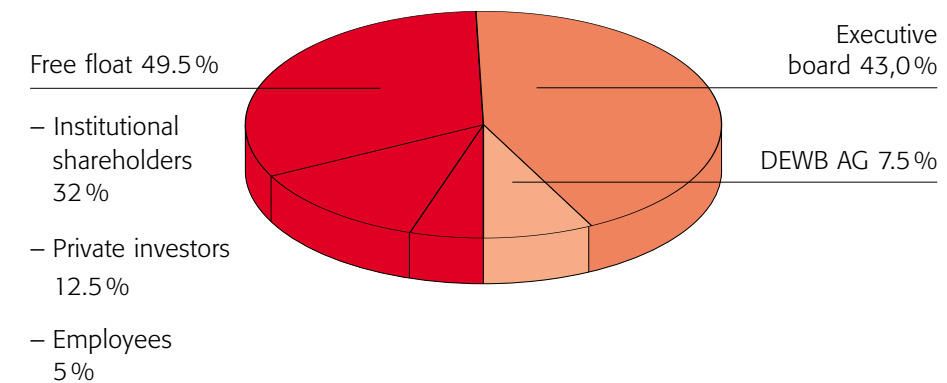
### Purpose of the stock market flotation

The capital proceeds from the stock market flotation will be used for the expansion of the business activities and thus, in the long run, serves to secure growth in earnings. Planned application of the issue proceeds:

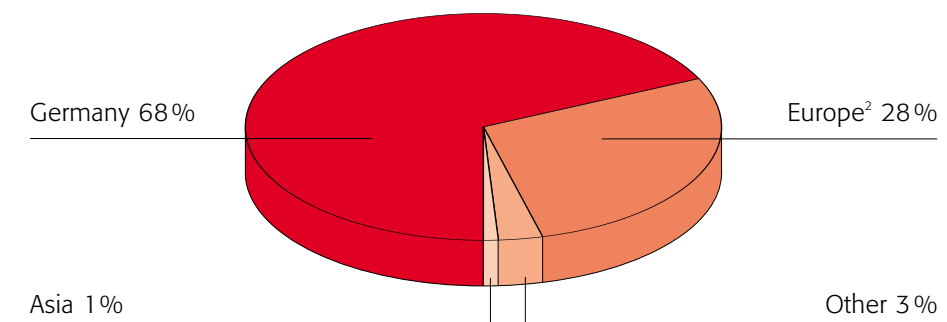
- Through the establishment of branch sales offices in Europe, America and Asia we are expanding our international sales network.

- To safeguard our technological leading edge, we are continuing to invest heavily in research and development. Approximately 50 % of the investments in this area flow into the division with the strongest growth, bioanalytical solutions.
- Acquisitions to expand sales capacities, development know-how and our technological base will be intensified.

### Shareholder structure



### Allocation over countries<sup>1</sup>



<sup>1</sup> Position at time of IPO (July 3, 2000)

<sup>2</sup> Excepting Germany

## SHARES



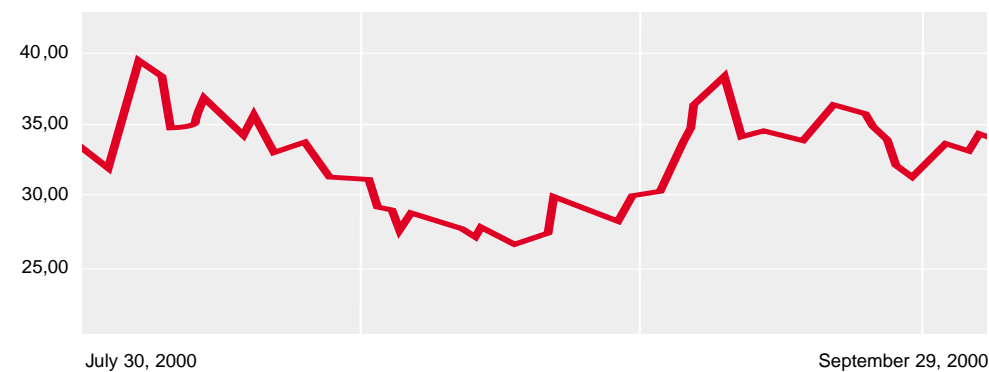
With the flotation on the stock exchange, the opportunity was additionally created for every employee to financially participate in the success of Analytik Jena AG. Almost all employees evidence their identification with the enterprise by a financial participation in the context of the Friends & Family Programme. In addition, an attractive share-option scheme should strengthen long-term motivation and ties to the Company of all employees of the Analytik Jena Group.

As part of the preferential allocation, a total of 119,879 shares were allocated. Thereof, 87,707 shares related to the Friends & Family programme and 32,172 shares to the AAA programme of DEWB (Aktien an Aktionäre = shares to shareholders).

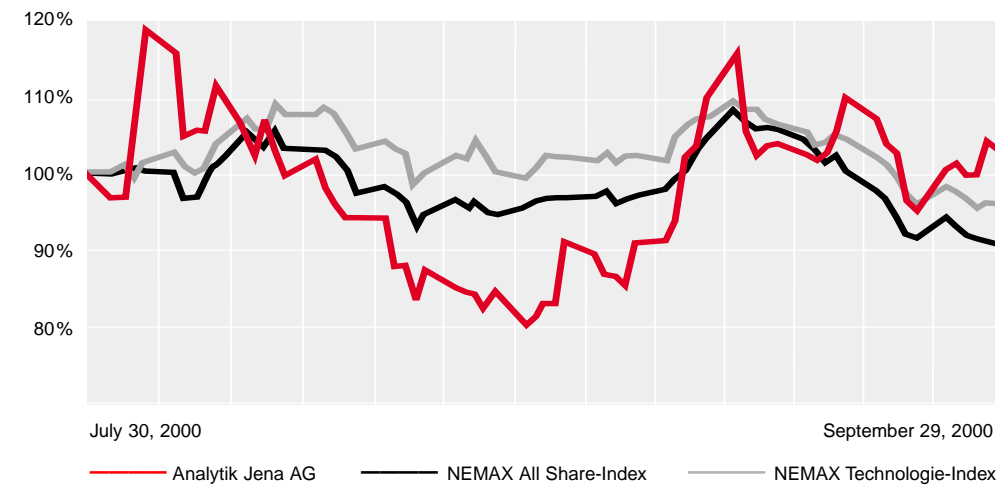
**Movements in the share price in comparison to the market**

2000 was a very turbulent year, being marked by numerous new issues. Over 300 companies were listed on the Neuer Markt at the end of September 2000. Regarding growth on the Neuer Markt, one could speak about superlatives. After the NEMAX All Share had reached its high on March 10, 2000 with 8,559 points or on May 2, 2000 its highest capitalization with Euros 251.2 billion, disillusionment crept in. Marked by a negative atmosphere prevailing in the capital markets and strong scepticism on the part of investors, a wave of postponements of new issues ensued. On October 6, 2000, the NEMAX All Share Index fell for the first time below its opening balance of 4,572 points at the beginning of the year.

**Development in the price of the Analytik Jena share**



**Comparison of performance**



The share of Analytik Jena AG was marked during the last three months by a weak market environment. In the summer months, the price of the share at first moved in the direction of the issue price and in its development remained behind the total market until the end of August 2000. The announcement of the nine-months' results in August 2000 contributed to making Analytik Jena AG more well known and to strengthening the confidence of

investors in the share. As a result, the share rallied and climbed to Euros 38.50 on September 4. Despite the continuous sideways movement, the price of the Analytik Jena share, in the remaining months, has performed better than the total market. On September 29, 2000, the share of Analytik Jena, at a price of Euros 34.60, had outperformed the trend of the NEMAX All Share Index by 10 per cent.

**SHARES**



#### Payment of dividends

Pursuant to the present strategy of the Company, no dividend is to be distributed, in order to further strengthen and improve the future competitive position of Analytik Jena. The earnings of the past financial year will be invested in current activities and used for the financing of further growth. The long-term investments in profitable projects contribute to an increase in

value of the enterprise and to shareholder value. In this way, Analytik Jena is on the best route to significantly improving its promising position in the market. Also, having regard to its numerous successes, Analytik Jena will remain above all a long-term growth share. Accordingly, all investment is undertaken from the point of view of added value for the enterprise and for the shareholders.

#### Statistics on the Analytik Jena share

Securities identification Number	521 350
Securities abbreviation	AJA
ISIN-Code	DE 000 521 350 8
Reuters symbol	AJAG.DE
Number of shares	3,500,000 shares
Earnings per share 1999	Euros 0.12
Earnings per share 2000	Euros 0.26

#### Development of the Analytik Jena share

Issue price July 3, 2000	Euros 24.00
Closing price September 29, 2000	Euros 34.60
Highest price (July 3 - Sept. 29, 2000)	Euros 41.50
Lowest price (July 3 - Sept. 29, 2000)	Euros 26.60
Market capitalization Sept. 29, 2000	Euros 121.10 million
PE ratio 00/01e Sept. 29, 2000	100.5
PT ratio 00/01e Sept. 29, 2000	3.2
Trading segment	Neuer Markt
Index	NEMAX All Share
	NEMAX Technologie
	MAX

#### Ongoing investor-relations activity

Our shareholders, potential investors and financial analysts are kept informed on an equal basis openly, promptly and extensively. We want to strengthen thereby confidence in our Company and hence the share, as well as to enable analysts to arrive at an appropriate valuation. To achieve maximum transparency, Analytik Jena employs both electronic communication channels and direct dialog.

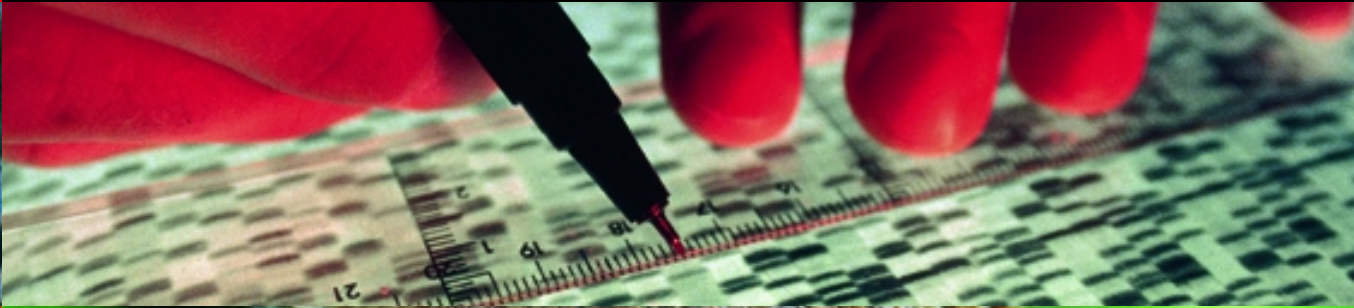
A shareholder hotline was already established before the stock market flotation took place. On this line, questions can be posed and documentation requested. At regular meetings, investors and analysts receive all information about important events. We invited analysts and press, for example, at the beginning of the bookbuild-

ing phase to Frankfurt and, on the announcement of our 9 months' results, arranged an analysts' telephone conference. In addition, the executive board maintains direct contacts to investors in selected European financial centres such as Frankfurt, London, Milan and Zurich. The executive board faced institutional investors in question-and-answer sessions in numerous group presentations and one-to-one conversations.

Through our internet homepage [www.analytik-jena.de](http://www.analytik-jena.de), shareholders have access to current information on the enterprise at all times. Investor relations activities will be improved further in the financial year 2001, in order to keep interested parties more informed about planning, strategies, events and the results of Analytik Jena AG.

#### SHARES





MANAGEMENT REPORT

# Does my genetic structure change if I eat genetic foods?

Analytik Jena offers coding systems for biotechnology whose efficiency sustainably

supports the rapid development of this booming market. Scientists are thereby

placed in the situation of finding the necessary answers to burning issues.

## Group Management Report

### Financial year 2000

#### 1. Market environment

The pace-setters in the market for analytical equipment systems are high quality requirements, cost pressures as well as rising expectations as to reliability and automation. Considerable rates of increase are to be observed, particularly in sub-markets for analytical systems. To this segment belong, in particular, "TOC" analytics in the pharmaceutical industry and also systems for direct solid-matter analysis, whose element analyses show a tendency to become the standard method.

The market for bioanalytic equipment is at present the fastest growing sub-market within laboratory analysis systems. Almost all market analysts assume substantial rates of increase and favourable prospects in the medium-term, caused by continuous research needs and the transition to the routine production function. New application fields, particularly in the area of biological and environmental analytics, give rise to a steadily growing need for high-quality analysis measuring equipment. These are factors which, for years, have been driving the market forward in its development.

The development and control of key technologies – in such important fields as biotechnology, medical technology and environmental technology – are the decisive prerequisites to compete successfully in the market.

Favoured by the decoding of the DNA, research into the human genome as well as by the rising average age of the population in the developed countries, the biotechnology market, in the meantime, shows higher growth rates than the pharma sector. The market for bio-analytical instruments is already growing presently at 20% per annum. The market for systems laboratories and turnkey laboratory complexes is being strongly stimulated, primarily due to the erection of new research institutes in the areas of biotechnology and medical technology. Based on the high complexity of the projects, customers are increasingly demanding service "from one source", which requires a sound expertise and competences in planning, engineering and logistics as well as order/project management. The field of activity for the optical products which are produced and sold by the Company is marked by enterprises which want to maintain or expand their

positions in the market by integration of modern electronics in combination with optical "know-how".

#### 2. Course of business

In the reporting year 1999/2000, the Group accomplished its demanding planning targets by means of robust growth. Turnover increased, at constant prices, compared to the previous financial year by Euros 4.32 million(m) from Euros 18.99m to Euros 23.31m.

Total growth, therefore, amounted to 22.7%. The increase in sales revenues results mainly from an increase in domestic turnover of Euros 3.75m.

The structure, as percentages, of domestic turnover and turnover with foreign countries has thus developed altogether comparably to the previous financial year. The main concentration in turnover is thus in sales to domestic customers at 84.2% (prev. year 83.6%). Through selective analysis and adjustment of the turnover of the business unit "lab solutions" – up to now exclusively generated in the domestic market – there results a domestic/foreign relationship of the

business units, excluding "lab solutions", of 74.3% to 25.7% compared to the adjusted relationship of the previous financial year of 78.1% to 21.9%. Although exports to European countries eased slightly, turnover growth of 72% was achieved, on the other hand, in the non-European markets.

Business with America and Asia developed faster than we had planned. It already makes up more than 8% of total Group turnover. In comparison to the previous year, sales to these regions of Euros 0.61m (3.3%), that are all the time gaining in importance, more than tripled by Euros 1.25m to Euros 1.87m.

This development was acknowledged in July 2000 through the creation of a new "business development" division and its staffing with internationally highly qualified management. Considerations regarding strategic business development and specific acquisitions of enterprises as well as the target of the Company for consistent expansion of an international presence were the starting point. This is to be achieved by the creation of our own selling and

### MANAGEMENT REPORT



distribution networks, through cooperative ventures and strategic sales alliances. The Analytik Jena Group has internationally invoiced its products and services to customers, up to now, in DEM or Euros. As a result, no currency risks arose from selling activities.

#### Development of the business units

The research results of the subsidiary Analytik FP Jena (AFP), Jena, which has been fully consolidated as from January 1, 2000, are reflected in the business units "analytical and bioanalytical solutions". The turnover of this company with non-Group companies is allocated, in the financial year, to the business unit "analytical solutions".

In the business unit "analytical solutions", the Analytik Jena Group has extended its product portfolio in the last three years by altogether 13 products from its own development activities. At the same time, the number of personnel in the development area was tripled within the last four years. With a turnover of Euros 9.28 m, the business unit "analytical solutions" has developed, as planned. The product groups "sum parameters" and "atomic spectroscopy" represented the substantial items in sales. In the field of sum parameters analysis, an area significantly influenced by the Company,

a disproportionately higher increase in turnover of approx. 36% was recorded. The increase was mainly achieved by increases in sales in Germany, as well as in India and China. The growth in turnover in the domestic market for double-beam photometers (molecular spectroscopy) amounted to approx. 20%.

The putative drop in turnover of Euros 10.43 m, arising when compared to the previous year's turnover, results from adjustments to turnover allocations. Thus, in the previous year, analytical measuring instruments for project business from the business unit "lab solutions", and which were not self-produced, were assigned to the business unit "analytical solutions". After adjusting for these sales allocations in the amount of Euros 2.55 m in the previous year, a relative increase of 17.8% results.

Especially within Germany, it was possible to further consolidate the position of the business unit "analytical solutions" in the market. Due to the new products introduced in the preceding financial year, the revenues of this division developed very positively. This positive development is confirmed by the increase in the level of orders on hand, compared to the previous year, of approx. 59.7%, from Euros 1.43 m to Euros 2.29 m.

The decision to build up the new business unit "bioanalytical solutions" has proved to be correct. The entry into this market segment was a logical and consistent step for the Group, as the Company is anyway represented strongly in the field of molecular spectroscopy and has good contacts to "life science" laboratories belonging to industry and to scientific institutions. A turnover of Euros 0.84 m was achieved already in the first year. Products such as "SPECORD S 100 Bio" as well as systems and methods in the field of chemiluminescence (PHOTOCHEM®) are available for the further successful penetration of this market. Considering further dynamic development, the area promises to become a profitable business division with high growth rates. As a consequence, the main emphases within capital investment and further activities are also found here. The level of orders on hand amounted to Euros 0.08 m as at the balance sheet date.

The business unit "lab solutions", with a turnover of Euros 9.0 m, developed as planned although the start of a major project, originally planned for the present financial year, was postponed to the following financial year. In comparison to the adjusted previous year's turnover of Euros 7.31 m, this was an

increase of Euros 1.69 m or 23.1%. At the end of the financial year, there existed a reassuring level of orders on hand of Euros 5.62 m, including three large-scale projects, and an order span of more than seven months.

The division "manufacturing", established at the production center of Analytik Jena AG in Eisfeld/Thuringia, marked up a turnover of altogether Euro 4.19 m in the financial year 2000. This corresponds to a turnover growth of Euros 0.38 m or 10.1% compared to the previous year. A turnover of Euros 0.42 m was achieved with a new, exclusive distributor in the USA. This is more than 10% of the total turnover of the division. In this way, a positive signal for the further expansion of the market in North America was sent out. The key accounts of the "DOCTER®" products were the important bulk buyers Kettner and Frankonia, as in the previous year. The level of orders on hand at the end of the financial year amounted to Euros 0.30 m.

The net income for the reporting year of the Analytik Jena Group amounted to Euros 0.73 m, compared to Euros 0.30 m in the previous year. This represents an increase of more than 143%. EBIT (Earnings Before Interest and Taxes) in the reporting year amounted



to Euros 1.76 m, compared to Euros 0.64 m in 1999. The considerable improvement in this result – a rise of 175 % – stems, inter alia, from a reduction of unit costs achieved in the manufacturing locations in the financial year 2000 as well as by an improved capacity utilization through higher production quantities. On top of this, gross margins were improved by bettering of procurement conditions through higher quantities and by an expansion of the product portfolio and services. Gross profit in the financial year, at Euros 7.58 m, increased by Euros 1.67 m or 28 % against the previous year. Gross profit has thereby grown disproportionately higher than turnover. The gross profit ratio of the financial year, across all business divisions, amounts to 32.5 % of turnover. The previous year's gross profit ratio was 31.2 %.

### 3. Development of costs and prices

The very extensive functionalities, and the complexities of the solutions and products, restrict comparability, as regards to price-performance, to competitive systems. Added to this is the customer view that a swift, and at the same time reliable, execution of projects and the quality of the products justify higher prices. At the present

time, the Group does not see any indications that this situation will change in the near future. On the other hand, further increases in costs, particularly in the staffing area, are to be anticipated.

### 4. Investments

In the past financial year, a total of Euros 3.39 m (previous year Euros 1.87 m) were invested right across all corporate divisions. The main emphasis was placed thereby on the targeted expansion of the newly-formed business unit "bioanalytical solutions". In September 2000, the Company purchased trademarks as well as worldwide licences and patents for the production of bioanalytical systems on the basis of photo-sensitized chemiluminescence. With these investments, amounting to Euros 1.08 m, worldwide use was safeguarded for many years.

Euros 1.23 m were invested in the development and the making of prototypes as well as self-made software for the business units "bioanalytical solutions" and "analytical solutions". In addition, the remaining 61% of the share capital in Analytik FP Jena Forschungs-und Produktions GmbH (AFP), Jena, was acquired in December 1999 for Euros 0.08 m. The subsidiary secures the development

and production of significant accessories and parts. The company employs 9 persons. The intra-group turnover with the company in the reporting period amounted to Euros 0.07 m. The measures already introduced in the previous financial year for optimizing communications and information technology were consistently continued in the reporting year at a cost of Euros 0.52 m.

### 5. Strengthening financial muscle

At the extraordinary general meeting held on June 22, 2000, it was resolved to increase the share capital of Analytik Jena AG from Euros 2.5 m to Euros 3.5 m by a cash injection of Euros 1.0 m. This was executed by the issue of 1 m shares of no-par-value with a theoretical value of share capital of Euro 1.0 per share. The registration of the execution of the above-mentioned increase of capital was made on June 23, 2000. At the extraordinary general meeting held on June 29, 2000, the executive board was empowered by resolution to issue, with the consent of the supervisory board, on one or more than one occasion, up to a total of 0.35 million option rights to be exercised in respect of the no-par-value shares of the Company to eligible employees and directors of the

Analytik Jena Group and members of the executive board of Analytik Jena AG. To cover these option rights, a contingent increase of capital of up to Euros 0.35 m was resolved by this general meeting in order to issue 0.35 m shares.

A banking syndicate under the leadership of HypoVereinsbank, Munich, subscribed and acquired, at the end of June 2000, the 1.0 million new shares as well as 0.553 million "old" shares from the ownership of the former shareholders. Beyond this, HypoVereinsbank was granted the option to place an additional number of "greenshoe" shares – up to 0.180 m – from the ownership of the former shareholders. The aforementioned no-par-value shares, individually totalling up to 1.733 m, were sold, widely spread, between June 27 and June 29, 2000 by means of a public offering. The resulting "freefloat" of 49.5 % was split, with approx. 65 % going to institutional investors in Germany and Europe, and approx. 35 % to private investors. On June 30, 2000, the definite offer price of Euros 24.00 per share was fixed by way of the "bookbuilding" procedure by HypoVereinsbank, Analytik Jena AG and the existing shareholders acting together. The shares of Analytik Jena AG were listed for the first time on July



3, 2000 on the Neuer Markt of the Frankfurt Stock Exchange.

Through the stock exchange flotation of Analytik Jena AG in July 2000, the Company received gross proceeds amounting to Euros 24.0 m. The assurance in finance planning thus gained represents a good initial position to successfully realize the operative and strategic aims of the enterprise, in coming years.

#### 6. Personnel and social affairs

Up to September 30, 2000, the number of employees with regular employment contracts, excepting trainees, rose from 180 in the previous year to altogether 207. The recently taken-on qualified specialists and managers are spread over almost all corporate divisions. The proportion of employees who are graduates amounts to 48.5% as per the balance sheet date. The average age of the employees is 42. Thanks to our close contacts to several universities and university facilities and by the award of traineeships and degree theses, young employees are being attracted on an ongoing basis. In addition, we invest heavily in the further education and training of future specialists and managers. As of September 30, 2000, the Company em-

ployed 20 trainees, 6 trainees more than in the previous year. The proportion of the training quota of approx. 10%, measured against the total workforce, is far above the average for the market.

Regular product-training measures and foreign language education as well as a team-oriented working style are further reliable instruments to secure, in the long run, the expected dynamic growth. With a total of three safety officers and an occupational medical service, the enterprise complies with its employer's obligation to exemplarily provide for the welfare of all employees. Also the "Friends & Family" programme, initiated on the occasion of the stock exchange flotation, and the share option programme for the employees of Analytik Jena AG have been able to further strengthen and consolidate motivation and the ties to the Company.

#### 7. Assets, liabilities and financial position

The stock exchange flotation of Analytik Jena AG on July 3, 2000 has considerably affected the balance sheet of the Company. The balance sheet total rose by 184.0% from Euros 12.10 m to Euros 34.37 m. The investments led

to an increase in non-current assets, after disposals and depreciation, (ignoring deferred taxes) of Euros 2.34 m to Euros 5.44 m in the financial year. The increases in current assets of Euro 19.78 m from Euro 9.00 m to Euro 28.78 m are reflected mainly in inventories with Euro 2.08 m, in trade accounts receivable with Euro 5.12 m and in securities and cash and cash equivalents with Euro 12.32 m. The increased tie-up of capital in inventories results mainly from stockpiling to secure delivery dates in connection with the strong flow of incoming orders in the last months of the financial year.

The billing of large-scale projects of the business unit "lab solutions" in the months of August and September was principally responsible for the hefty increase in receivables as of the balance sheet date. The strong rise in cash and cash equivalents can be explained by the cash inflow from the stock exchange flotation, less the redemptions of third-party funding. The ratio of non-current assets to current assets amounts to 19.4% (prev. year 34.5%). The ratio of non-current to total assets (non-current assets as a percentage of the balance sheet total) of the Company fell from 25.6% in the previous year to 15.8%. The proportion of current assets consequently

rose to 83.7% (prev. year 74.4%). The equity ratio in the expired financial year has increased considerably to 78.8% (prev. year 29.1%). In absolute numbers, shareholders' equity amounts to Euros 27.09 m and is thus Euros 23.57 m higher than in the previous year (Euro 3.52 m).

Short-term and long-term debt have together dropped by 77.5%. They amounted to Euro 1.08 m (prev. year Euro 4.81 m). The cash inflows from the stock exchange flotation were partially applied for the redemption of the debt. Against this, trade accounts payable as well as other short-term liabilities and reserves and accruals rose by Euros 2.66 m, reflecting the increase in inventories and trade accounts receivable. These extremely positive developments have considerably improved the financial scope of Analytik Jena.

#### 8. Results of operations

At the beginning of the financial year, the method of preparing the income statement was changed from the cost of production (total output) method to the cost of sales method, with a view to the stock market flotation. While EBIT developed beyond our expectations in the financial year, our financial result did not reach the planned tar-



gets. Reported results from associated companies, at Euros 0.09 m, have shown a negative trend due to the allowances and adjustments which became necessary in the financial year in respect of associated enterprises.

The EBIT ratio amounts to 7.6% and is therefore 123.5% higher than in the previous year (3.4%). The net income to sales ratio, at 3.14%, was double that of the previous year. Earnings per share (basic) increased by more than 116%, from Euros 0.12 in the previous year to Euro 0.26 in the reporting year.

#### 9. Research and development

The research and development area was marked by an above-average, high growth rate in the reporting year. All research and development projects were concentrated on growth markets and were positioned in close proximity to the market. The intensive cooperation of the sales, development and application functions enables the feedback from the market to be noted and channelled directly into new development topics.

In the financial year 2000, approx. 6.1% (prev. year 7.5%) of the total turnover of the Company was spent on

research and development costs.

These were almost exclusively spread over the two research-intensive business units, "analytical solutions" and "bioanalytical solutions". The absolute expenditure on research and development therewith totals Euros 1.429 m (prev. year Euros 1.42 m) after capitalizing own work. For selected and particularly innovative projects, Analytik Jena AG was granted subsidies for research and development in the amount of Euros 0.94 m (prev. year Euro 0.57 m). As of September 30, 2000, 38 employees of the Company were working in the research and development area (previous year 27 employees).

The main emphases of the research and development work in the business unit "analytical solutions" are at present on the integration of microsystem technologies into the systems of molecular-spectroscopy, the automation of "solid-sampling AAS" technologies as well as fluorescence spectroscopy for the determination of the lowest concentrations of mercury. In the field of atomic spectroscopy, a new generation of automatic analytical equipment, particularly in the area of direct solid-sampling analysis is being worked on. The elevated market position of the Company in solid-sampling analysis in the

field of atomic spectroscopy is to be thus improved further.

A central task of future developments is represented by the automation of the techniques in relation to sample preparation and sample dosage.

The Company developed inter alia, in the business unit "bioanalytical solutions", a "UV-VIS" analytic appliance for "HTS-Screenings" in the field of pharmaceutical research, environment analytics and for applications in biochemical and molecular biological research. The automation of the determination of anti-oxidation agents is also one of the additional main areas of concentration. These are important for large areas of clinical diagnostics, cancer research and for modern nutritional research etc. An additional important field of activity is the development of equipment for the analysis of biomolecular interactions.

Altogether, in the financial year, 27 research and development projects were pursued and 9 equipment systems and 4 software projects were transferred from the development stage to production status.

#### 10. Expected development

The eventful and, up to now, most successful financial year of 2000 was decisive for the further development of the Company. As an internationally-important producer of state-of-the-art analysis systems in the areas biotechnology, life sciences and environment, the Analytik Jena Group was able, particularly within the last 12 months to further expand its market position.

The future core challenges for the Company lie in responding to growing global competition and, above all, in the increased demands placed on research and development activity. From a strategic point of view, the securing of growth of the Company as well as the orientation towards special growth segments are, first and foremost.

The market launching of a further 6 project themes is planned for the next financial year.

Several contractually-defined research projects with scientific institutions at national and international level provide the required preliminary basis and ensure the continuous regeneration of the equipment lines of the Company. In the business unit "analytical solutions", the Group operates with its



three product lines in a total market, including "after-market" and service, of approx. US\$ 19 billion (thousand millions).

The total market for atomic spectroscopy amounts to approx. US\$ 300 m. The market for solid-sampling techniques, which is to be additionally penetrated, is estimated at approx. US\$ 200 m.

The Analytik Jena Group has expanded its position in the field of sum parameters analysis in Germany through the market introduction of the TOC analyser "pharma TOC®". The TOC-/TNb analyser, "multi N/C 3000" is at the launching stage.

The increasingly perceptible upturn in the sphere of biotechnology is also leading, in the environment in which the Company operates, to measures which positively influence product development and marketing and thus offer, in the medium-term, splendid perspectives with good prospects for a strong growth in earnings.

The prime importance of the business unit "bioanalytical solutions" has already been recognized by the adoption of new development topics in 1998. At the time of the reorganization of the

business unit "bioanalytical solutions" at the beginning of the financial year, it was assumed that, with the already-available systems – inter alia, in the field of the methods based on chemiluminescence for the regulation of antioxidative substances – market shares could be swiftly attained.

The opening up of new industrial and scientific fields of application, predominantly in the segments life sciences, biotechnology, environment and energy technology, will induce a disproportionately higher growth in turnover. In this sense, the favourable location of Jena, with its direct connection to the university and technical college, to institutes and other industrial partners in the city and in the region is of considerable advantage.

#### 11. Risk policy

Our risk policy is determined by the principle of caution. Risk from factors arising from the external business environment that affect our locations or markets and that could have a significant influence on the assets and liabilities, financial situation and results of operations are not apparent at the present time.

The executive board assumes the usual business risks in the functional operating areas (materials management, production, sales, personnel and finance). Market risks were limited by appropriate measures. While no significant dependence on individual customers exists in the business units "analytical and bioanalytical solutions" as well as "manufacturing", in the business unit "lab solutions" specific orders amounting to millions do exist, where risks from cost estimating and longer-term order/project tracking must be intensively monitored. To meet this risk, the Company puts great store by having revenues, in the form of advance payments and progress payments from customers, correspond to the project progress and the project costs. Furthermore, the control instruments applied up to now by the controlling function, will in future be improved on and optimized. We continued to invest heavily in the reporting year in the IT systems for planning, production control and accounting/reporting that were implemented by the end of the previous year to stabilize and ensure the reliability of the controlling information for management. Also in the following year, significant focus will be placed on the avoidance of risks which can have significant influence on our further development. Material and production

risks were reduced by self-production of know-how parts; the measures implemented to protect the supply of critical spare parts by double-sourcing are to be further improved and intensified in the future. Foreign currency influences from procurements in the American and Asian economic areas are hedged according to the type of business.

#### Risks involved in future development

The general business development of our Company is dependent on a number of factors, whose probability of occurrence and effects on the net worth, financial position and results of operations are difficult to predict. Because of our international activities and business, we are exposed to a variety of risks which are connected inseparably to our entrepreneurial activities. Thereto belong, inter alia, the acceptance of our products, the further growth of the markets for analytical and bioanalytical systems and for complete laboratories, rapid technological changes as well as the general economic situation.

The Group has been active for 10 years in the market for laboratory analysis techniques. This market is characterized at present, from a product point of view, by strong fragmentation and by



highly specialized enterprises. It is to be assumed that competitive pressure will increase further in this market. Further expansion of the innovative range of products is of decisive importance for the future development of the Analytik Jena Group. We are pressing ahead with market-oriented research and development activity. To be able to compete and position ourselves against our already-successful competitors, a corresponding size and international presence for the enterprise is necessary.

The business units "analytical and bio-analytical solutions", despite their increased export shares, will continue to remain dependent on the development of the German and European economies as well as increasingly on the American. Besides this, in the reporting year, the Asian area has already attained an importance for us beyond our expectations. An economic upward trend continues to be observable here. Swift, not-previously-expected changes in the political situation could, however, negatively influence the economic environment and thus also influence the turnover and earnings of the Company.

The East European economic area, in addition to the existing German one,

will particularly mark the future growth in the business unit "lab solutions". The longer-term projects amounting to millions, in addition to the estimating/costing and financing risks associated therewith, and whilst at the same time guaranteeing secure, future turnover, harbour a danger from project postponements that cannot be ruled out and which could have a considerable influence on the results of operations. The Company strives to reduce these risks through a detailed, consistent project and order controlling system. As we intend to take advantage of future opportunities which present themselves in order to expand our position in attractive growth markets, there exists a risk, as a matter of principle, that the acquired company may not fulfil the expectations placed in it. We counter this risk with a specific acquisition policy and intensive auditing during the due-diligence phase in the run-up to the actual investments. At the present time, the Company is not involved in any legal disputes from which a significant negative influence on the results of operations is expected. The same applies to risks from taxation in Germany. Such risks cannot, however, be excluded completely in the future.

So that we can recognize possible future risks early enough to be able to promptly implement controlling measures, we have started, in 2000, to build up a risk-management system, by identification and evaluation of the areas of risk, which extends to the total enterprise and have derived therefrom measures for risk recognition and analysis. The early-warning system supplements our existing reporting, analysis, controlling and communications systems. In the coming year, we shall continue to refine and improve reporting procedures on the risk policy and limit system as well as accelerating the transfer process for dealing with risk to the employees.

#### **12. Events of material significance occurring after the balance sheet date**

On October 19, 2000, the enterprises Spectro Analytical Instruments GmbH & Co. KG, Kleve, and Analytik Jena AG signed a letter of intent concerning future cooperation. According to this document, both entities want to cooperate very closely, in future, in the product development of analytical and bioanalytical measuring systems as well as in international sales.

In addition, an exclusive contract with Carl Zeiss Jena GmbH, Jena, was con-

cluded on October 23, 2000. Under this agreement, Analytik Jena AG receives extensive sole selling rights for "ConfoCor 2" – a system based on "fluorescence-correlation" spectroscopy. This system is developing into the most efficient method in the analysis of molecular interactions. Analytik Jena AG will be able, as a result of the agreement, to considerably improve its product competence in the area of biotechnology. The marketing and sale of the new technology constitutes, as from November 2000, a further important element within the business unit "bioanalytical solutions". Already for the financial year 2001/2002, the Company expects an increase in turnover of Euros 3.5m per annum therefrom.

The business unit "lab solutions" was able to announce, on November 21, 2000, the conclusion of a contract with Russia for an order value of more than Euros 25.5 m. As technical general contractor, Analytik Jena AG assumes the project engineering, the planning and equipment of clean rooms and laboratory units with radiographic and endoscopic diagnosis systems as well as the supply items of equipment for x-ray therapy and medical equipment for the regional centre for radiation and ecological medicine in Barnaul,



RF/ Siberia. The contract is still subject to the delaying influence of the provision of already-promised funding on the part of the Russian government and the financial credit coverage of the German Federal Republic (Hermes guarantee). The project is to be completed within the following two financial years. For this task, Analytik Jena AG was able to win over significant enterprises like Carl Zeiss Jena GmbH and Siemens AG as sub-contractors.

Analytik Jena AG and Carl Zeiss GmbH are focusing their project business, with effect from December 1, 2000, in a joint venture enterprise, AJZ Engineering GmbH. Analytik Jena AG owns 60% of the company's capital and Carl Zeiss GmbH 40%. Corporate management will be exercised by Analytik Jena AG, which controls all voting

rights. Jens Adomat, chairman of the executive board of Analytik Jena AG and Günter Liepelt are to be directors (Geschäftsführer) of the joint venture.

### 13. Outlook

Under the prerequisite of a favourable market environment, the Company assumes that the financial year 2000/2001 will also close with a healthy turnover and favourable earnings.

As a consequence of the vigorous incoming orders and business development in the first two months of the new financial year to date, the Group has increased the sales planning figure by Euros 10m, from Euros 28m to Euros 38m. Due to the planned investments of Euros 2-3m and the considerable launching costs for the further

expansion of the international sales network as well as the intensification of research and development activities with main emphases on "bioanalytical solutions", a disproportionately lower increase in the operating result is expected in comparison to the growth in turnover. The Company is of the opinion that the demanding divisional planning targets for the financial year 2000/2001 will be met. At present, the Company is reviewing options as

to how its market position can be further expanded through specific acquisitions and cooperations. The Analytik Jena Group, with its technologically leading, innovative and resilient analytical systems as well as complete services, occupies a top position in its markets. The Group has therewith a solid base for a continuous and long-term sustainable growth in turnover and earnings.

Jena, in December 2000  
The executive board



**Klaus Berka**  
Chairman



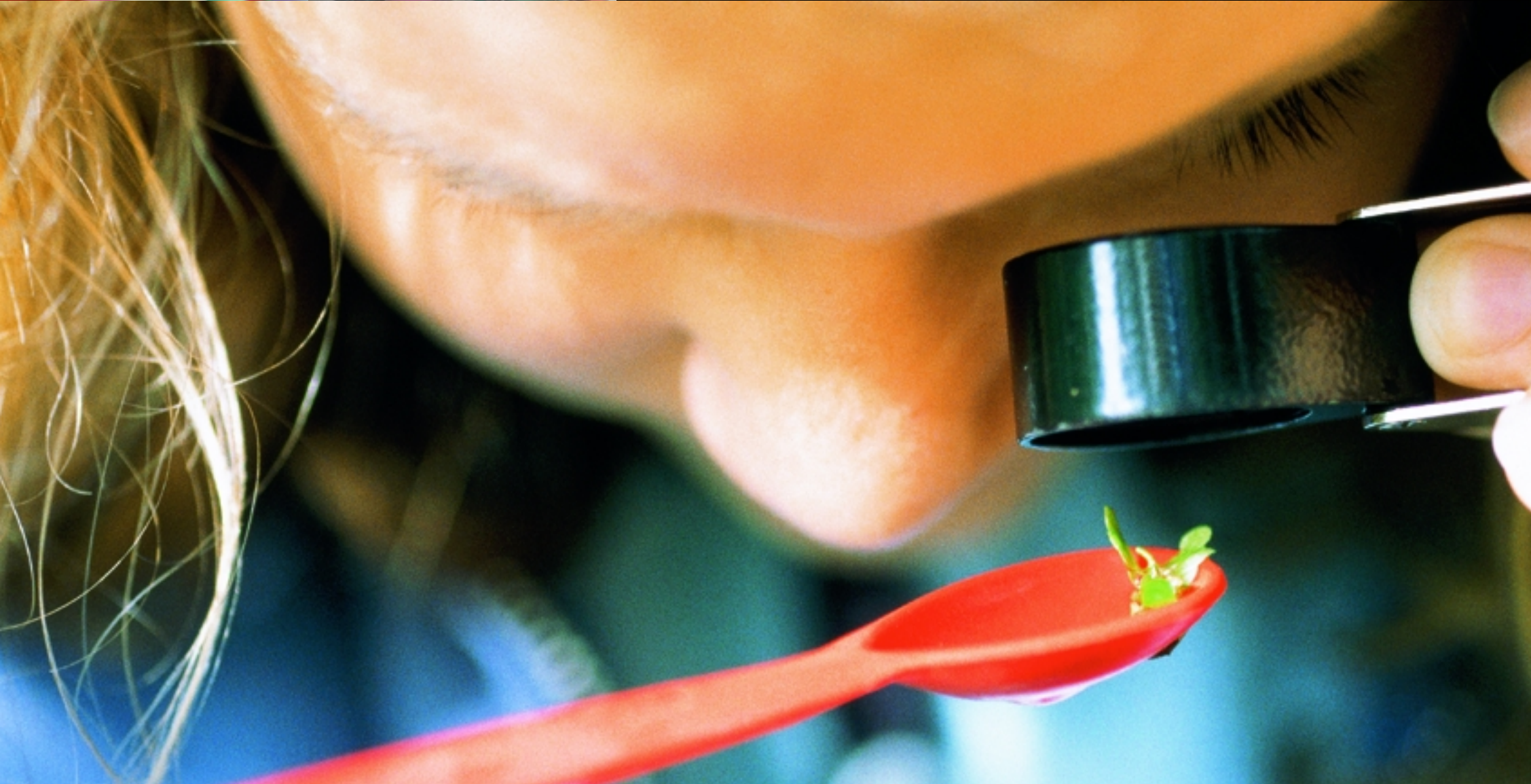
**Jens Adomat**  
Executive board



# Will I see what remained undiscovered up to now?

The introduction of new products onto the market is becoming increasingly a race against time. Innovative technologies

and analysis systems of Analytik Jena are, today, already the platform in all areas of our life for the discoveries of tomorrow.



FINANCIAL STATEMENTS



## Report of the supervisory board on the financial year 2000

In the past financial year, the supervisory board has monitored and consulted with the executive board of the Company in accordance with the duties incumbent upon it pursuant to the law and the Company's statutes. The executive board of Analytik Jena AG has regularly reported, orally and in writing, on business policy, the course of business in the corporate divisions and on the development and the situation of the Company and of the associated companies.

In four joint meetings with the executive board, fundamental business policy, strategic orientation, the chances and risks thereof as well as events of special significance were discussed in detail. The main emphases in the consultations with the supervisory board were on questions related to strategic business planning. Where it seemed necessary to arrive at a better overall assessment concerning specific items on the agenda, the employees responsible were consulted. The necessary approvals of the supervisory board to measures to be taken by management were given.

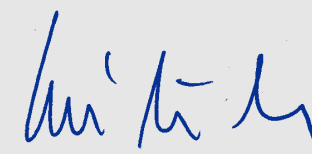
The annual financial statements of the Company and the consolidated financial statements as well as the management report of Analytik Jena AG and the Group management report of the Analytik Jena Group, submitted by the executive board and including the accounting, have been audited and each furnished with an unqualified audit report by the auditing firm Ernst & Young Wirtschaftsprüfungsgesellschaft, Erfurt, appointed at the shareholders' general meeting and engaged by the supervisory board. The reports of the auditors were supplied to every member of the supervisory board immediately after completion.

The auditors attended the meeting of the supervisory board held on November 29, 2000 and reported on the result of their audit.

The supervisory board has examined, for its part, the audited annual financial statements of Analytik Jena AG, the consolidated financial statements of the Analytik Jena Group as well as the management reports. The result of the examination accords with the result of the audit of the financial statements. The supervisory board approved the annual financial statements of Analytik Jena AG by a resolution dated December 29, 2000 and, on the same day, approved of the consolidated financial statements of the Analytik Jena Group. Therewith, the annual financial statements of Analytik Jena AG were thereby adopted.

After the retirement of Professor Dr. Bernhard Welz, Dr. Nikolaus Reinhuber, lawyer, was elected to the supervisory board with effect from November 24, 1999. The supervisory board thanks all employees for their outstanding commitment and their loyalty to the Company. The input of all employees was decisive for the further development of the enterprise.

Jena, December 29, 2000



**Alexander von Witzleben**

Chairman of the supervisory board



## Independent auditor's report

"We have audited the consolidated financial statements of Analytik Jena AG, comprising of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the accounts for the financial year from October 1, 1999 to September 30, 2000.

The preparation and the content of these consolidated financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States (GAAP) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing rules and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes the assessment of the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net assets, financial position, results of operations and cash flows in

accordance with accounting principles generally accepted in the United States. Our audit, which included the Group management report for the business year from October 1, 1999 to September 30, 2000 prepared by the Company's management has not led to any reservations.

In our opinion, the Group management report, together with the information in the financial statements, provides a suitable understanding of the Group's position and suitably presents the risks of future development. Additionally, we confirm that the consolidated financial statements and the Group management report for the business year from October 1, 1999 to September 30, 2000 fulfill the criteria for exemption from the requirement to prepare consolidated financial statements and a group management report according to German accounting principles. The audit of accounting and consolidation principles used and their accordance with the EU 7th directive, which is required for the exemption from consolidation according to German rules, was performed on the basis of the interpretation of the directive as set out in the German Accounting Standard 1 "exempting consolidated financial statements prepared in accordance with § 292a HGB".

Erfurt, December 11, 2000

**Ernst & Young**  
**Deutsche Allgemeine Treuhand AG**  
**Wirtschaftsprüfungsgesellschaft**

**Arnim Schiffmann**  
Wirtschaftsprüfer

**Antje Siol**  
Wirtschaftsprüferin

FINANCIAL STATEMENTS



## Consolidated income statement

for the financial years from October 1, to September 30, 2000 and 1999

	Note	2000	1999
Net sales	2g), 22	23,306	18,989
Cost of sales		15,725	13,072
<b>Gross profit</b>		<b>7,581</b>	<b>5,917</b>
<b>Operating expenses</b>			
Selling expenses	2j)	3,876	3,425
Research and development expenses	2i), 2k), 19	658	853
General and administrative expenses		1,494	1,134
<b>Operating income</b>		<b>1,553</b>	<b>505</b>
<b>Other (Income)/expenses</b>			
Interest income	15	(269)	(3)
Interest expense	15	353	238
Other income		(209)	(137)
(Income)/losses from associates	2a), 6	89	(111)
<b>Income before income taxes</b>		<b>1,589</b>	<b>518</b>
Income taxes	2l), 12	858	219
<b>Net income for the period</b>		<b>731</b>	<b>299</b>
<b>Basic earnings per share</b>			
<b>Basic earnings per share</b>	2p), 18	<b>0.26</b>	<b>0.12</b>
<b>Diluted earnings per share</b>	2p), 18	<b>0.26</b>	<b>0.12</b>

in thousands of Euros, excepting earnings per share  
See also the "Notes on the consolidated financial statements"

## Consolidated balance sheet

as of September, 30 2000 and 1999

	Note	2000	1999
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2b)	12,445	495
Available-for-sale-securities	2o)	367	–
Trade accounts receivable, less bad debt allowances (2000: 152; 1999: 107)	2g)	7,823	2,701
Inventories	2c), 3	7,376	5,296
Prepaid expenses and other current assets		771	508
<b>Total current assets</b>		<b>28,782</b>	<b>9,000</b>
Property, Plant and equipment	2d), 2f), 2e), 4	3,783	2,556
Intangible assets	2f), 2e), 5	1,311	202
Investment in associates	2a), 6	158	278
Other financial assets	2o)	188	66
Deferred tax assets	2l), 12	151	–
<b>Total assets</b>		<b>34,373</b>	<b>12,102</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade accounts payable		3,398	890
Accruals liabilities and other current liabilities	7	2,535	2,378
Shareholder loans	8	–	511
Short-term loans	9, 11	19	2,037
Current maturities of long-term financial debt	10, 11	364	466
<b>Total current liabilities</b>		<b>6,316</b>	<b>6,282</b>
Long-term financial debt less current maturities	10, 11	699	1,794
Pension obligations	2n), 13	270	237
Deferred tax liabilities	2l), 12	–	266
<b>Total liabilities</b>		<b>7,285</b>	<b>8,579</b>
<b>Shareholders' equity</b>			
No-par value shares with a theoretical par value of Euro 1.00 per share Authorized common stock 5,100,000 shares; issued 3,500,000; (1999: 2,500,000)	14	3,500	2,500
Additional paid-in capital	14	22,138	327
Changes in shareholders' equity, not resulting from transactions with shareholders		23	–
Retained earnings		1,427	696
<b>Total shareholders' equity</b>		<b>27,088</b>	<b>3,523</b>
<b>Total liabilities and shareholders' equity</b>		<b>34,373</b>	<b>12,102</b>

in thousands of Euros  
See also the "Notes on the consolidated financial statements"



## Consolidated statement of changes in shareholders' equity as of September 30, 2000

	Total shareholders' equity	Changes in shareholders' equity	Retained earnings	Non-realized gains from securities	Change in additional paid-in capital	Common stock	Issued shares of no par value
Balance at October 1, 1998	3,224	–	397	–	327	2,500	–
<b>Changes in shareholders' equity</b>							
Net income for the period	299	299	299	–	–	–	2,500,000
Balance at Sept. 30, 1999	3,523	–	696	–	327	2,500	2,500,000
<b>Changes in shareholders' equity</b>							
Net income for the period	731	731	731	–	–	–	–
Changes in shareholders' equity not resulting from transactions with shareholders	23	23	–	23	–	–	–
<b>Comprehensive income</b>		<b>754</b>					
Share capital increase	1,000	1,000	–	–	–	1,000	1,000,000
Transfers to additional paid-in capital	23,000	23,000	–	–	23,000	–	–
IPO costs (net)	(1,277)	(1,277)	–	–	(1,277)	–	–
Other changes in shareholders' equity	88	88	–	–	88	–	–
<b>Total changes in shareholders' equity</b>		<b>23,565</b>					
Balance at Sept. 30, 2000	27,088	–	1,427	23	22,138	3,500	3,500,000

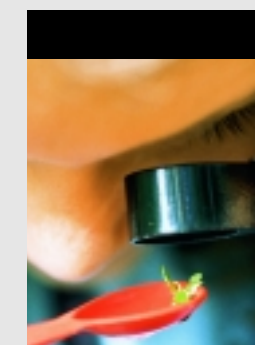
in thousands of Euros, excepting number of shares of no par value

## Consolidated cash flow statement for the financial years from October 1, to September 30, 2000 and 1999

	Note	2000	1999
<b>Net cash used in operating activities</b>			
Net income for the period		731	299
<b>Reconciliation of net income to net cash used in operating activities</b>			
Amortization of intangible assets and depreciation of property, plant and equipment		890	721
Addition to bad debt allowances		45	83
Increase in deferred taxes	12	889	123
Gains on sales of non-current assets	2d)	(23)	(46)
(Income)/losses from associates		89	(111)
Income from other financial assets	13	(15)	(13)
<b>Changes in assets and liabilities</b>			
Increase in trade accounts receivable		(5,093)	(487)
Increase in inventories	21	(1,850)	(1,121)
Increase in other assets		(244)	(168)
Increase/(decrease) in trade accounts payable		1,321	(392)
Increase/(decrease) in accrued liabilities and other liabilities		136	(10)
<b>Net cash used in operating activities</b>		<b>(3,124)</b>	<b>(1,122)</b>
<b>Net cash provided by (used in) investing activities</b>			
Purchase of securities (available-for-sale and held-to-maturity)		(451)	–
Purchase of intangible assets and property, plant and equipment	21	(2,185)	(1,565)
Receipts of investment subsidies	2k), 19, 21	21	196
Acquisition of investments in associates		–	(71)
Acquisition of majority investment holding, less acquired cash and cash equivalents		6	–
Proceeds from disposals of intangible assets and property, plant and equipment		40	51
Proceeds from disposals of other financial assets		–	15
<b>Net cash used in investing activities</b>		<b>(2,569)</b>	<b>(1,374)</b>
<b>Net cash provided by financing activities</b>			
Increase/(decrease) in short-term loans	21	(2,529)	1,871
Proceeds from long-term financial debt		–	711
Redemptions of long-term financial debt		(1,197)	(142)
Transfers to additional paid-in capital	14, 21	23,000	–
IPO costs		(2,631)	–
Cash received from issue of new shares	14	1,000	–
<b>Net cash provided by financing activities</b>		<b>17,643</b>	<b>2,440</b>
<b>Cash and cash equivalents</b>			
Net increase/(decrease) in cash and cash equivalents		11,950	(56)
Cash and cash equivalents at the beginning of the period	2b)	495	551
<b>Cash and cash equivalents at end of the period</b>	2b)	<b>12,445</b>	<b>495</b>

in thousands of Euros

See also the "Notes on the consolidated financial statements"



## Notes on the consolidated financial statements

### Preliminary remarks

With effect from January 1, 2000, Analytik Jena AG acquired additional shares in Analytik FP-Jena GmbH, Jena. As the subsidiary is now directly owned 100 %, the Company has to prepare Group (consolidated) financial statements.

The present financial statements as of September 30, 2000 are the first consolidated financial statements of Analytik Jena AG and are prepared in accordance with Generally Accepted Accounting Principles in the United States (US-GAAP).

### 1. Bases for the consolidated financial statements

On October 1, 1999, the Company switched its accounting from Deutsche Mark (DEM) over to Euros. The Euro became the reporting currency of the financial statements, which until this point in time had been prepared and published in DEM, pursuant to the German Commercial Code (HGB). The exchange rate of Euro 1 = DEM 1.95583, fixed as of January 1, 1999, was used for the translation of the annual financial statements of the Group companies as per US-GAAP,

prepared initially for all reporting periods in DEM. Due to currency fluctuations between the DEM and other currencies, however, the consolidated financial statements of the Company for the period before January 1, 1999 are not comparable with the consolidated financial statements of other companies prepared in Euros, whose original financial statements were prepared in a currency other than DEM.

### 2. Summary of significant

#### accounting principles

#### a) Consolidation principles

##### Corporate consolidation

The minority interest in Analytik-FP-Jena GmbH, Jena (AFP) for the period from October 1, 1999 through December 31, 1999 was accounted for using the equity method. The financial year of AFP, after the acquisition of the remaining 61 % of the shares in the amount of thousand Euros 85, was changed to the financial year of the Company with effect from January 1, 2000. The consolidation was carried out using the acquisition method ("purchase accounting"). Under this method, the acquisition costs of the acquired shares are set off against the proportion of shareholders' equity

which relates to the parent enterprise as of the date of acquisition. As, through the acquisition, no material effects on the assets and liabilities, financial position and results of operations of the Company were encountered, a pro forma presentation for the previous year as well as for the period from October 1 through December 31, 1999 was waived.

All intra-Group receivables and liabilities, turnover, expense and income as well as interim results, are eliminated in the consolidated financial statements.

#### Investments in associated enterprises

Investments in associated enterprises are accounted for, under consideration of the circumstances, using the equity method. Under this method, the investments are accounted for at acquisition cost taking into consideration attributable undistributed results since the date of acquisition. The basis for the calculation of the proportion of the year's results was the unaudited individual financial statements which were prepared pursuant to statutory accounting provisions and converted into US-GAAP.

#### b) Cash and cash equivalents

Cash and all funds with an original maturity of less than three months are carried as cash and cash equivalents.

#### c) Inventories

Inventories are carried at the lower of historical cost or market value; production costs are mainly calculated on the basis of the moving average cost. Production costs consist of directly attributable material and labor costs as well as proportionate overheads.

#### d) Property, plant and equipment

Property, plant and equipment is carried at historical cost less regular straight-line depreciation. Repair and maintenance expenses that do not prolong the useful life are expensed. Book gains and losses on disposal are recognized in income at the time of disposal.

The estimated useful life is 25 years for buildings, three to ten years for technical plant and machinery and office and operating equipment.

## FINANCIAL STATEMENTS



#### **Product-related software**

Capitalized software contains the manufacturing costs incurred in the production of software products which are marketed by the Company and accounted for in accordance with SFAS 86 ("Accounting for the Cost of Computer Software to be Sold, Leased or Otherwise Marketed"). The capitalization of such expenditure begins, by definition, when the point of "technological feasibility" is reached and ends with the saleability of the product. All expenditure which has been incurred up to reaching the point of technological feasibility is expensed as research and development expenses at the time of its occurrence. The Company defines the technological feasibility, taking into account the processes specific to the business, as that point in time at which both a working laboratory model regarding the hardware and a detailed, related program design are available. The amortization period for self-produced software is assessed at 5 years. Capitalized software-production costs are amortized over a period of five years and accounted for at book value, where necessary taking into account the need for impairment adjustment ("net realizable value").

#### **e) Leasing**

The Company has leased various items of hardware and software, starting with the financial year 1999. In this respect, the Company, as lessee, is to be regarded as falling in the category of "economic owner", so that in accordance with SFAS 13 ("Accounting for Leases") the leasing objects concerned, including the corresponding liability of the Company as lessee, are to be capitalized ("capital lease"). All other leasing agreements in which the Group is defined as lessee are to be treated as "operating leases", with the consequence that the leasing payments are charged to earnings as they occur.

#### **f) Intangible assets**

Intangible assets comprise licenses, trademarks as well as commercial intellectual property rights acquired for consideration and are valued at acquisition cost less normal amortization using the straight-line method. The estimated useful economic life for licenses and commercial intellectual property rights is between 4 and 10 years. For trademarks purchased for the first time in the financial year, an economic useful life of 15 years is applied.

#### **g) Revenue (sales) recognition**

Revenues arising from deliveries are recognized if the economic ownership has passed to the buyer and revenues from services rendered, including those products which are part thereof, after performance of the service.

In the project business (business unit lab solutions) to date, specific customer order-projects are carried out within a period of 2 to 3 months. In practice, the beginning and end of an order-project can fall therefore into two different accounting periods. Due to this, the financial effects which result from the recognition of sales revenues at the time of the final inspection by the customer ("completed-contract method") are compared to those obtained by applying the pro-rata realization of income ("percentage-of-completion method"). Because the resulting differences are not material, the Company recognizes turnover arising from the project business as per the "completed-contract method"

#### **h) Credit risks**

The Company examines the creditworthiness of its customers. No collateral is generally obtained. In accordance with the Company's general terms and conditions of business, title to the items sold remains with Analytik Jena

until payment in full. Advance payments and installments in amounts customary in the industry are agreed in the project business.

#### **i) Research and development expenses**

Research and development expenditure is booked as expense at the time of its occurrence. The expenditure shown in the financial year in the amount of thousand Euros 658 (2000) or thousand Euros 853 (1999) are after deducting the related subsidies for research and development expenses of thousand Euros 771 (2000) or thousand Euros 571 (1999).

#### **j) Product-related expenses**

Expenditure for marketing and advertising is expensed at the time of its occurrence. Expenditure was incurred totalling thousand Euros 828 (2000) or thousand Euros 190 (1999).

#### **k) Government grants**

Tax-free investment grants are deferred and taken to income over the useful life of the assets subsidized.

Taxable investment subsidies for intangible assets and property, plant and equipment reduce the acquisition costs of the assets promoted. The subsidies granted to the Company in the finan-



cial year are shown separately in the cash flow statement.

In addition, the Company receives subsidies for specific research and development topics which are netted against the corresponding expenses. The subsidies received amount to thousand Euro 944 (2000) or thousand Euro 571 (1999). Regarding the risks connected with the granting of subsidies, we refer to note 19.

#### **l) Income taxes**

Income taxes are accounted for in accordance with SFAS 109 ("Accounting for Income Taxes"). Under this method, deferred tax assets and deferred tax liabilities are computed on the values in the balance sheets. The tax consequences of temporary differences between the values of asset and liability items disclosed in the "trade" balance sheet and those in the "tax" balance sheet, and which will reverse in future financial years, are taken account of. They are calculated at the tax rates and as per regulations that will be legally in force at the expected point in time of the release of the differences. Additionally, deferred tax assets are created in respect of loss carry-forwards. Insofar as the realization of deferred tax assets are improbable, a "valuation allowance" is recorded.

#### **m) Equity changes due to transactions other than with shareholders ("other comprehensive income")**

Under this heading are disclosed changes in shareholders' equity which do not affect current income. These mainly comprise unrealized gains and losses from the market valuation of securities.

#### **n) Pensions and similar obligations**

The direct pension commitments of the Company towards members of the executive board are performance-oriented, and thus, according to SFAS 87 ("Employer's Accounting for Pensions"), are to be regarded as a "defined benefit plan". The valuation of the pension obligations was therefore determined, in the context of the actuarial report, applying the "projected unit credit method".

The Company applies the accounting standard SFAS 132 regarding the disclosure requirements of the employer for pensions and similar obligations ("Employer's Disclosure about Pension and Other Post-retirement Benefits").

#### **o) Marketable securities within current assets, other financial assets**

The investments shown as securities within current assets are so-called

"available-for-sale" securities i.e. they can be disposed of at any time. The unrealized gains and losses resulting from the valuation at market value are shown within shareholders' equity under the item "other comprehensive income" and do not affect current earnings. Where a permanent impairment of value of an "available-for-sale" security occurs, a special write-down against current earnings is made.

The investment shown under other financial assets serves as collateral security for a long-term financial liability and has to be held to ultimate redemption (so-called "held to maturity" securities). The valuation is made at acquisition cost or the lower attributable market value.

The capitalized assets of the reinsurance policies, concluded as security for the pension obligations, continue to be shown under other financial assets.

#### **p) Earnings per share**

The earnings per share figure is determined in accordance with SFAS 128 ("Earnings per Share"). In this context, basic earnings per share and also diluted earnings per share are to be disclosed (see note 18).

#### **q) Stock options plan**

The Company accounts for its share options programme in accordance with the accounting standard APB 25 ("Accounting for Stock Issued to Employees") and the accompanying commentaries. Under this method, personnel expenses are recorded at the time of granting the option rights, if, at the time of the granting of the option rights, the market value of the shares exceeds its exercise price is higher than the price at which the option may be exercised. With regard to the information in the notes, the accounting standard SFAS 123 ("Accounting for Stock-Based Compensation") is applied (see note 17).

#### **r) Use of estimates**

The preparation of financial statements in accordance with US-GAAP requires management of the Company to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of income and expenses during the year. Actual results could differ from those estimates.



### 3. Inventories

As of September 30, 2000, the inventories were made up as follows:

	2000	1999
Raw materials, supplies and merchandise	2,791	2,175
Work in progress	2,800	1,299
Finished products	1,692	1,351
Projects in progress	258	491
	7,541	5,316
Advance and progress payments	31	31
Allowance on inventories	(196)	(51)
<b>Inventories</b>	<b>7,376</b>	<b>5,296</b>

in thousands of Euros

The allowances refer to finished products; they were set up due to inventories in excess of requirements.

### 4. Property, plant and equipment

As of September 30, 2000, property, plant and equipment was made up as follows:

	2000	1999
Land and improvements	301	301
Building, fixtures and fittings	517	556
Plant and machinery	1,527	1,213
Other operating and office equipment	1,881	1,775
Software	723	271
Product-specific software	464	–
Construction in progress	227	5
	5,640	4,121
Cumulative depreciation	(1,857)	(1,565)
<b>Property, plant and equipment</b>	<b>3,783</b>	<b>2,556</b>

in thousands of Euros

The underlying agreement for the “capital lease”, which contract has a term of 4 years, does not provide for any purchase or prolongation option. The acquisition costs of hardware and software amount to thousand Euros 237 and accumulated depreciation and

amortization as per September 30, 2000 amount to thousand Euros 113 (1999: thousand Euros 53). Amortization for product-related software in the financial year amounts to thousand Euros 12 (1999: thousand Euros 0).

### 5. Intangible assets

As of September 30, intangible assets are made up as follows:

	2000	1999
Licenses, commercial intellectual property rights and trademarks	1,578	453
Advance payments	36	–
	1,614	453
Cumulative amortization	(303)	(251)
<b>Intangible assets</b>	<b>1,311</b>	<b>202</b>

in thousands of Euros

### 6. Investments in associated enterprises

The balance sheet disclosure as of September 30, 2000 relates exclusively to IDC Geräteentwicklungsgesellschaft mbH, Langewiesen, (1999: thousand Euros 165) in which the Company holds a 50% share. The income attributable to the Company in the reporting period in the amount of thousand Euros 47 has to be set against expense, totalling thousand Euros 54, for adjustments to the book

value that became necessary due to information obtained in the course of the financial year.

The shares in Analytik FP Jena GmbH, Jena, (thousand Euros 51), shown in the previous year's balance sheet, have been netted against shareholders' equity in the context of the full consolidation.

The shares in AJ Benelux C.V., Gouda, NL, (thousand Euro 62), also disclosed in the previous year, were written down



in the financial year to the amount of the expected sales proceeds, in view of the fact that the shares are now intended for disposal. This item is therefore disclosed under current assets in the balance sheet.

### 7. Accruals and other short-term liabilities

The most significant item under accruals and other short-term liabilities is advance and progress payments rendered by customers in the context of the project business. The advance and progress payments amount to thousand Euros 1,035 (2000) and thousand Euros 505 (1999). Where the Company has not yet rendered any performance in respect thereof, the customers of the Company have received letters of indemnity.

### 8. Business relationships with associated enterprises, shareholders and other related parties

The Company discloses amounts owed to affiliates and shareholder loans, where these exist at the balance sheet date, separately in its balance sheets. The term "affiliate" comprises, in this sense, the enterprises and persons defined in SFAS 57 ("Related Party Disclosures"), in particular, associated

enterprises and also related companies and persons.

The Company maintains the usual business relationships with affiliates or with the shareholders. As regards associated enterprises, the Company is predominantly the recipient, from such enterprises, of goods and services which are used as specific input-products or components for its product lines. Furthermore, the following additional business relationships are of significance:

#### A&B und Partner GbR

Both members of the executive board of Analytik Jena AG, together with their wives, are partners (each 25%) of A&B und Partner GbR (A&B GbR) Jena. Analytik Jena AG rents the office building in Jena from this firm. In this context, an annual rent was paid to A&B GbR amounting to thousand Euros 185 (2000) and thousand Euros 181 (1999).

#### Shareholder loans

Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG (minority shareholder) granted a short-term funding loan to Analytik Jena AG in the amount of thousand Euros 511 in July 1999. Interest is charged on the basis of one-month-Euribor plus 0.5% per annum.

The loan was redeemed, on falling due, in September 2000. Loan interest totaling thousand Euro 23 was paid thereon in the financial year.

#### IDC Geräteentwicklungsgesellschaft mbH, Langewiesen

In the financial year, the Company bought goods and services amounting to thousand Euros 1,448 (1999: 1,023) from the associated enterprise IDC Geräteentwicklungsgesellschaft mbH.

#### Supervisory board

Dr. Nikolaus Reinhuber, who belongs to the supervisory board of the Company, is a partner in the law partnership Freshfields Bruckhaus Deringer. The

Company regularly consults Freshfields Bruckhaus Deringer concerning advice on corporate transactions and other corporate legal matters. These consulting activities are included under administrative expense and amount to thousand Euros 19 (2000) and thousand Euro 0 (1999).

### 9. Short-term loans

Short-term loans relate exclusively to overdrafts which the Company has taken up from commercial banks in the context of borrowing arrangements. The loans carried interest, on average, at 6.50% per annum (2000) or 7.50% per annum (1999).

### 10. Long-term financial debt

As of September 30, long-term financial debt was made up as follows:

	2000	1999	Redemption terms
5.75% Eurocredit (1997–2002)	0	527	quarterly as from 03/1998
6.36% Investment credit (1999–2002)	278	468	monthly as from 07/1999
4.90% Investment loan (1999–2008)	279	313	monthly as from 04/1999
6.60% Equity supplementary loan (1997–2017)	0	297	half-yearly as from 01/2007
5.25% Funding loan (1995–2001)	138	230	half-yearly as from 06/1997
4.75% ERP loan (1997–2016)	175	187	half-yearly as from 03/1999
5.77% Leasing finance (1999–2003)	154	209	monthly as from 04/1999
Other	39	29	
	1,063	2,260	
Less portion due, short term	(364)	(466)	
	699	1,794	

in thousands of Euros



The following summary shows the development of future redemptions:

	2001	2002	2003	2004	2005	Subseq. years	Total
Redemption amounts	364	284	95	45	45	230	1063

in thousands of Euros

In respect of the lease financing ("capital leases"), thousand Euros 66 are payable in each of the financial years 2001 and 2002 and thousand Euros 33 in 2003 (end of contract), including interest totalling thousand Euros 22. The total amount of future financial obligations including interest, amounts, therefore, to thousand Euros 165.

#### 11. Collateral security granted

Collateral security was agreed upon concerning short-term and long-term financial debt. This comprises, inter alia, registered land charges (thousand

Euros 511), collateralization of financed objects (thousand Euros 278) and the pledging of a fixed-interest investment (nominal thousand Euros 110).

#### 12. Income taxes

Income taxes are made up of German corporation tax, trade tax and solidarity surcharge. The Company calculates the corporation tax expense on the basis of the rate applicable to the non-distribution of income. Deferred taxes are also calculated on the basis of non-distribution.

Tax expense (-income) for the years 2000 and 1999 is made up as follows:

	2000	1999
Current taxes	(31)	96
Deferred taxes	889	123
Tax expense	858	219

in thousands of Euros

The tax reliefs, amounting to thousand Euros 1,353, resulting from the fiscal deductibility of stock exchange flotation costs (IPO costs) were netted against the IPO costs. The balance was set off against additional paid-in capital. Due

to this treatment, the deferred tax expense in the income statement has increased correspondingly.

For the financial years 2000 and 1999, the difference between the actual tax

expense and the amounts which would have arisen by the application of an effective tax rate (consisting of corporation tax, trade income tax as well as

solidarity surcharge) of 51.4% for 2000 and 1999 on the income before income taxes are as follows:

	2000	1999
Income before income taxes	1,589	518
Effective tax rate	51.4%	51.4%
Calculated "expected" tax expense (-income) at the tax rate for non-distributed earnings	817	266
Influences of associated enterprises	46	(57)
Increase/(reduction) of the tax expense due to items which, fiscally, are not tax-deductible or taxable	(5)	22
Influence of amendments to the statutory tax rates	-	(12)
<b>Income taxes</b>	<b>858</b>	<b>219</b>
Effective tax rate excluding the result from associated enterprises	50.9%	53.8%

in thousands of Euros

Tax effects due to temporary differences, and which result in significant long-term deferred tax assets and liabilities, are made up as follows:

	2000	1999
<b>Deferred tax assets</b>		
Tax loss brought forward	606	-
Pension accruals	37	31
	643	31
<b>Deferred taxes liabilities</b>		
Non-current assets	492	297
	492	297
<b>Deferred tax assets, balance</b>	<b>151</b>	<b>-</b>
<b>Deferred tax liabilities, balance</b>	<b>-</b>	<b>266</b>

in thousands of Euros

#### 13. Pension obligations

The Company entered into direct pension commitments by virtue of commitments made on December 1, 1992, to the then managing directors of the

GmbH. These commitments provide for retirement pensions as from the completion of the beneficiaries' 65th year, for invalidity pensions and for widows' pensions. After the change in



the legal form of Analytik Jena GmbH to an AG (public joint-stock corporation), the commitments were taken over without any change to their substance. To provide cover for the claims of the executive directors, the Company con-

cluded a reinsurance policy with Victoria Lebensversicherung AG. The following table shows the development of the pension obligations, including the reconciliation with the balance sheet, and the capital value of the reinsurance policy.

	2000	1999
Pension obligation as of October 1, 1999 and 1998	205	188
Current pension expense	22	22
Interest expense from discounting the cash values of future pension benefits (PBO)	11	10
Less actuarial gains	(30)	(15)
<b>Pension obligation at of 30 September</b>	<b>208</b>	<b>205</b>
Non-appropriated profit	62	32
<b>Pension accrual</b>	<b>270</b>	<b>237</b>
<b>Development of the reinsurance policy</b>		
Capital value of the insurance policy as of Oct. 1, 1999 and 1998	66	53
Appreciation in capital value	15	13
<b>Capital value of the insurance policy as of September 30</b>	<b>81</b>	<b>66</b>
<b>Reinsurance policy</b>	<b>81</b>	<b>66</b>

in thousands of Euros

The pension obligations were evaluated on the basis of an actuarial report using an interest rate of 6.0 % p.a. (1999: 5.5 % p.a.) and a pension adjustment of 2.0 % p.a. (1999: 2.0 % p.a.). Salary increases were not taken into consideration since there was no provision for this in the pension commitments.

The actuarial gains were up to now not available for realization on a pro rata basis, so that the personnel expense – as presented below – only comprises the service (pensionable) period and interest expense. The capital value of the reinsurance policy is disclosed under other financial assets.

	2000	1999
Current period's service expense	22	22
Interest expense from discounting of cash values of future pension benefits	11	10
<b>Pension expense</b>	<b>33</b>	<b>32</b>

in thousands of Euros

#### 14. Share capital situation

##### Subscribed capital

The subscribed capital shown in the balance sheet amounted to Euros 3,500,000 at September 30, and is divided into 3,500,000 shares of no-par value. Each share gives entitlement to one vote. There are no restrictions on the voting rights.

At the extraordinary shareholders' meeting held on June 22, 2000, an increase in nominal capital from Euros 2,500,000 to Euros 3,500,000 was resolved against cash contributions. This was implemented by the issue of 1,000,000 shares of no-par-value with a theoretical value of share capital of Euro 1 per share. Through the issue price of Euros 24.00 per share, which was determined by the book-building method, Euros 23,000,000 became available for allocation to additional paid-in capital consequent to the stock exchange flotation on July 3, 2000. The capital increase was recorded in the trade register at the Gera district court on June 23, 2000.

##### Contingent capital

At the extraordinary shareholders' meeting held on June 29, 2000, an increase in contingent capital by up to Euros 350,000, pursuant to Section 192 AG Act (Public Joint-Stock

Corporation Act), was resolved for the purpose of granting on one or more occasions a total of 350,000 option rights for the subscription of shares of no-par-value in Analytik Jena AG to eligible employees and managers of the Group as well as to members of the executive board as provided for under Section 192 para. 2 (3) AG Act.

##### Authorized capital

The authorized capital at of September 30, 2000, was Euros 1,250,000. In accordance with the articles of incorporation of the Company, the board is empowered, with the consent of the supervisory board, to increase the nominal capital in the period through April 1, 2004, by up to Euros 1,250,000 by the issue of new shares of no-par-value.

#### 15. Derivative financial instruments

According to SFAS 107 ("Disclosures about Fair Value of Financial Instruments") the Company must state the market value of financial instruments such as cash and cash equivalents, receivables, liabilities and derivatives. In this matter, the Company estimates that there is no material difference between the market and the book values. With regard to long-term financial debt, this estimate is based on its actual rate



of interest, which corresponds roughly to the current market interest rates, whereas in the case of the short-term financial instruments the estimate is based on their short-term due dates.

#### 16. Other financial commitments

The Company rents two office buildings in Jena and a production building at its Eisfeld location. Both rental agreements for the office buildings in Jena are subject to notice of termination of one year, at the earliest, however, to March 30, 2005 or April 30, 2005 respectively. For the building used only as from April 2000 by the business unit lab solutions, that part of the rental expense which falls in the financial year 2000 amounts to thousand Euros 27. In the following table, future annual payments of thousand Euros 55 are included for this. The second office building is rented for

	2001	2002	2003	2004	Subseq. years	Total
Rentals	360	360	275	246	139	1,380
Leasing	213	16	–	–	–	229
	573	376	275	246	139	1,609

in thousands of Euros

The management has knowledge of contamination of a plot of land in Eisfeld. According to the notice issued by the state environmental authority of Suhl, the share of the possible clean-

an indefinite period (see also Note 8). The future annual rentals in the amount of thousand Euros 191 are recorded in terms of their payment obligations. The rental agreement for the production building in Eisfeld runs initially until December 31, 2002.

There exists an option to extend the lease. The rental costs for the production building in the reporting periods were thousand Euros 107 (2000) and thousand Euros 137 (1999).

Substantial portions of the vehicle fleet continue to be leased ("operating lease"). The contract ends in the financial year 2002. In the reporting periods, thousand Euros 191 (2000) and thousand Euros 196 (1999) were recorded as expenses on the basis of the leasing contracts for vehicles.

The following payment obligations result from the circumstances described:

up costs which the Company would have to pay is estimated at 10%, and is estimated by management at between approximately thousand Euros 50 and thousand Euros 140. In the

opinion of management, it is not expected that a future obligation to clean up the contaminated land will materialize.

#### 17. Stock options plan

Through the share option scheme, which was created during the financial year, the executive board is empowered, with the consent of the supervisory board, to issue on one or more than one occasion in total up to 350,000 options to purchase shares in Analytik Jena AG to eligible employees and managers of the Company. In principle, it is intended that all employees and managers of the Company, as well as members of the executive board, should participate in the share option scheme. Each option grants the right to acquire one share in Analytik Jena AG at the subscription price (exercise price). It is intended that the total volume of up to 350,000 options should be issued in three tranches and for different levels. The plan is to issue tranche I in the financial year 1999/ 2000 and tranches II and III in the financial years 2000/2001 and 2001/ 2002. Those eligible do not render any payments for receipt of the options. Shares issued on the basis of these purchase options generate their first dividend entitlement in the financial

year in which they are issued. The share option scheme is designed to strengthen the motivation and commitment of employees and management of the Company and create incentives to increase the quoted value of the share of Analytik Jena AG beyond the exercise price. Thus, the share option scheme provides for an indirect dependence on performance.

The subscription price for the individual tranches is 15% above the reference rate for tranche I and 10% above the reference rate for tranches II and III. The reference price for tranche I is the original issue price. The reference price for tranches II and III is the arithmetical mean of the rates determined in the XETRA closing quotation of the Frankfurt stock exchange for shares of Analytik Jena AG during the five share-trading days immediately before and after the day on which the executive board or the supervisory board resolves to issue the options. The eligible persons may exercise their options in three instalments after expiry of the statutory holding period of two years. The exercise terms after expiry of the holding period are three weeks after the relevant shareholders' general meeting or three weeks after publication of the report for the 3rd quarter. The options must be each exercised at



the latest by the expiry of the first exercise term, which follows on the fifth anniversary of the date of the allotment agreement. Options which remain unexercised lapse. In the context of tranche I, 245,200 option rights were granted on June 29 and 30, 2000 at a subscription price of Euros 27.60 per share (reference price = issue price of Euros 24.00 plus a premium of 15 % of Euros 24 = Euros 3,60). Of these, 203,200 purchase options went to employees, 2,000 purchase options were allotted to managing directors (Geschäftsführer) of Group companies and 40,000 purchase options went to members of the executive board. In the financial year, no options lapsed nor was it yet possible to exercise options. The number of options granted at the balance sheet date is therefore identical with that of the options approved in June 2000.

**Treatment of the scheme under US-GAAP**

Following SFAS 123 ("Accounting for Stock-Based Compensation"), the Company has chosen to account for the share option scheme according to APB 25 ("Accounting for Stock Issued to Employees"). The necessary information in the notes is provided in accordance with SFAS 123. According to APB 25, in the present case, personnel expense is not incurred as the exercise price of the options was above the market price at the time the options were granted (so-called "out of the money options").

**Market value of the share options**

The market value of the options at the time they were granted was Euros 16.88 per share. This valuation is based on computations using the "Black-Scholes" option-price model with the following assumptions:

Mean expected dividend yield	0.0%
Expected volatility	50.0%
Risk-free investment interest rate (4 years)	5.2%
Expected duration until exercise	4.3 years

If the Company had calculated the personnel expense to be apportioned pro rata over the expected period until exercise of the options, in accordance with SFAS 123, the net income for the year and the earnings per share would be as follows:

	2000
Net income for year (as reported)	731
Pro forma	490
Basic earnings per share (as reported)	0.26
Pro forma	0.18
Diluted earnings per share (as reported)	0.26
Pro forma	0.18

in thousands of Euros, except for the earnings per share

**18. Earnings per share**

The basic earnings per share figure is computed by dividing the net income for the year by the weighted-average value of the issued shares outstanding during the year. In the diluted earnings per share figure, the weighted-average value of the issued shares is increased by the number of additional no-par-value shares which would be outstanding in the case of issue of potentially-diluting, no-par-value shares. The

weighted-average value of the issued shares outstanding as of the balance sheet date is computed as 2,771,233 shares. The number of potentially diluting, no-par-value shares due to the share option scheme, after weighting, is 9,164 so that a total of 2,780,397 shares are taken into the computation of the "diluted" earnings per share figure. The two resulting earnings figures are therefore:

	2000	1999
Net income for year	731	299
divided by:		
weighted number of outstanding shares (basic)	2,771,233	2,500,000
weighted number of outstanding shares (diluted)	2,780,397	2,500,000
Basic earnings per share	0.26	0.12
Diluted earnings per share	0.26	0.12

in thousands of Euros, except for the number and earnings per share



**19. Risks in connection with the acceptance of public subsidies**

In the financial years 1996 to 2000, the Company was granted considerable subsidies for specific projects in research & development and for specific investments in intangible assets and property, plant and equipment (Note 2k). The award of these subsidies was tied, as a matter of principle, to specific requirements and conditions which in part extend over several years and into the future. In the case of any non-fulfilment, the Analytik Jena-Group would possibly be subject to an obligation to repay in part or in full the subsidies received, a circumstance which would impact negatively on the economic situation of the Company.

	2000	1999
Interest	336	228
Taxes	279	2

in thousands of Euros

The following non-cash investment and financing activities were recorded in the financial years:

	2000	1999
Acquisition of property, plant and equipment by leasing finance	-	237
Acquisition of intangible assets against payment of the purchase price in the following year	1,068	-
Non-cash acquisition of property, plant and equipment	89	-
Non-realized gains on available for sale securities	23	-
Reclassifications from non-current assets to current assets	127	-

in thousands of Euros

**20. Post balance sheet events**

With effect from December 1, 2000, Analytik Jena AG and Carl Zeiss Jena GmbH combined their project businesses in AJZ Engineering GmbH, Jena. Analytik Jena AG has a holding of 60% and Carl Zeiss GmbH a holding of 40% in the company, the authorized capital of which amounts to thousand Euros 250. Analytik Jena AG holds all the voting rights and will manage the company.

**21. Additional information on the cash flow statement**

Interest and income taxes paid in the reporting periods are:

**22. Segment reporting**

Until 1995, the Company was mainly active as a selling and service enterprise. Through the gradual acquisition of know-how and production capacity as well as the acquisition of additional participatory investments, the Company developed systematically to a development and production enterprise. As a result of this historic development, business units have been formed within the Company.

The business unit analytic solutions comprises the development, manufacture and the worldwide distribution of the most modern analytical measurement equipment. The central production facility with continuous manufacture is located at Eisfeld.

The business unit lab solutions plans and builds systems laboratories and turn-key laboratory projects. In these cases, the Company uses the term project business.

In the business unit bioanalytical solutions, which was formed at the beginning of the financial year, bioanalytical systems are developed for and marketed to companies in the pharmaceuticals, biotechnology, molecular biology and environmental analysis fields.

The Group is active in the market for analytical measurement technology. On account of the historic development and the size of the Company, the financial data which was available to management in the past for its operating and strategic decisions was mostly summarized, relating to the Company as a whole. All of the Company's locations are within Germany so that the required information relating to long-lived assets is contained directly in the present balance sheets.

Sales, classified according to business unit and region, are as follows:

	2000	1999
analytical solutions	9,282	10,434
bioanalytical solutions	842	-
lab solutions	8,997	4,753
manufacturing*	4,185	3,802
	<b>23,306</b>	<b>18,989</b>

	2000	1999
Germany (domestic)	19,624	15,877
EU countries	572	1,016
Rest of Europe	1,079	915
North America	804	9
Asia	1,062	605
Other countries	165	567
	<b>23,306</b>	<b>18,989</b>

in thousands of Euros \* including optical solutions

In the financial years reported, no customer of the Company represented more than 10% of total turnover.

**FINANCIAL STATEMENTS**



## Consolidated movements on non-current assets

as of September 30, 2000

	Appendix	Property, plant and equipment							Intangible assets			Financial assets				
		Total	Land	Buildings	Machines	Equipment	Software	Advance payments	Total	Licenses	Advance payments	Total	Associated enterprises	Investments	Capital value reinsurance policy	Total
<b>Acquisition/manufacturing cost</b>																
as per October 1, 1999	6,430	301	963	1,802	2,137	270	5	5,478	608	–	608	278	–	66	344	
Additions	3,077	–	21	208	372	360	661	1,622	1,083	164	1,247	85	108	15	208	
Additions arising from changes in entities consolidated	112	–	–	–	96	16	–	112	–	–	–	–	–	–	–	
Reclassifications/transfers	(116)	–	13	4	422	77	(439)	77	51	(128)	(77)	(116)	–	–	(116)	
Capitalized cost of self-constructed assets	464	–	–	–	–	464	–	464	–	–	–	–	–	–	–	
	9,967	301	997	2,014	3,027	1,187	227	7,753	1,742	36	1,778	247	108	81	436	
Disposals	711	–	–	1	701	–	–	702	9	–	9	–	–	–	–	
as per September 30, 2000 (gross)	9,256	301	997	2,013	2,326	1,187	227	7,051	1,733	36	1,769	247	108	81	436	
Investment subsidies received																
as per October 1, 1999	1,512	–	407	588	362	–	–	1,357	155	–	155	–	–	–	–	
Additions	21	–	–	–	21	–	–	21	–	–	–	–	–	–	–	
Additions arising from changes in entities consolidated	33	–	–	–	33	–	–	33	–	–	–	–	–	–	–	
Reclassifications/transfers	–	–	73	(102)	29	–	–	–	–	–	–	–	–	–	–	
as per September 30, 2000	1,566	–	480	486	445	–	–	1,411	155	–	155	–	–	–	–	
as per September 30, 2000 (net)	7,690	301	517	1,527	1,881	1,187	227	5,640	1,578	36	1,614	247	108	81	436	
<b>Depreciation and amortization</b>																
as per October 1, 1999	1,816	–	39	542	915	69	–	1,565	251	–	251	–	–	–	–	
Additions arising from changes in entities consolidated	47	–	–	–	45	2	–	47	–	–	–	–	–	–	–	
Additions	979	–	23	288	445	75	–	831	59	–	59	89	–	–	89	
	2,842	–	62	830	1,405	146	–	2,443	310	–	310	89	–	–	89	
Disposals	593	–	–	1	585	–	–	586	7	–	7	–	–	–	–	
as per September 30, 2000	2,249	–	62	829	820	146	–	1,857	303	–	303	89	–	–	89	
<b>Net book value as per September 30, 2000</b>	5,441	301	455	698	1,061	1,041	227	3,783	1,275	36	1,311	158	108	81	347	

in thousands of Euros

FINANCIAL STATEMENTS



## Differences in accounting, valuation and consolidation methods

The consolidated financial statements of Analytik Jena AG are prepared according to valid US-American reporting standards i.e. United States Generally Accepted Accounting Principles ("US-GAAP"), applying Section 292a German Commercial Code (HGB) with exempting effect for consolidated financial statements under German commercial law. They accord with the 4th and 7th EC Directives on the basis of the interpretation of the directives in accordance with DRS (German Accounting Standard) No. 1 of the German Accounting Standards Board (GASB).

The complete consolidated financial statements as per Section 292a HGB, including the list of shareholdings, have been deposited at the Gera trade register under the number HR B 0027.

The accounting, valuation and consolidation methods, applied in accordance with US-GAAP, differ from the German HGB provisions principally in the following points:

### Intangible assets

According to the HGB and US-GAAP, intangible assets which are purchased

for consideration have to be capitalized. For intangible assets which are not purchased for consideration or self-produced, however, the HGB prohibits capitalization.

According to US-GAAP (SFAS 86.4), all costs incurred in the development of self-produced software intended for sale, up to the point in time of technological realization, have to be included as expense. Technological feasibility is attained, if all activities that are necessary to demonstrate that the software product can be produced in accordance with the design specifications are completed. This means that all planning, designing, programming and testing activities to determine that the software product can be produced in accordance with the design specification must be completed, before further development costs can be capitalized. These development costs can then be capitalized up to the point in time at which the software product can be marketed for the first time. The product development costs which arose in the Group from the point in time of technological feasibility up to initial marketing are significant and were therefore capitalized.

### Property, plant and equipment

According to German commercial law, investment grants received can be taken into the balance sheet as a special item and be released to earnings over the same period as the corresponding depreciation.

According to US-American principles, acquisition and manufacturing costs are reduced by the grants received and depreciation is calculated on the remaining costs. Separate disclosure in the income statement is inadmissible (SFAS 121.108).

Special accelerated tax depreciation was, up to 1996, directly set off against acquisition and manufacturing costs. As such depreciation does not represent any impairment or special depreciation pursuant to the principles documented in SFAS 121, it is eliminated and the fixed asset is depreciated normally. This results in higher depreciation.

Special depreciation and accumulated fund depreciation, which, according to German commercial law, were allocated to accruals with equity character and released to earnings. The releases to income of special items pursuant to HGB principles, are reversed as expense.

### Leasing

The treatment of leasing transactions is not regulated explicitly by the German Commercial Code. For balance sheet purposes, the contractual formulation, with regard to the chances and risks which arise from the use of the leasing object, is therefore generally used as a basis. Applying this method, leasing agreements are, as a rule, so formulated that the accounting for the leasing objects in the balance sheet has to be carried out by the lessor.

There are extensive rules (particularly SFAS 13) for the accounting of leasing transactions under US-GAAP. As a matter of principle, a distinction is made between "capital leases" and "operating leases", depending on which party assumes the significant risks and rewards from the use of the leasing object and thus is to be regarded as "economic" owner. Where a lease is deemed to be a "capital lease", the lessee has to capitalize the leasing object as economic owner, in the case of an "operating lease" the lessor.

### Valuation of inventories

#### Lower of cost and market principle

Pursuant to the HGB, the valuation of inventories is carried out at the balance sheet date in accordance with the strict



“lower of cost and market value principle” at acquisition or manufacturing cost or at lower market value. The calculation of the market value of raw materials and supplies is made at replacement cost in the procurement market, that of work in progress and finished products at the net selling price determined retrogressively from the sales market, and that of merchandise, at the lower of the value of replacement cost in the procurement market and net selling price determined retrogressively from the sales market.

Under US-GAAP, in accordance with ARB 43, the strict “lower of cost or market” principle is also to be applied. However, in contrast to the HGB, both the procurement market and the sales market are taken into account for all inventory groups in determining the valuation. If the replacement cost falls below the acquisition or manufacturing cost, then the inventories have to be accounted for at the average value of replacement cost, realizable sales value and realizable sales value after deducting the customary profit margin. It should be noted that the realizable sales value after deducting the customary profit margin is the lowest valu-

ation level, even if replacement cost falls below this value.

#### **Long-term production**

In principle, the HGB and/or German principles of proper accounting allow profit-taking, even with long-term contract production, only after first delivery and acceptance of the entire contract, i.e. at the earliest of the date when contractually-agreed performance is essentially rendered and the remaining risk insignificant (“completed contract method”).

US-GAAP, on the other hand, allows profit-taking based on the degree of progress made on such contracts, if an adequately reliable computation of total income, total costs and degree of completion is possible (“percentage of completion method”). The accounting therefor is governed mainly by SOP 81-1 and ARB 45.

#### **Unrealized profits in the context of the balance sheet/market valuation**

Pursuant to the HGB, only unrealized losses should be accounted for, in accordance with the non-parity principle, but, under US-GAAP, unrealized profits also have to be taken into account.

#### **Securities shown under fixed and current assets**

Securities have to be accounted for, as per the HGB, at ongoing acquisition cost or lower market value as on the balance sheet date. Under US-GAAP, the valuation of securities is carried out in accordance with SFAS 115, being dependent on the attribution to specific categories. The existing securities of Analytik Jena, which are capable of disposal at any time (“available-for-sale”), have to be accounted for at their market values at the balance sheet date, so that unrealized profits are taken into account. The changes arising from market valuations have to be included directly in shareholders' equity without affecting earnings.

#### **Deferred taxes**

Pursuant to the HGB, deferred taxes are to be computed on all differences between the valuations in the tax balance sheet and in the consolidated balance sheet that are restricted in time (so-called “timing” concept), whereby the calculation is carried out applying the current tax rate. No deferred taxes may be accounted for in respect of quasi-permanent differences which reverse only over a very long period of time or on sale or liquidation, and for losses brought forward.

Pursuant to US-GAAP, specifically SFAS 109, it is mandatory to compute deferred taxes on all temporary differences between the tax values and the higher values in the consolidated balance sheet, whereby quasi-permanent differences have also to be classified as temporary (so-called “temporary” concept). Besides this, deferred taxes on tax loss carry-forwards are also to be accounted for. The future tax rate, legally valid as per the balance sheet date, is to be used as the basis for the computation. At each balance sheet date, the deferred tax assets are to be reviewed regarding their realizability, and, if necessary, valuation allowances set up.

#### **Accrual for pensions and similar obligations**

Under both the HGB and US-GAAP, accruals have to be created for pension obligations, which have to be valued on the basis of expected, discounted future payments. Pursuant to the HGB, various actuarial methods may be used; the entry-age-normal method according to Section 6a German Income Tax Act is the most usual accounting method as per the HGB, but not the only permitted one. By reason of the freedom of method allowed by the HGB, the projected-unit-credit-method, in accor-



dance with SFAS 87, may also be used for accounting purposes as per HGB. Pursuant to SFAS 87, in the case of fund-financed schemes, defined qualified assets have to be deducted from the total amount of the obligations or the surplus of the assets compared to the obligations have to be capitalized.

#### **Other accruals**

Under the HGB, accruals may also be created for definite expenditure, in addition to the mandatory accruals for liabilities and pending losses, where a commitment character as against third parties is absent (so-called expense accruals). The valuation of the accruals is undertaken on sound business principles taking into account the principle of caution.

Accounting for accruals is more tightly regulated under US-GAAP. Accruals are only to be created if an obligation exists towards third parties, the claims are probable and the amount of the accrual is reliably assessable. Accruals for expense purposes may not be set up. In valuing accruals, the probable value has to be accounted for as the lowest value out of a range of equiprobable values. The accounting therefor is governed essentially by CON 6 and SFAS 5.

#### **Entities consolidated**

Subsidiaries may not be consolidated if, according to Section 295 HGB, their consolidation, due to their activity being so different from the other enterprises included, would impair the presentation of a true and fair view of the assets and liabilities, financial position and results of operations of the AG. Pursuant to US-GAAP, such enterprises must also be consolidated. There are no enterprises in the Analytik Jena Group whose inclusion would not be allowed by Section 295 HGB.

#### **“Purchase accounting”**

The accounting for combinations of enterprises can be carried out by continuing with the existing book values as per the German “pooling of interests” method (Section 302 HGB) or as per the US “pooling of interests” method (APB 16.45 et seq). The prerequisites for the application of the US “pooling of interests” method are, however, markedly more restrictive than those for the German “pooling of interests”.

The acquisition of the subsidiary Analytik FP-Jena GmbH fulfilled the prerequisites for the German “pooling of interests” method, but not, however, all of the prerequisites for the US “pooling of interests” method. For Analytik FP-

Jena GmbH, therefore, the “purchase accounting” method (APB 16.66 et seq). must be applied.

#### **Classification provisions**

The classifications in the balance sheet follow ARB 43. Through the distinction between “current assets” and “non-current assets”, this bulletin thus fulfils the harmonizing requirement of Section

292a HGB with the 4th and 7th EC Directives. The movements on non-current assets have to be shown separately as per Section 268, para. 2 HGB, whereas American accounting policies do not have such a disclosure requirement. In order to accord with the EC Directives, a “movements on non-current assets” schedule is additionally included in the notes.



## Supplementary information in the notes

### Personnel expense

The following personnel expenditure is contained under the expense items of the income statement:

	2000
Wages and salaries	5,464
Social security contributions	1,037
Pensions expense	33
	6,534

In thousands of Euros

### Employees

The annual average of employees in the Group in 1999/2000 was:

Business Units	Analytik Jena AG	Analytik FP Jena	Group
analytical solutions	81	9	90
bioanalytical solutions	12	0	12
lab solutions	23	0	23
manufacturing	72	0	72
	188	9	197
Trainees	16	0	16
	204	9	213

Functions	Analytik Jena AG	Analytik FP Jena	Group
Production	98	2	100
Research & development	30	5	35
Selling	46	1	47
Administration	14	1	15
	188	9	197
Trainees	16	0	16
	204	9	213

### Cost of materials

The following cost of materials is contained in the cost of sales:

	2000
Cost of raw materials, supplies and merchandise	13,276
Cost of bought-in services	664
	13,940

In thousands of Euros

### Information on official bodies

#### Executive board

The executive board is made up as follows:

#### Mr Klaus Berka, Chairman

#### Mr Jens Adomat

Two members of the executive board are authorized to represent the Company jointly. The members of the executive board are freed, according to the trade register, from the restrictions of Section 181 HGB. The legal representatives restricted the reporting on the remuneration of the board in the notes, with reference to Section 286, para.4, HGB.

#### Supervisory board

In accordance with the German Joint-Stock Companies Act (AktG), the Company has a supervisory board; to this belong:

#### Mr Alexander von Witzleben

Chairman – Member of the executive board of Jenoptik AG, Jena

#### Professor Dr Manfred Grün

Vice-chairman – Executive director of AUA Agrar- und Umweltanalytik GmbH, Jena

#### Dr Nikolaus Reinhuber

Lawyer, Partner in Freshfields Bruckhaus Deringer, Leipzig

The emoluments of the supervisory board amounted, according to the articles, to thousand Euros 15.

### Further bodies

As defined in Section 285 no. 10 HGB, the above persons are active in further supervisory boards or controlling committees according to Section 125, para. 1 (3) AktG, as follows:

#### Mr Alexander von Witzleben

ASCLEPION MEDITEC AG, Jena – Chairman of the supervisory board

Vogt electronic AG, Erlau – Member of the supervisory board

Krone GmbH, Berlin – Member of the supervisory board

DEWB AG, Jena – Vice-chairman of the supervisory board

Meissner+Wurst Zander Holding AG, Stuttgart – Member of the supervisory board

FEINTOOL INTERNATIONAL HOLDING AG, Lyss – Member of the administrative board

#### Professor Dr Manfred Grün

ADIB Agrar-Dienstleistungs-Industrie und Baugesellschafts mbH & Co. KG, Wiegleben – Member of the advisory council

#### Dr Nikolaus Reinhuber

ASCLEPION MEDITEC AG, Jena – Member of the supervisory board

## FINANCIAL STATEMENTS



## Financial calendar 2001

<b>2001</b>			
February	02/22	Publication of the 3-months' report	Jena
March	03/08	Annual General Meeting	Jena
May	05/07 – 05/09	4th DVFA Biotech Forum	Frankfurt/M.
	05/15 – 05/17	Analytical Conference	Jena
	05/29	Publication of the 6-months' report	Jena
August	08/27	Publication of the 9-months' report	Jena
September	09/25 – 09/26	Conference of AAS-Solid-Techniques	Jena
October	10/09 – 10/11	5th DVFA Biotech Forum	Hanover
December	12/18	Publication of the annual report	Jena
	12/18	Press conference on financial statements	Frankfurt/M.
<b>2002</b>			
January	01/09	Analysts' conference	Frankfurt/M.

You will find further dates – updated continuously – under:

[www.analytik-jena.de/e/ir/fin/calender.html](http://www.analytik-jena.de/e/ir/fin/calender.html)

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