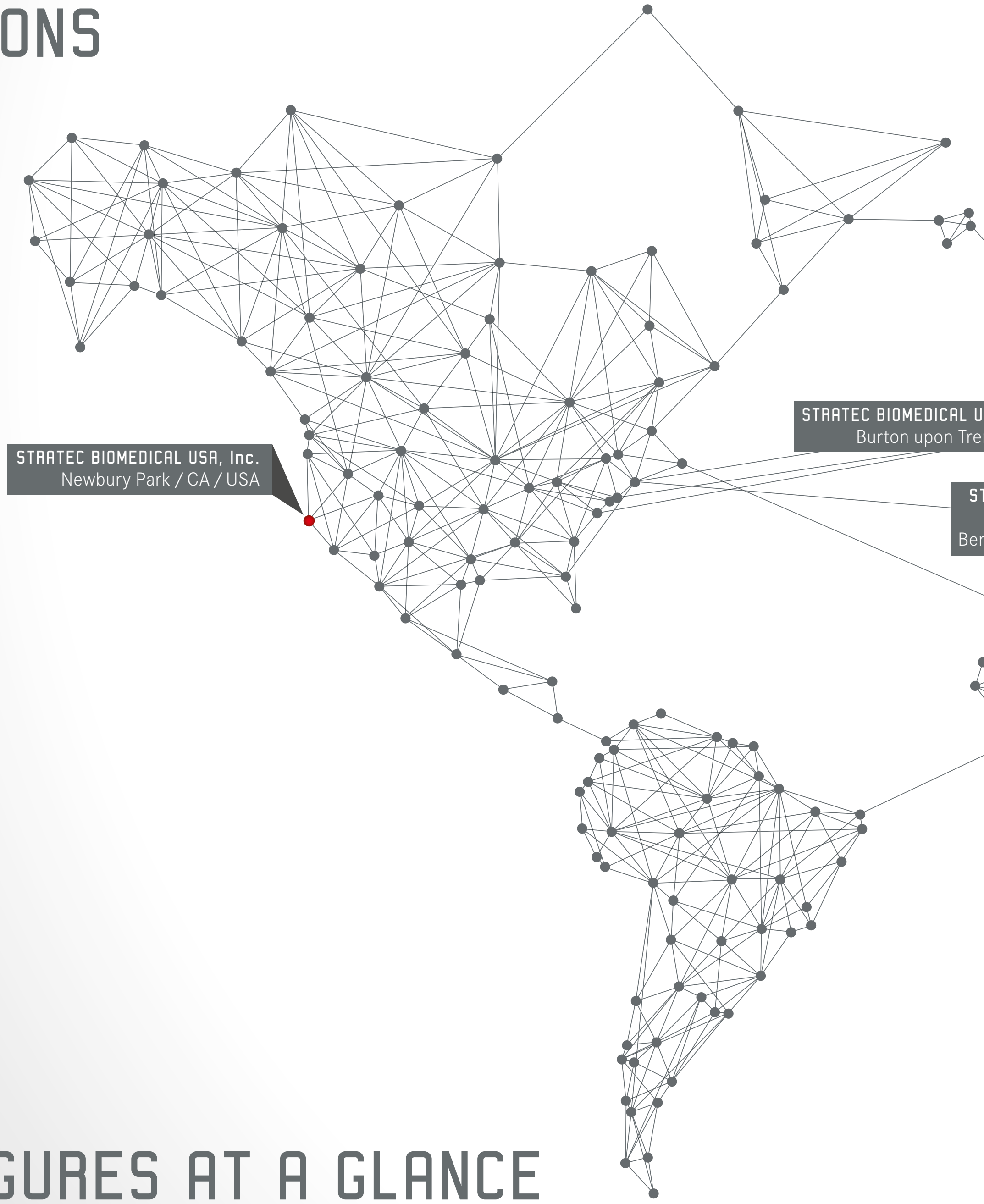
stratec biomedical

2013
ANNUAL REPORT

LOCATIONS

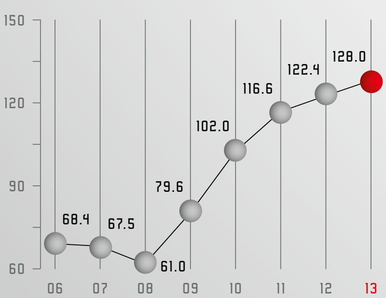


HEADQUARTERS

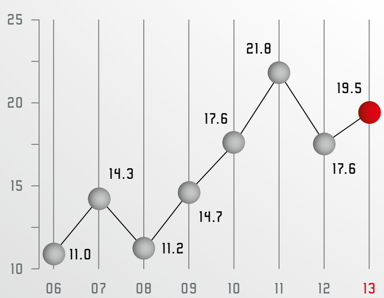
SUBSIDIARY

KEY FIGURES AT A GLANCE

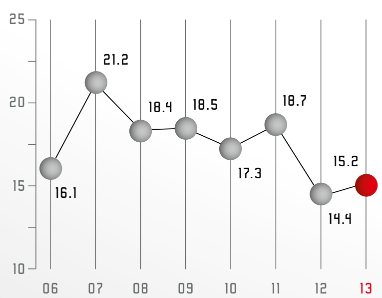
SALES[1] IN € MILLION



EBIT[1] IN € MILLION

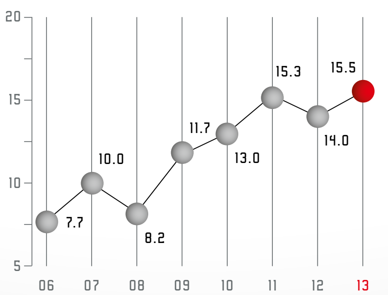


EBIT MARGIN[1] IN %

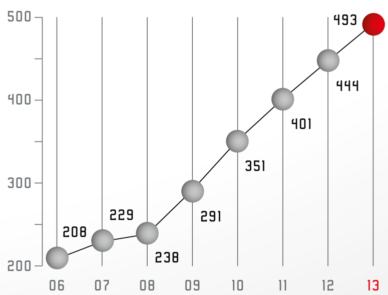


[1] The accounting methods used in the consolidated financial statements were amended in line with IAS 8 in the 2013 financial year. Reference is made in this respect to the information in Section A of the notes to the consolidated financial statements. The previous year's figures stated in this overview of key figures (2006 to 2012) have not been adjusted and are therefore only comparable to a limited extent with the figures stated for the 2013 financial year.

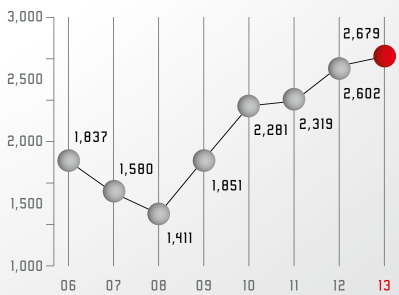
CONSOLIDATED NET INCOME[1] IN € MILLION



EMPLOYEES (ANNUAL AVERAGE)



ANALYZER SYSTEMS DELIVERED



MISSION STATEMENT

As the innovative and technological market leader for automation and instrumentation solutions in in-vitro diagnostics, we seek to offer our worldwide partners first class solutions and thereby share responsibility towards their customers and patients.

Our success is based on the talents and skills of our employees and their commitment to always perform the extraordinary. Their performance allows for the successful and sustainable development of our company in the interest of all its stakeholders.

Our partnerships are built on mutual trust, continuity and professionalism and with our partners we share a common mission to develop safe, innovative, market-leading products that consistently fulfill customer expectations. For STRATEC, partnership means responsibility, passion and commitment, to both our customers and our products, that goes well beyond the duration of the product life cycle.

CONTENT

LETTER FROM THE BOARD OF MANAGEMENT

Marcus Wolfinger [46]
Chairman of the Board of Management

Dr. Robert Siegle [46]
Member of the Board of Management,
Finances and Human Resources

Dr. Claus Vielsack [46]
Member of the Board of Management,
Product Development

Dear Shareholders,
Dear Partners and Friends of STRATEC,

STRATEC Biomedical AG, now in its 35th year, reports further record developments in the 2013 financial year. Never before did so many analyzer systems and system components leave our production sites. We also achieved new heights in terms of sales and notably further increased our profitability. This was primarily driven by the improvement in margins for systems that have recently been launched, ongoing stabilization in the service parts business, and margin enhancement measures implemented at our subsidiaries.

Further operative successes during 2013 included new market launches, substantial progress with key development projects and major new contract agreements. 2013 also presented its challenges, with a number of external factors outside our control. Both the flood damage suffered at our Birkenfeld location in June and the resultant delays in output, coupled with the termination by a customer of a contract governing the development and supply of an analyzer system in July were significant contributing factors.

Despite the diagnostics industry being unable to emit any substantial growth signals in 2013, the number of tests performed stabilized at a slightly recovered level. One of the benefits of our business model is its ability to generate growth during such phases due to new market launches, and indeed to achieve a new record level of systems delivered. Given this fact and our well-filled development pipeline, we expect our growth to exceed the market average in the coming years as well.

In 2014, we are preparing several more market launches and are working to reach key milestones in development projects. Having already acquired a further development project in the first quarter of 2014, we are in talks about further interesting orders both with existing partners and potential new customers.

The financials section of this Annual Report also accounts for the conversion of the accounting method used to recognize projects, a measure whose implementation resulted from a recommendation made by the German Financial Reporting Enforcement Panel (DPR) and which was concluded at the end of 2013. You can find a separate presentation of the most important key figures for the 2013 financial year and for the previous year excluding the effects of this conversion on our website at www.stratec.com/financial_reports.

One key area of our project development involves software development; this is of ever increasing importance in our development activities given the even greater complexity of processes and strict regulatory requirements involved. In this Annual Report, we would like to familiarize you with the basic features of our software development work. This information can be found from Page 7 onwards.

By continuing to enhance the value of our company and increasing our dividend distributions, we aim to enable our shareholders to participate in the company's positive development. We will continue to position ourselves as a partner of trust for both global market leaders in the diagnostics industry, and companies working with top-quality products in strictly regulated markets with the aim of creating sustainable value for our shareholders.

We would like to thank you sincerely for the trust you have placed in us.

Birkenfeld, April 2014

The Board of Management of
STRATEC Biomedical AG

Marcus Wolfinger | Dr. Robert Siegle | Dr. Claus Vielsack

REPORT OF THE SUPERVISORY BOARD

Fred K. Brückner [71]
Chairman of the Supervisory Board

Wolfgang Wehmeyer [55]
Deputy Chairman of the Supervisory Board

Prof. Dr. Hugo Hämmerle [62]
Member of the Supervisory Board

Dear Shareholders,

In the 2013 financial year, the Supervisory Board of STRATEC Biomedical AG accompanied and advised the Board of Management in its running of the company, supervising its management and performing the duties required by law, the Articles of Association, its Code of Procedure and the German Corporate Governance Code. The Supervisory Board was directly involved in all decisions or measures of fundamental significance, particularly those involving the corporate strategy, group-related matters and the net asset, financial and earnings position of the company and the Group, as well as those transactions requiring its approval and listed in the relevant catalog in the Code of Procedure for the Board of Management. The Board of Management provided the Supervisory Board with regular, timely and comprehensive written and oral information concerning all issues of relevance to the company.

Outside the framework of Supervisory Board meetings, individual members were also available to discuss specific topics with the Board of Management in various one-to-one talks held in person or by telephone.

MEETINGS AND FOCUS OF DELIBERATIONS

The Supervisory Board held a total of five meetings in the 2013 financial year. One of these meetings was held by teleconference. At its meetings on April 8, 2013, June 24, 2013, September 30, 2013, and December 6, 2013, the Supervisory Board dealt in particular with the risk handbook, compliance management, the Group's sales and earnings performance, its financial position, the status of and challenges presented by individual development projects at the company and the Group, and held discussions concerning the subsidiaries, the company's organizational structure, the implications of new legislative requirements, the patent and industrial property right situation, and long-term corporate strategy.

Furthermore, at its meeting on April 8, 2013 the Supervisory Board discussed and approved the annual financial statements and management report of STRATEC Biomedical AG, as well as the consolidated financial statements and group management report for the 2012 financial year. It discussed and approved the draft resolutions to be proposed to the Annual General Meeting on June 6, 2013, including the proposed appropriation of profit for the 2013 financial year. At this meeting, the Supervisory Board endorsed the transaction requiring approval submitted by the Board of Management in respect of establishing a subsidiary in Taicang, China.

The meeting on June 24, 2013 gave particular priority to the status report submitted by the Board of Management concerning the flood damage suffered at the Birkenfeld location at the beginning of June 2013.

In a teleconference held on November 25, 2013, the Supervisory Board approved the sole agenda item, namely the adjustment and amendment to the company's Articles of Association to account for the shares issued for subscription in 2013 in connection with existing stock option programs.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The corporate governance declaration and corporate governance report were approved by the Board of Management and Supervisory Board at the meeting on April 8, 2013 and then published on the company's website.

At its meeting on December 6, 2013, the Supervisory Board addressed the German Corporate Governance Code in its version dated May 13, 2013. To monitor compliance with the German Corporate Governance Code, the Supervisory Board reviewed the implementation of the recommendations at STRATEC Biomedical AG and the efficiency of its own work. This resulted in the Supervisory Board and Board of Management renewing their Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) on this date and making this permanently available to shareholders at the company's website.

COMMITTEES

Given that it only comprises three members, and deviating from the recommendation in the German Corporate Governance Code, the Supervisory Board has not formed any committees.

MEETING ATTENDANCE AND CONFLICTS OF INTEREST

All Supervisory Board meetings were attended by all of its members. No conflicts of interest requiring immediate disclosure to the Supervisory Board arose among members of the Board of Management or Supervisory Board.

COMPOSITION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Dr. Claus Vielsack was appointed as a member of the Board of Management with responsibility for product development as of February 15, 2014. Dr. Vielsack has held various senior product development positions at the company for more than 15 years already. We look forward to working together well and on a basis of trust.

The management board activity of Bernd M. Steidle, Member of the Board of Management, Marketing and Sales, ended on March 19, 2014. We would like to thank Mr. Steidle for his many years of work at the company and for the major contribution he made and wish him well for the future.

There were no changes in the composition of the Supervisory Board.

AUDIT OF 2013 ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

At its meeting on April 25, 2014, the Supervisory Board dealt in detail with the annual financial statements of STRATEC Biomedical AG and the consolidated financial statements, in each case as of December 31, 2013, as well as with the management report of the company and the Group for the 2013 financial year. Both sets of financial statements had previously been audited and provided with an unqualified audit opinion by the auditor elected by the Annual General Meeting, WirtschaftsTreuhand GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. Furthermore, in its assessment of the risk management system the auditor also confirmed that the Board of Management had taken the measures required by the German Stock Corporation Act (AktG) to identify any risks to the company's continued existence at an early stage.

The annual financial statements of STRATEC Biomedical AG, the consolidated financial statements, the management report of the company and the Group, the proposal submitted by the Board of Management in respect of the appropriation of profit, and the auditor's audit reports were made available to us for our review. Representatives of the auditor attended the discussion of the annual and consolidated financial statements at the Supervisory Board meeting on April 25, 2014 and outlined the key audit findings.

The audit of the annual and consolidated financial statements, and of the management board of the company and the Group by the Supervisory Board did not result in any objections being raised. The Supervisory Board concurred with the findings of the audit conducted by the auditor in accordance with legal requirements and approved the annual financial statements and the consolidated financial statements. The annual financial statements are thus adopted. Furthermore, the Supervisory Board discussed the proposed appropriation of profit, which foresees the distribution of a dividend of € 0.60 per share with dividend entitlement, in detail with the Board of Management and approved this proposal.

THANKS OF THE SUPERVISORY BOARD

The Supervisory Board of STRATEC Biomedical AG would like to thank the Board of Management for the strong and trusting relationship between the two boards and to express its appreciation to all of the Group's employees for their great commitment and work in the 2013 financial year.

Birkenfeld, April 25, 2014

On behalf of the Supervisory Board

Fred K. Brückner
Chairman

SOFTWARE CONNECTS

The development work and service STRATEC offers its partners cover a major share of the requirements placed in automated processes by end customers and in particular by regulatory authorities. Software development has become a highly complex and key component of our services – and one that we would like to introduce you to in slightly more detail below.

STRATEC'S SOFTWARE SOLUTIONS ARE IN USE IN MORE THAN 20 LANGUAGES WORLDWIDE.

SOFTWARE AS GUARANTOR OF SECURITY

Given ongoing infrastructure improvements in developing economies and ever more extensive regulation in developed economies, the degree of automation of analytical and repetitive processes in critical fields of healthcare is permanently rising. These fields include diagnostics, food manufacture, and environmental data recording, such as for emissions. The aim is not only to cut costs, but also to avoid variances or errors resulting from deviations in processes or master data.

In virtually all developed countries, routine tests in the field of in-vitro diagnostics are also performed using automated analyzer systems in laboratories. Given technological progress in terms of hardware and software, automation technology innovation cycles are becoming ever shorter. At the same time, test providers endeavor to make sure that they are subject as infrequently as possible to the complex and costly approval process required once new systems are developed or existing systems are amended. For existing systems whose development and approval are already complete, software updates – unlike technical enhancements or entirely new test processes – offer a good way to optimize existing processes and provide laboratory staff with access to applications, including functions such as multi-touch, now familiar from mobile appliances like tablet PCs or smartphones. Updating applications, enhancing user-friendliness, optimizing potential processes, and even extending structures to account for newly added tests – all of these measures are possible with software upgrades. Not only that, they also generally result in a corresponding extension of the existing approval by the authorities.

In view of this, software system architecture has to be designed from the very outset to enable enhancements or menu extensions to be added over the product lifecycle in a way that is feasible in both economic and regulatory terms. It is generally easier to transfer new software than to replace technological components. This can be performed by an administrator or system technician on location or by a central service technician who “dials in” to the appliance via telemaintenance.

To minimize costs and risks, laboratory users generally expect to work with fully automated, integrated system solutions offering problem-free, low-risk process handling – without manual intervention – from system loading through to the end result.

The following overview is intended to illustrate the ever greater relevance of software development at STRATEC. After all, software development already accounts for 50% to 60% of all development expenses when a new analyzer system is developed.

When it comes to software development, a distinction is made between the three key application areas system software, user software and middleware.

SYSTEM SOFTWARE AS GUARANTOR OF FUNCTIONALITY

System software forms the basis of every system and is a key part of the respective components. It is embedded into the system as a key component and controls individual component motion sequences when the system is in operation. It is therefore also referred to as “embedded software”. Processes may involve the simplest movements, such as the opening and closing of a flap, as well as highly complex process structures, such as horizontal and vertical pipette movement with simultaneous pump activation and sensory system evaluation. The control, coordination, and synchronization of several dozen components with several hundred motion sequences in an analyzer system are performed in real time by a central intelligent microcontroller. This microcontroller plays a role comparable to that of an orchestral conductor who determines the piece and rhythm while the functional modules act like instruments playing the music.

USER SOFTWARE AS GUARANTOR OF SECURE PROCESSES

Superordinate control and supervision of the embedded software, and of the central microcontroller in particular, is performed by **user software**, which mainly determines the sequence, priorities, and durations of the respective processes based on the laboratory’s current test requirements, communicates these to the system, and evaluates the results. The underlying rules for these processes are already defined during system development and are derived from the tests to be processed. The system can therefore draw on validated process steps selected by the user in the laboratory and that can in some cases be further parameterized and adjusted within defined limits.

The system is generally initialized prior to sample processing, for example at the beginning of a laboratory shift. Here, the system performs various automatic tests to remove any remaining residues and to test and calibrate itself. To this end, underlying conditions such as intervals between measurement points, temperatures or working part wear and tear are recorded.

The system is informed by the user – by manual input, communication with host computers or information on barcodes or wireless radiofrequency tags attached to the test kits – as to which patient samples have been loaded and which tests are to be performed. It then tests whether all the necessary liquids are available in sufficient quantities for these tests. Should this not be the case, then the user is requested to top up the required volumes. The scheduler then determines the process plan (schedule) according to which the designated tests, such as for HIV, HPV or rubella, are to be performed on the given sample. In line with this, the system is issued with the necessary orders to collect the patient sample and the reagents required to perform the tests and to subject these to various process and measurement steps at predetermined temperatures in a special reaction tube.

THE VERIFICATION OF A SOFTWARE SOLUTION LASTS AROUND THREE MONTHS AND INVOLVES MORE THAN 1,500 TEST LOGS.

The user receives various items of information, such as expected process duration, so that laboratory staff can schedule result availability and the next round of sample loading. Consistent with the reactions measured, such as light intensity for luminescence readers, the results are compared with specified data and evaluated. Quality control materials are tested at regular intervals for specified tests. Tests previously performed are only approved if these quality control runs produce results within the expected range. Depending on the results of the control tests, the system is recalibrated at regular intervals during ongoing operations. The data required for evaluation, calibration or quality control purposes is administered in a data management system using a database and is continuously extended.

Depending on requirements and test results, the system independently performs follow-up tests to confirm or further evaluate the results. Where a test for an infectious disease produces positive results, for example, two further tests are automatically performed to confirm the positive result. Multiplexing technology enables several tests to be performed in parallel with the same sample. Where high volumes of tests are to be performed, this can generate substantial cost savings.

THE REQUIREMENTS IN A SET OF DIAGNOSTIC USER SOFTWARE GENERALLY COMPRISE MORE THAN 5,000 INDIVIDUAL REQUIREMENTS.

One of the most important activities for virtually all process steps is process supervision and protocoling. Here, the system not only checks that the tests have been correctly performed in mechanical terms and that the designated liquids have been used in sufficient quantities. It also monitors potential sources of error, such as air bubbles in the liquids to ensure that negative results do not result from the test reaction having been prevented by unsuitable conditions, but rather that the results really are negative.

As well as processing and checking tests, the user software also controls further key processes essential for clear and reliable system functionality. These include regular maintenance work performed either automatically by the system or by requesting the user to do so. Where recognizably more complex maintenance work is reported, a corresponding process of informing a service technician is initiated.

Patient samples are normally subject to various tests on different analyzer systems at a laboratory. To obtain coherent results from the data thereby generated, the systems are often internally linked. This usually results in a fluent transition from the possibilities offered by system software to those offered by middleware.

MIDDLEWARE AS GUARANTOR OF INFORMATION EXCHANGE

Middleware acts as a service software between different application levels. In the context of laboratory software, it is deployed outside analyzer systems and generally offers an interface between individual systems and laboratory or hospital software through to patient administration systems. It controls the optimal distribution of large volumes of samples for processing on several analyzer systems, for example, so as to optimize throughput performance. It can also be used to manage maintenance processes. Via a central cockpit, it enables the laboratory director to send orders and data to various systems and to receive data and results. Depending on test results, follow-up tests can also be automatically programmed. Where a test provides a positive diagnosis, for example, a further test might be performed to determine virus or antibody concentration levels and thus the disease status. These kinds of results can be delivered, dealt with and evaluated using middleware. The aim here is to enhance the efficiency and user benefit of a laboratory and to guarantee compliance with strict requirements in terms of safety and quality.

STRATEC AS GUARANTOR OF SUSTAINABLE SOLUTIONS

The challenges involved in automating complex biochemical processes from research laboratories while complying with strict regulatory requirements and ensuring that tests can always be performed reliably and economically – these still represent tough market entry barriers for STRATEC's potential competitors.

STRATEC's development team comprises specialists in engineering and natural sciences. The experience gained over more than 30 years of development work has provided STRATEC with a wealth of in-depth expertise. What's more, the company also has an extensive portfolio of software and hardware components that can be adapted to customers' wishes and complex conditions in line with system requirements or that can serve as a basis for new developments. Taken together, all these factors offer a key competitive advantage – and STRATEC is continually investing in further extending this head start.

STRATEC'S SHARE

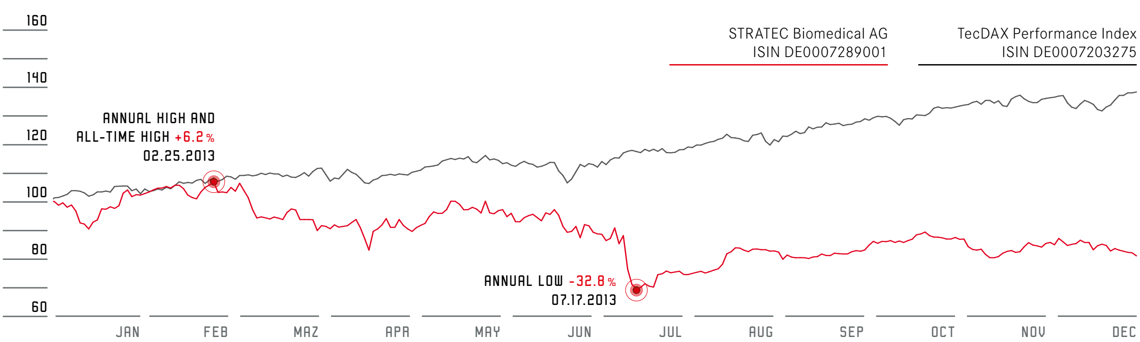
2013 on the stock markets

Driven by historically low interest rates, cash injections from by central banks, especially the US Federal Reserve, and by the macroeconomic upturn fostered by loose monetary policy, stock markets around the world soared to record levels. The sovereign debt crisis in the euro area also eased, a factor that lent additional momentum to stock prices. At the end of the year, Ireland was the first of the four crisis-hit countries thereby supported to forego protection by the euro rescue fund. Against this backdrop, the DAX, for example, rose by 25.5% in 2013, while the TecDAX increased by 40.9%.

STRATEC's share performance

STRATEC's share began the 2013 trading year at a price of € 37.645 (XETRA: closing price on December 28, 2012). The share reached its annual high at € 40.00 (XETRA: Intraday) on February 25, 2013 already. This also corresponded to a new all-time high. From March onwards, the share's performance increasingly lagged behind the TecDAX. This was chiefly due to two unpleasing events outside STRATEC's control. These related on the one hand to the flood damage incurred at the Birkenfeld location in June and the resultant performance delays and on the other hand to the termination by a customer of a contract governing the development and supply of an analyzer system and the resultant need to revise the company's financial forecast in July. Directly after this, STRATEC's share marked its annual low at € 25.30 on July 17, 2013 (XETRA: Intraday). The share subsequently recovered rapidly and one month later was first listed above the € 30 mark once again. STRATEC's share closed trading at € 30.25 on December 30, 2013 and was thus listed 19.6% below the previous year's closing price and 19.6% above its annual low.

STRATEC'S SHARE PRICE PERFORMANCE IN 2013
(JANUARY 1, 2013 = 100%)



KEY FIGURES FOR STRATEC'S SHARE	2013	2012	2011	2010	2009
Year-end price previous year (€)	37.65	31.75	31.91	26.58	13.55
Annual low (€)	25.30	28.02	24.80	22.11	8.00
Annual high (€)	40.00	39.48	34.00	34.14	28.14
Year-end price (€)	30.25	37.65	31.75	31.91	26.58
Performance (%)	-19.6	+18.6	-0.5	+20.0	+96.2
Dividend per share (€)	0.60 [1]	0.56	0.55	0.50	0.45
Distribution total (€ million)	7.1 [1]	6.6	6.4	5.8	5.1
Dividend yield (%)	2.0 [1]	1.5	1.7	1.6	1.7
Share capital (€ million)	11.8	11.7	11.7	11.6	11.4
Number of shares issued (million)	11.8	11.7	11.7	11.6	11.4
Market capitalization (€ million)	356.0	441.9	370.7	369.2	304.2
Trading volumes (€ million)	109.8	126.6	132.2	127.1	61.8
Average daily trading volume (€)	433,863	498,367	514,502	496,439	243,383
Average daily trading volume (number of shares)	13,275	15,201	17,232	17,643	12,937

[1] Proposal to Annual General Meeting on June 18, 2014

Trading volumes and index affiliation

STRATEC's shares are traded on XETRA and in floor trading at the Frankfurt, Stuttgart, Munich, Berlin-Bremen and Düsseldorf stock exchanges. Measured in terms of gross order book turnover, STRATEC shares worth € 109.8 million changed hands on German marketplaces in 2013 (previous year: € 126.6 million). Of this total, the XETRA and Frankfurt marketplaces alone accounted for 90.7% (previous year: 90.1%). STRATEC's share has been listed in the TecDAX, a select index comprising 30 technology stocks at the German Stock Exchange, since November 2010. At the end of 2013, STRATEC's share was ranked 26th (previous year: 21) in terms of free float market capitalization and 33rd (previous year: 32nd) in terms of trading volumes.

KEY DATA FOR STRATEC'S SHARE	
ISIN	DE0007289001
WKN	728900
Deutsche Börse ticker	SBS
Reuters Instrument Code	SBSG.DE
Bloomberg Ticker	SBS:GR
Sector	DAXsector All Pharma & Healthcare
Transparency level	Prime Standard
Market segment	Regulated market
Select index	TecDAX since November 19, 2010
Currency	€
Class	Ordinary bearer shares
Share capital (€)	11,770,245.00
Share capital (number of shares)	11,770,245
Initial listing	August 25, 1998
Marketplaces	XETRA; Frankfurt and further German trading floors
Designated sponsors	Commerzbank AG
Average stock turnover per trading day in 2013	13,275 shares / € 433,863

Share capital

A total of 32,500 stock option rights were exercised in the 2013 financial year within the stock option programs introduced for managers and employees. The 32,500 new shares arising as a result increased the share capital by € 32,500.

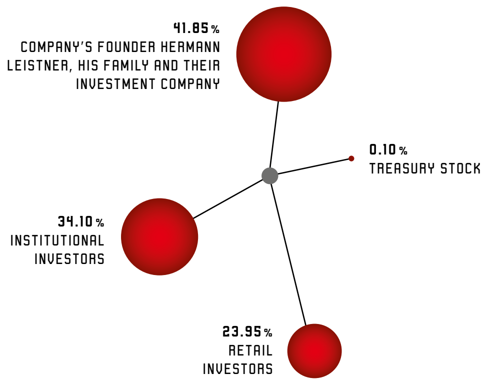
The share capital amounted to € 11,770,245 as of December 31, 2013 and was divided into 11,770,245 ordinary bearer shares. These shares are evidenced in global notes. The Articles of Association exclude any claims on the part of shareholders to the certification of their shares. Pursuant to § 15 No. 15.3. of the Articles of Association of STRATEC AG, each share entitles its bearer to one vote.

Shareholder structure

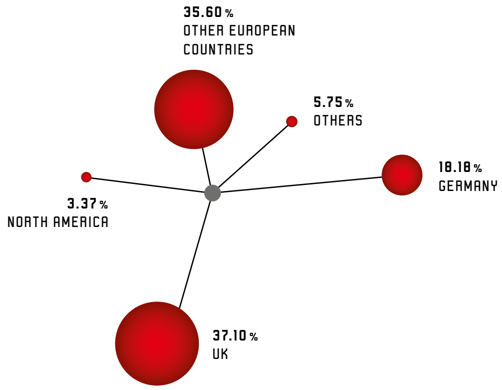
STRATEC's shares are in widespread ownership. The free float share (based on the German Stock Exchange definition) amounts to 58.05% and is spread across a broad group of retail and institutional investors in Germany and abroad.

Of the shares, 41.95% are in fixed ownership. Of these, 0.10% are treasury stock owned by the company itself and therefore do not have any voting or dividend rights. 41.85% of the shares are attributable to the company's founder Hermann Leistner, his family, and their investment company.

DISTRIBUTION OF SHARE OWNERSHIP BY INVESTOR GROUP



DISTRIBUTION OF INSTITUTIONAL INVESTOR SHARE OWNERSHIP BY REGION



Investor Relations

STRATEC backs up its corporate strategy, which is aimed at achieving sustainable growth, with continuous and transparent communications with capital market participants. Our aim is to retain investors' trust and to attract new investors. STRATEC's investor relations activities ensure that investors, analysts and the business and financial media are actively provided with continuous, up-to-date information about the company's business performance.

Via our financial calendar, which is published in the annual report, quarterly reports, and on our company website, interested parties can inform themselves of important dates regularly and with sufficient notice. In the 2013 financial year, STRATEC published six press releases, two ad-hoc announcements, one extensive annual report and three interim reports. Our electronic newsletter drew readers' attention to the publication of company releases, financial reports and specific events relating to STRATEC.

One core component of STRATEC's investor relations activities involves holding teleconferences upon the publication of our annual report, our interim reports, and other important company news. As well as holding numerous one-to-one meetings, STRATEC also gives presentations at capital market conferences in which the company and its underlying business model are presented and outlined in great detail to investors from Germany and abroad.

Analysts' recommendations are one of the key instruments in helping shareholders and investors to reach an opinion about a share. Eight institutions currently report on STRATEC in extensive studies and brief analyses issued on a regular basis. These are: Berenberg Bank, Bryan, Garnier & Co, Commerzbank, Deutsche Bank, DZ Bank, HSBC Trinkaus & Burkhardt, Kepler Cheuvreux, and Landesbank Baden-Württemberg.

Extensive information about STRATEC and its share can be found on the company's website at www.stratec.com.

GROUP MANAGEMENT REPORT

for the 2013 Financial Year of STRATEC Biomedical AG

A. GROUP FUNDAMENTALS

1. GROUP BUSINESS MODEL

STRATEC designs and manufactures automation solutions and technologies for use mainly in in-vitro diagnostics (IVD), but also in other regulated markets. IVD refers to those diagnostics activities performed outside the body in a glass ("in vitro" is the Latin term for "in a glass") or in test receptacles in a laboratory (laboratory diagnostics). "In vivo", by contrast, usually refers to image-based diagnostics and is a generic term to describe examinations performed directly on patients with suitable equipment, such as computer tomography, ultrasound and X-ray.

Nowadays, in-vitro diagnostic tests are performed almost exclusively using automated processes. From smaller to medium test volumes upwards, automated tests are not only less costly than manual processes, but also offer higher safety both for laboratory staff and for physicians and patients. Laboratory staff can work more safely due to the significant reduction in the risk of contaminations and possible injuries. Doctors and patients in turn benefit from greater test reliability, as the risks resulting from individual errors (e. g. mix-up of samples) can be largely avoided or eliminated. Not only that, given the increasing trend towards miniaturization in developed healthcare markets, manual processes are increasingly less suitable for use.

STRATEC has grown significantly faster than the diagnostics market in recent years. The company's growth is expected to outperform the market in future as well. This development is being significantly driven by the increasing pace at which automation solutions are being outsourced by diagnostics manufacturers. One key aspect here is a well-filled development pipeline. Once development work has been successfully completed, this generates a sustainable and continuous flow of sales.

Sales volumes in the IVD instrumentation market are currently estimated at around seven billion US dollars a year. Around 70% of this volume is attributable to projects performed by diagnostics players themselves (IVD in-house market). Experts expect the overall market to grow to well over eight billion US dollars by 2018. At the same time, the global share of system solutions placed by outsourcing partners such as STRATEC is set to increase to 40% (IVD OEM market). Due to the high degree of market segmentation, the market relevant to STRATEC has a volume of approximately € 0.7 billion to € 1.0 billion.

Independent providers such as STRATEC, who have focused on development activities and associated logistics and quality management processes, are able to supply completely developed systems offering substantial cost and time benefits compared with in-house developments. Their high degree of specialism has enabled these companies to achieve highly dynamic technological progress. STRATEC is the leading independent provider of these so-called OEM system solutions (original equipment manufacturer / marketed via partners) for laboratory diagnostics (IVD).

STRATEC assumes responsibility for automating process steps (especially sample preparation and purification, test implementation and associated reactions, and the measurement and associated evaluation of test results). The scientific background of many STRATEC development employees plays a key role here, particularly when it comes to integrating reagents into the automation process. STRATEC also performs more far-reaching services in the development field. STRATEC's customers then market the products, thus in effect selling the overall package of analyzer systems, tests, consumables and services to end customers worldwide.

Alongside the aforementioned arguments for further growth in the in-vitro diagnostics market, the outsourcing of in-house solutions at IVD industry players to companies such as STRATEC also stands to benefit from:

- Cost savings due to efficient structures
- Time savings due to the large technology pool and high degree of specialism
- High planning reliability in terms of costs and time schedules due to the use of proven methods, establis-hed processes, platform technologies, and a wealth of previous experience.

Alongside these growth factors within the in-vitro diagnostics sector, it remains apparent that individual market segments are generating significantly above-average rates of organic growth. Examples of these high-growth segments include molecular diagnostics (expected annualized market growth of around 15% between 2012 and 2016), near-patient diagnostics (near patient testing or bedside testing), and diagnostics using luminescence immunoassays (currently the method offering one of the best rates of value for money).

These in-vitro diagnostics market segments are the main markets of the STRATEC Group. By implementing targeted research and development projects and making technology purchases, STRATEC has further focused on these high-growth fields and established itself as a reliable partner for diagnostics companies.

2. OBJECTIVES AND STRATEGIES

STRATEC positions itself with its partners and customers as a development and production company with its own technologies and industrial property rights. We will continue to focus on market and technology leaders in the fields of clinical diagnostics and biotechnology, as well as on companies with specialist technological solutions in growth segments with high margin potential. Coupled with the permanent optimization of our resource allocation, this strategic alignment will enable us to further expand our position as a leading supplier of automation solutions for complex applications in high-growth segments of the diagnostics and biotechnology markets.

The four key strategic objectives of the STRATEC Group are to expand its innovation leadership within our industry, to boost our industrial property right position, to extend our technology pool, and to position the company as highly profitable and rapidly growing company.

Reliability as a system partner – Compliance with schedules, development expenses and the guaranteed transfer price is absolutely critical for interdisciplinary development projects involving several development partners, as is the reliability of any statements issued. As the system partners supplied by STRATEC operate in competitive markets, it is very important for them, and thus also for us, that no customer expertise is shared between projects that may have to compete with each other during the marketing phase. This reliability in protecting expertise is reflected in our processes, established procedures, Chinese walls, project team selection, and contractual commitments.

Rapid transfer to production – A further significant USP offered by STRATEC is its speed of development and the virtually seamless transition to the production launch for newly developed analyzer systems. The rapid market launch of new products requires individual production departments and suppliers to be involved at an early stage. For example, specially qualified departments perform feasibility studies, test functional modules, or take over all of the tasks involved in building and documenting prototypes. Moreover, they also support the production departments in designing testing equipment. This dovetailing of processes helps reduce development times, accelerates project handling, and thus enhances efficiency.

Transparency – The expertise STRATEC has built up over many years enables it to define the development costs and transfer prices for the analyzer systems to be developed at the beginning of a development project already. In the course of the development project, fixed prices for the use of STRATEC technology and the transfer prices per analyzer system are contractually agreed. Moreover, where minimum purchase volumes are additionally defined for each system family STRATEC can submit highly detailed offers to its customers, thus providing them with a solid costing basis within a favorable, attractive structure. The economic overall package for our customers consists of STRATEC's technology pool, established processes, a high degree of expertise, development, development transfer and production available under one roof at STRATEC, coupled with the relevant logistics structures.

Broad range of services – By focusing on a limited number of business partners, we are able to respond very closely to our customers' requirements. The specification stage plays a key role in this respect. Given the direct link between a comprehensive understanding of market and customer acceptance criteria on the one hand and the success of an analyzer system on the other, it is important to account for other features alongside purely physical and biological requirements, such as service aspects, extension possibilities, scalability, and how intuitively the system can be used. Factors not directly attributable to the analyzer systems, such as development, production or quality management processes, also form an integral component of customer requirements. Even our standard software, with its high degree of parameterization, is capable of adjustment to meet specific customer requirements.

STRATEC is increasingly boosting its presence among market and technology leaders in the diagnostics industry. In our industry, agreements concluded with these leading companies may result in individual projects having terms of around 20 years from the specification phase through to the decommissioning of the last analyzer system. As well as acquiring new market and technology leaders as customers, one of the STRATEC Group's declared aims is therefore to handle follow-up projects for existing customers, and thus to already start work on the development of successor systems during the peak stage of the product lifecycle.

Program management – Due to the large number of development projects brought to a successful conclusion, STRATEC's employees can draw on a large technology pool and a broad range of solutions for diagnostics applications, one that is constantly being extended to include current development projects. STRATEC's management additionally promotes the development of innovative solutions by working with systematic and heuristic approaches.

As an automation specialist, STRATEC can offer a unique range of services and substantial competitive advantages supported by the following factors:

- The STRATEC Group has employees who are proven experts in engineering as well as employees with a high degree of competence in physical, biochemical and biological processes. This expertise is transferred to the automation solutions STRATEC designs
- The STRATEC Group can provide its customers with everything they need for laboratory automation from a single source
- STRATEC's projects do not just consist of development, approval and production steps. They begin with supporting customers in generating product requirements and continue through to the processes involved in supporting customers' sales
- STRATEC retains control over the development documentation
- STRATEC takes over the whole range of change order and complaints management for the automation solution on behalf of the customers, thus allowing all aspects of further development during the marketing stage to be performed at STRATEC.

Global marketing – By meeting global regulatory requirements, the STRATEC Group provides its customers with the possibility of developing innovative analyzer systems meeting the needs of their customers, as well as of achieving market approval at above-average speed in markets shaped by regional regulatory frameworks. This unique selling point has provided these customers with a clear criterion on which to base their decisions between internal development and outsourcing to companies within the STRATEC Group. STRATEC's competence in this area has been confirmed in regular customer and official audits.

Quality of development process – The reliability of analyzer systems as experienced by end users is determined by the quality of development results as well as by the achievement of a balanced relationship between price-sensitive specific development work and the recycling of technologies. Not only that, other aspects also play a significant role, such as consistent development measures, taking due account of the specified reliability criteria and ensuring ease of servicing for the system solution, and the complexity of the biochemical processes to be automated in the analyzer system.

As customers are often required by authorities to perform a renewed audit of the entire analytical process when quality enhancement measures are introduced in serial production at a later stage, the success of an analyzer system family is determined by two factors – high-quality development consistent with regulatory requirements and rapid market access. At STRATEC, we have established processes and methods enabling us to meet requirements in terms of development, economic effectiveness and reliability.

Expansion in technology pool – The companies acquired by STRATEC in past years served to expand its technology pool, already the beneficiary of rapid organic growth, and to extend its value chain coverage. The fully integrated subsidiaries – STRATEC Biomedical UK, STRATEC Biomedical USA, and STRATEC Molecular – already had their own business relationships with many of STRATEC's current customers. Alongside the extended range of services now offered to these customers, it has been possible to acquire further new contracts based on a completely integrated range of services. Since integrating these subsidiaries, the STRATEC Group has, as part of the corresponding automation solutions, also offered extensive workflow software solutions, trial sample preparation technology and scanning and evaluation units that, alongside IVD applications, are also targeted at other customer groups in the fields of diagnostics, life sciences, and research.

Dual development process – STRATEC pursues two basic development principles:

- The system platform business, in which a generic system is adapted to customer-specific requirements
- The new development business, in which analyzer systems are newly developed on the basis of existing technologies.

In both cases, we generate the predominant share of our earnings power with solutions developed or adjusted on behalf of our customers and which, once development is complete, are then produced over a period of several years.

3. MANAGEMENT SYSTEM

As the superordinate group management body, the Board of Management of STRATEC AG lays down the strategic framework for the STRATEC Group. The divisions have management teams working under their own responsibility which decide how the targets stipulated within the strategic framework and the operating target-setting process can best be achieved. The Board of Management must be included in decisions of material significance.

All divisions are managed by setting annual sales and earnings targets ("management by objectives"). Target achievement is measured by way of a detailed monthly reporting structure including variance analyses. This ensures that any inappropriate developments can be detected at an early stage, thus enabling countermeasures to be taken in good time.

Furthermore, the regular exchange of information in telephone conferences and meetings with the management of subsidiaries ensures that all matters relating to the Group's business performance are discussed. These measures also include visits on location.

A further management instrument is the variable compensation paid to local management teams at the subsidiaries, to employees in senior or key positions, and to sales employees. This variable compensation is dependent in particular on the key figures achieved, especially operating earnings. This increases awareness of cost structures and efficiency enhancements, and thus of the company's long-term business performance, among employees in those company divisions not able to directly influence sales.

4. RESEARCH AND DEVELOPMENT

Clinical diagnostics process automation is a highly integrated system business. Here, analyzer systems act as an interface between laboratory working processes and test processing. This means that great expertise and experience in various fields of engineering and natural sciences are needed for the successful development of systems for this market. Pressure to specialize in terms of medical technology in development is being further intensified by specific regulatory requirements in the most important markets (USA, Europe, Japan, China). These only provide limited room for maneuver in terms of documenting development processes.

STRATEC's development activities are based on the following key aspects:

- **Development of new systems for our customers**
  STRATEC's growth is chiefly driven by its constantly growing range of new OEM products. These therefore represent a key focus of development work.

- **Support for existing systems and product lifecycle management**
  Permanent system modernization is required to facilitate long lifecycles for our systems on the market. Within development, this factor is accounted for above all in our software and verification activities. This is one of the main reasons for the disproportionate growth in these development areas.

- **Development of new technologies**
  To boost our competitiveness and our position as a system provider, we are constantly working on new technologies. The key focus here is on gaining early experience with life science processes in which we see potential for routine application in in-vitro diagnostics.

- **Development of platform technologies**
  A further focus of our development activities involves working on platform technologies for our systems. These platform technologies are of key significance. After all, they are not only one of the main factors determining the performance of our systems, but also account for the greatest cost item in their production.

The overall package of proprietary platform technologies, a good understanding of the in-vitro diagnostics environment, and the tools and processes optimized for use in this area enables us to offer exceptionally short development periods compared with industry standards, and to retain control of key industrial property rights for the systems we develop, thus also promoting long-term cooperation with our customers. Total expenses for personnel and material outlays for research and development activities at consolidated group companies amounted to around € 20.2 million in the 2013 financial year (previous year: € 19.3 million).

B. BUSINESS REPORT

1. ECONOMIC AND INDUSTRY FRAMEWORK

In recent decades, the in-vitro diagnostics market has generated average growth in a medium single-digit percentage range. External experts and STRATEC itself expect to see ongoing strong growth in the sector in future as well. Based on various estimates, the market is expected to show medium-term annual growth of between 5% and 7% in the coming years. Individual market segments, such as next-generation sequencing and molecular diagnostics, in which STRATEC also has significant projects, are expected to generate growth rates around twice as high as this over the same period.

Even though the industry repeatedly witnesses short-term periods of consolidation at individual market players due to corporate takeovers and new technological development possibilities, several underlying factors will guarantee sustainable growth in future as well:

- Increasing market regulation, leading manual and semi-automated, in some cases homegrown test methods to be displaced by fully automated processes.
- Development and expansion in healthcare systems, particularly in developing and emerging economies (especially in BRIC states)
- Expansion in global infrastructure and thus improved access to medical care
- Rapidly growing niche markets due to new medical discoveries and new diagnostic possibilities
- Newly developed diagnostics tests in all major areas of application, such as for oncology, sexually transmitted diseases, or hospital bugs
- Demographic developments (growing global population, increasingly elderly population with growing diagnostics requirements).

Today, the in-vitro diagnostics market is dominated by a comparatively small number of diagnostics companies with a global presence. The ten largest companies control around 85% of the market and offer end customers, generally centralized laboratories, hospital laboratories, blood banks and other medical laboratories, the entire range of IVD services from a single source. These include reagents, fully automated and enhanced analyzer systems, including the relevant workflow software, consumables and all-round support services.

Given the clear benefits of outsourcing compared with in-house instrumentation development, in recent years in particular several of the largest diagnostics groups decided to outsource the development and production of system solutions to companies such as STRATEC that specialize in this area. STRATEC is particularly benefiting from this trend, which is in turn increasingly gaining in scope and momentum.

2. BUSINESS PERFORMANCE

The 2013 financial year was characterized by disparate developments. On the one hand, the Group can point to very pleasing results, such as several market launches, significant progress with major development projects, several substantial contract agreements, and the advanced stage of negotiations for various new orders. On the other hand, STRATEC also witnessed less pleasing events outside its control. These include the flood damage suffered at the Birkenfeld location in June and the termination by a customer of a contract for the development and supply of an analyzer system announced in July. This latter event caused STRATEC to revise its sales budgets for 2013 and the following years.

Despite some uncertainties within the diagnostics industry concerning spending cuts in healthcare systems worldwide, our business performance with our partners performed positively in 2013. The volatilities in the service parts sales in the second half of 2012 in particular were no longer seen to the same extent in the 2013 financial year. The company's growth in 2013 was driven by systems already established on the market and the renewed strength of the service parts business. By contrast, the latest systems launched onto the market did not yet make any significant contribution to our recent sales growth.

The accounting methods applied in the consolidated financial statements were amended in line with IAS 8 in the 2013 financial year. The previous year's comparative figures have been adjusted accordingly. Reference is made here to the information included in Section A of the notes to the consolidated financial statements. The implications of the amended accounting methods have been accounted for in the following comments.

The key figures of the STRATEC Group are as follows:

- Sales growth of 4.3% to € 128.0 million
- EBIT margin rises to 15.2% (previous year: 12.7%)
- Solid equity ratio of 82.5% (previous year: 80.7%)
- Earnings per share at € 1.32, as against € 1.06 in previous year
- Earnings after taxes of € 15.5 million, compared with € 12.4 million in previous year
- Proposed dividend of € 0.60 per share (previous year: distribution of € 0.56 per share)

3. COMPANY SITUATION

3.1. Earnings performance

3.1.1. GROUP EARNINGS PERFORMANCE

Sales and costs of sales

The STRATEC Group increased its sales by 4.3% from € 122.7 million in the previous year to € 128.0 million.

Due to STRATEC's business model, the development in sales is closely related to the success of sales activities at STRATEC's partners and customers. The STRATEC Group's sales growth was thus chiefly driven by the successful marketing of a follow-up model, further growth in unit sales within several system families, slightly disproportionate growth in the service parts business, and disproportionate sales growth at the divisions acquired between 2006 and 2010. A weaker performance, by contrast, was reported for instruments, which are placed by STRATEC's customers in the tender market.

The company met the forecast made in the previous year's group management report with regard to the growing numbers of analyzer systems sold.

At the end of January 2014, orders on hand and purchase forecasts excluding development were around 20% ahead of the previous year's figure. Including both new orders and the purchase forecasts received from STRATEC's customers, STRATEC already has 70% of the sales budgeted for 2014 in its books. This represents a significant improvement compared with the equivalent date in the previous year.

The gross margin for 2013 amounted to 32.6%, as against 31.8% in the previous year.

This increase was attributable to a change in the product mix and was largely influenced by the higher share of sales in the service parts business and the lower share of development sales as a proportion of overall sales.

Sales-related expenses

Given the market launches of various systems in previous years and the resultant sales-related expenses incurred, especially for product integration and extended approval periods in individual regions, these expenses returned to a significantly lower level of € 7.1 million in the financial year under report (previous year: € 9.1 million).

Research and development expenses

Gross development expenses in the development division (i.e. both capitalized and non-capitalized development services) grew from € 19.3 million to € 20.2 million. The increasingly strong pipeline also required further advance investments to boost the quality and quantity of the Group's highly qualified development personnel.

General administration expenses

The administration expenses of € 8.8 million (previous year: € 8.9 million) include personnel and material expenses at head office administration departments (including corporate management, controlling, finance and accounting, legal affairs, investor relations, human resources, and quality management). Due to strict cost management, these expenses declined slightly in the financial year under report.

At € 4.0 million, amortization of intangible assets exceeded the previous year's figure of € 3.3 million. However, impairments of € 0.9 million were recognized on contact-free measurement and capacity calculation methods in the 2013 financial year.

At € 2.6 million, depreciation of property, plant and equipment reduced slightly in the financial year under report compared with the previous year's equivalent figure of € 2.7 million.

Operating earnings

Driven largely by the improved margin and lower sales-related expenses, operating earnings (EBIT) showed a significant improvement from € 15.6 million in the previous year to € 19.5 million in the financial year under report.

Net financial expenses

Given the STRATEC Group's low level of net debt, net financial expenses are still of immaterial significance.

Taxes on income

Taxes on income totaled € 3.9 million in 2013, as against € 2.9 million in the previous year. The tax rate for the financial year thus increased from 18.8% to 19.9%.

3.1.2. SEGMENT EARNINGS PERFORMANCE

The reporting segments of the STRATEC Group are as follows:

1. Instrumentation: In this segment, the STRATEC Group designs and manufactures fully automated analyzer systems for its clinical diagnostics and biotechnology customers.

2. All other segments: In this segment, the STRATEC Group develops workflow software for networking several analyzer systems and develops and sells scientific materials and technologies such as nucleic acid purification.

Instrumentation segment

(Internal and external) sales grew by 4.3% from € 127.8 million to € 133.3 million. Sales growth in this segment was largely driven by the factors presented in 3.1.1.

EBIT amounted to € 21.9 million, compared with € 17.1 million in the previous year.

The improvements in sales and earnings power forecast for 2013 in the previous year's group management report were achieved.

All other segments:

Sales here grew by 52% to € 7.0 million. Sales growth in this segment was chiefly driven by the factors presented in 3.1.1.

EBIT adjusted due to restructuring items amounted to € 0.0 million, as against € 0.1 million in the previous year. The reduction in earnings was attributable to higher investments in technologies and market presence. The improvement in sales forecast for 2013 in the previous year's group management report was achieved. The improvement in earnings power has not yet been achieved.

Overall assessment

The forecasts included in the previous year's group management report with regard to sales, number of units sold, and earnings were met virtually without exception. The company also posted record figures in term of contracts concluded, milestones achieved, the further development in its technology pool, and patents submitted. Despite these achievements, the supply delays resulting from the flood damage and the loss of a contract mean that the company's management cannot be satisfied with the Group's growth.

3.2. Financial position

3.2.1. CAPITAL STRUCTURE

The inflow of funds from operating activities showed a substantial year-on-year improvement. This was chiefly driven by the significant increase in consolidated net income in the year under report and the sharp growth in trade receivables seen in the previous year.

Due mainly to the further increase in investments in intangible assets, the outflow of funds for investing activities grew compared with the previous year.

Financing activities led to an outflow of funds totaling € 5.8 million in 2013 (previous year: € 6.8 million). This figure includes an outflow of € 6.6 million for the distribution of the dividend for the 2012 financial year (previous year: € 6.4 million) and outgoing payments of € 1.1 million for the repayment of financial liabilities (previous year: € 1.2 million). Furthermore, the company took up financial liabilities of € 1.0 million in the financial year under report. Moreover, the issuing of shares in connection with employee stock option programs resulted in inflows of € 0.8 million from financing activities (previous year: € 0.9 million).

Notwithstanding the dividend payment, shareholders' equity grew from € 87.5 million to € 97.2 million. As of December 31, 2013, the equity ratio amounted to 82.5% (previous year: 80.7%). The year-on-year changes in both non-current and current debt were immaterial.

3.2.2. INVESTMENTS

As in the previous year, investments in property, plant and equipment more or less matched the volume of depreciation. Also as in the previous year, investments in intangible assets significant exceeded the value of amortization and impairment.

3.2.3. LIQUIDITY

The net total of all inflows and outflows in 2013 led to a currency-adjusted increase in cash and cash equivalents by € 7.5 million to € 20.7 million as of December 31, 2013. Furthermore, STRATEC has unutilized credit lines of € 15.7 million.

3.3. ASSET POSITION

The substantial rise in total assets in the 2013 financial year was mainly driven by the growth in cash and cash equivalents, as well as by higher intangible assets. The growth in total assets in the previous year, by contrast, was largely due to higher volumes of trade receivables in November and December 2012.

4. NON-FINANCIAL PERFORMANCE INDICATORS

SUPPLY CHAIN

Even though its development activities cover virtually 100% of the development chain, STRATEC's supply chain continues to be characterized by low production depth. This enables resources to be focused on the complex share of production generating the greatest value.

Our integrated procurement management enables us to procure the necessary functional modules from a small number of strategic suppliers distinguished by their quality management systems and a process orientation compatible with STRATEC's. This enables us to focus on the necessary expertise at suppliers. Involving these suppliers at an early stage of product development provides us with access to the latest production methods and processes.

By working with long-term master agreements within the STRATEC Group, we are able to secure price reliability and supply capacities. Here, we make use of strategic instruments, such as Kanban supply, C-parts management, and consignment stores.

This approach assists STRATEC in its ongoing development and provides it with the flexibility necessary to offer innovative solutions on economic terms. One of our aims for 2014 is to further intensify and refine this approach.

The necessary assembly, quality assurance and inspection processes are performed by highly qualified and excellently trained employees. In our laboratories, we replicate the environments in which the STRATEC analyzer systems will actually be put to use at later dates. In response to the company's focus on production processes that are complex and necessary from a regulatory perspective, we have developed an infrastructure suitable to these requirements. This approach enables us to achieve an optimal balance between economic efficiency and high quality, while at the same time ensuring supply reliability to our customers.

The companies in the STRATEC Group in many cases forward the analyzer systems they produce directly to the logistics distribution centers of the large diagnostics companies, which in turn market the systems together with the relevant reagents as system solutions under their own names and brands. Given that the customers of the STRATEC Group supply their own country outlets and customers on a large scale directly from these distribution centers, the regional sales as reported in the figures of the STRATEC Group do not reflect the actual geographical distribution or the final operating locations of the analyzer systems manufactured by the STRATEC Group.

EMPLOYEES

The success and consistent growth of the STRATEC Group have been driven by the commitment shown by our highly motivated employees. Our individual employee training schemes and the measures taken to promote both team spirit and assist employees in working independently under their own responsibility will ensure our ability to develop very high-quality products able to satisfy our sophisticated customers in future as well.

As an employer, STRATEC offers an innovative, performance-driven and highly varied working environment. Supported by the human resources department, our managers in particular are characterized by a responsible approach to entrepreneurial activity and act to promote team spirit. In this, they aim not only to promote the development of individual employees, but also to uphold the company's innovative strength. As an innovative technology group, we have a disproportionate number of employees working in research and development.

STRATEC offers permanent training positions in a wide variety of vocations. Our close links to universities, and especially to Pforzheim University, and the resultant opportunities for internships and on-site bachelor and master dissertations, enable us to get to know potential future employees and frequently result in students being offered a first step on their career ladder once they have completed their studies. Furthermore, in cooperation with Pforzheim University STRATEC has partly financed the establishment of an endowed professorship for the field of "Quality Management and Regulatory Affairs" in medical technology.

Including personnel hired from a temporary employment agency and trainees, the STRATEC Group had a total of 546 employees as of December 31, 2013 (previous year: 533). The average number of personnel (excluding temporary personnel) employed at the STRATEC Group (including group companies) increased from 444 to 493. This increase was mainly due to the first-time inclusion of STRATEC Biomedical S.R.L in the scope of consolidation. STRATEC Biomedical S.R.L had an average of 38 employees in the 2013 financial year.

Ongoing demand for our high-quality development work and the resultant development volumes mean that it will be necessary to stock up the workforce in the development division in particular in future as well.

The future growth of the STRATEC Group can be derived from the multiyear duration of development projects and the growth in personnel totals in development departments. Today's teams are already working on products scheduled for marketing launches between 2014 and 2017 and which will promote the company's future growth long beyond those dates.

Personnel expenses at the STRATEC Group rose overall by 2.4% in the year under report (previous year: 12.5%) to € 34.5 million (previous year: € 33.7 million).

Our stock option program enables longstanding employees and managers to participate in the company's long-term value growth. After all, this growth is not least a product of our employees' performance.

We would like to take this opportunity to thank our employees for their above-average commitment and for their ability and willingness always to give of their best.

SUSTAINABILITY AND SOCIAL COMMITMENT

Sustainability and social commitment are increasingly important topics when it comes to implementing an all-round corporate strategy. Sustainable business activity not only makes a discernible difference in terms of direct implications for the social and ecological environment. Customers, partners and employees are also paying greater attention to measures such as responsible, ecologically expedient and social business activity that provides for sustainable growth in future generations.

STRATEC is currently working on developing a key figure system to measure environmental factors. On this basis, the company aims to derive comparable medium and long-term targets and potential improvements in such a way as to detect whether the measures currently planned or to be planned in future show the desired effect. Initial findings are due to be published in the course of the current financial year.

Over several years now, STRATEC has introduced various measures to increasingly underline its responsibility towards society. These are intended to offer support to company employees and their families, as well as others in need of assistance and projects worthy of support. In its own surroundings, for example, the company is supporting childcare facilities for employees at its Birkenfeld location and offering targeted promotion for employees' sports activities.

In 2013, STRATEC made donations to Doctors Without Borders (Médecins sans Frontières – MSF), in cooperation with Plan International to the aid provided to the Philippines in the wake of the Haiyan typhoon, as well as to a medical project testing pregnant women for HIV in Uganda. Since 2013, the company has cooperated with Plan International to promote a project aimed at protecting children against HIV. This project should enable around 80,000 children and 25,000 pregnant women in Uganda to benefit from PMTCT (prevention of mother to child transmission) measures.

C. EVENTS AFTER THE BALANCE SHEET DATE

As of February 15, 2014, Dr. Claus Vielsack was appointed to the Board of Management of STRATEC AG with responsibility for product development.

As of March 19, 2014, Bernd M. Steidle departed from the Board of Management.

D. OUTLOOK, OPPORTUNITY AND RISK REPORT

1. OUTLOOK

The trend seen in the diagnostics industry in recent years, in which due to economic, technical and timing (time-to-market) considerations our existing and potential customers are increasingly focusing on their core businesses – reagents development and marketing tests and processes – has continued in the recent past. Due not least to the large number of projects in development or negotiation, we can confirm the resultant increasing need to outsource instrumentation development and production to external partners such as STRATEC. We assess the contract termination in 2013 as a one-off event that, based on the statements made by the customer in question, has nothing to do either with STRATEC or with market developments.

This forecast of the company's development is based on budgets that account for the specific features of STRATEC's business model, as well as for numerous internal and external factors, and that weight such factors in accordance with their significance. New order figures, our customers' forecasts and their order behavior, and their stocking of service parts play a superordinate role here, as do the numbers of projects in development and negotiation.

STRATEC expects to generate substantial sales growth in 2014 compared with 2013. This should be accompanied by a slight increase in the EBIT margin.

Despite larger-scale investments in further development projects, in our company in Romania, and in the development of our company in China, rising earnings and optimizations in our working capital management mean that our free liquidity will slightly exceed the level seen in 2013.

Our sales growth will be generated by all segments, with sharply disproportionate growth expected in the "All other segments" segment given the low basis in the previous year. The EBIT margin at this segment is budgeted to exceed the Group's growth.

2. OPPORTUNITY AND RISK REPORT

2.1. Risk management system

To ensure the STRATEC Group is able to react in good time to all kinds of relevant influences, the company's risk management system in general and its Risk Handbook as the central component of this system in particular have been and continue to be adjusted to account for growth-related challenges, as have the processes and systems used to control the company.

The risk management system at the STRATEC Group has been established in line with the relevant legal requirements as an early warning risk identification system and serves to analyze and assess the risks facing the company and its environment. Consistent with the legal requirements set out in § 91 (2) of the German Stock Corporation Act (AktG), the system established at the STRATEC Group represents an all-round instrument for monitoring fundamental processes and for the early detection of potential risks. The system lays downs clear requirements, monitoring actions, specified intervals, the managers responsible, and a specified reporting structure.

The main risks requiring analysis include general operating risks, such as investment risks, logistics risks, IT risks, personnel risks, financial risks and legal risks, as well as market risks and project risks.

Individuals required to report risks compile reports on their respective areas of responsibility at fixed intervals. These are qualified and quantified on the basis of a systematic approach. Exceptional developments require ad-hoc report. At the various levels of aggregation, the decision makers and directors and officers are provided with a so-called Risk Handbook to serve as a controlling instrument. This enables potential risks to be identified at an early stage and the conceivable consequences of such risks, including those arising over time, to be viewed and assessed alongside any change in their probability of occurrence. Risk analysis and reporting also account for the individual companies within the STRATEC Group, as well as for any interdependencies between group companies. To manage risks, the company generally deploys the following measures:

- Increased allocation of resources
- Shorter monitoring intervals
- Increased management attention
- Agreement of measures to eliminate risks.

The risk management system for shareholdings held by STRATEC Biomedical AG is safeguarded by way of integration within the Group's risk management system. Furthermore, alongside structured reporting, ad-hoc reporting is also required at weekly, monthly and quarterly intervals on development, production, marketing and sales levels, as well as for key financial figures.

The materially low implications of risks previously identified meant that these did not impact on the valuation and reporting of the STRATEC Group in the past. The contract termination arising in the 2013 financial year had not been included in the Risk Handbook in advance. This was due to the customer announcement being made at short notice, a factor that thus also took STRATEC by surprise. This automatically resulted in changes to the company's valuation and reporting.

Given its numerous cooperations with existing and new partners, its new technologies, and the continuing trend towards outsourcing by customers in changing markets, the future business performance of the STRATEC Group is to be assessed as sustainably positive. Even though STRATEC also generated substantial growth during past cycles of macroeconomic weakness, and although its business model contains elements offering a high degree of immunity against macroeconomic fluctuations, the possibility of economic and specific risks materializing in future can nevertheless not be fully excluded. Factors such as speed of development, the smooth integration of hardware and software, and the fulfillment of regulatory and market requirements have a considerable impact on the growth and success of the STRATEC Group. Furthermore, the company counters risks such as those arising in connection with project management, procurement and accelerating levels of complexity, by ensuring that these are closely monitored. In contrast to these, other factors, such as the definition of market acceptance criteria and the reagents portfolio, a major factor in the success of products at our OEM partners, lie outside the control of the STRATEC Group. Due to our business model, trials, validation, the extent to which minimum purchase volumes are exceeded, and sales structures are in the hands of our customers.

2.2. Risks

MARKET AND CUSTOMER-RELATED RISKS

One key component of the STRATEC Group's business model is its focus on cooperations with OEM partners who are among the market or technology leaders in their respective fields. By definition, this limits the number of potential partners, a factor that can potentially result in a high degree of dependency. The resultant concentration of sales on a limited number of key customers (key customer risk) and volatilities in the sales of analyzer systems to these customers can lead to fluctuations in STRATEC's performance. The STRATEC Group will continue to work with partners in the field of new technologies in order to generate sustainable growth in this area as well.

The STRATEC Group draws on internal and external supervision to ensure that no third-party industrial property rights are violated. Moreover, the company has protected its own expertise directly or indirectly with numerous international patents and industrial property right registrations.

The STRATEC Group has reacted to the increase in development expenses, particularly for high complexity and throughput systems, by introducing strict project controlling procedures coupled with an effective target cost management system. The complexity of production processes means that, for reasons of economy and to safeguard quality levels, the STRATEC Group focuses on a small number of suppliers. The high cost of supervising logistics activities, such as safeguarding procurement prices in the long term, and of monitoring quality standards, necessitates this degree of concentration in terms of suppliers. This risk is knowingly entered into in a controlled manner, but is nevertheless minimized with an individual catalog of measures tailored to the respective situations, such as close supplier supervision, maintaining inventory stocks, and forward-looking logistics planning together with clear contract structures and regular supplier audits.

OTHER RISKS

The managers responsible for the early warning risk identification system have identified the following points as potential challenges which should be averted to avoid risks materializing:

- Recruitment and retention of well-qualified staff with appropriate industry experience
- Use of suitable IT tools to integrate customer information from the market and other IT systems
- Problems associated with project delays (time-to-market)
- Implications resulting from displacement of market shares of current and potential STRATEC customers
- Postponement of market launches by STRATEC customers in various geographical markets
- Changes in market due to process of consolidation within customer market
- Supply capacity risks for components relevant for regulatory approval or for highly complex proprietary components.

2.3. Opportunities

The opportunities available to the company for 2014 result from the combination of development and production contracts, from several new development cooperations, of which one resulted in a development and production contract between January and March 2014 and of which others are currently in negotiation, from rapid growth in "all other segments" driven by the more successful market launch of new developments, and from growth in the service parts business due to increasing average capacity utilization rates at the analyzer systems used in in-vitro diagnostic operations worldwide.

Alongside its current development and production orders, which involve developing systems using molecular diagnostics, chemi-luminescence, and immune-hematological methods, since the end of 2013 STRATEC has, as in the past, also been pressing ahead with developing further system platforms. By analogy with the automobile industry, the company aims here to facilitate resource-efficient implementation of future specific system development by working with platform technologies.

By making targeted acquisitions, STRATEC is attempting to broaden the range of technologies and services it can offer to its partners.

STRATEC's superb market position is driven by its reputation and its technology offering. This in itself creates demand in the market. Individual market players have found that STRATEC is the only option when it comes to developing products in specific technologies.

E. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN RESPECT OF THE FINANCIAL REPORTING PROCESS

STRATEC has an internal control system (IKS) for its (group) financial reporting process which lays down suitable structures and processes and is implemented within the company's organizational structures so as to detect and, where possible, avert any risk of errors. The group financial reporting process is designed to ensure that the Group's financial reports provide a true and fair view of the net asset, financial and earnings position of the STRATEC Group in accordance with the relevant laws and norms. It should nevertheless be noted that no internal control system, regardless of its specific structure, can provide absolute certainty that material accounting misstatements have been avoided or detected.

STRATEC's internal control system is designed to review the uniform, correct and prompt accounting treatment of all business transactions to ensure compliance with legal norms, accounting requirements and the company's internal accounting guidelines, which are binding for all of the companies included in the consolidated financial statements.

The following key measures have been introduced to limit risks as far as possible and to detect any misstatements or erroneous disclosures in the consolidated financial statements, or any fraudulent actions:

- Process-integrated checks, such as defined agreement processes suitable to the size and structure of the Group, separation of functions, dual control principle, access restrictions and payment guidelines, to name just a few examples
- Ensuring uniform accounting treatment by way of group-wide standards
- Execution of internal and external audits
- Inspection and analysis of local financial statements.

STRATEC's (group) internal control system is also responsible for ensuring that individual companies within the STRATEC Group prepare their financial statements in accordance with the relevant requirements, while also complying with group-wide standards. Local companies are supported throughout this financial reporting process by trained contact partners at the parent company. These partners also perform a quality check function for the financial data thereby taken over and assist with any complex questions thereby arising. The consolidated accounts are prepared centrally and in line with uniform recognition and measurement requirements based on the data from the subsidiaries included in the scope of consolidation. The specialist managers responsible check the processes in place to monitor compliance with the relevant requirements when this data is included in the consolidated financial statements. The company also draws on expertise from external consulting companies when preparing its consolidated financial statements. As a publicly listed company, STRATEC monitors and analyzes all changes in legislation, IFRS accounting standards and other pronouncements in terms of their relevance and implications for the consolidated financial statements so as to enable these to be implemented promptly.

F. RISK REPORTING IN RESPECT OF THE USE OF FINANCIAL INSTRUMENTS

Our current and future financial strategy is based on the availability of the funds needed to finance substantial organic and external growth, and on an active investment strategy with a well-balanced opportunity / risk profile.

The principal objectives of the STRATEC Group's financial management involve a basically conservative financing policy aimed at guaranteeing permanent availability of the liquidity required, for example for new development and research projects or for external growth, as well as effective risk management. These objectives are chiefly addressed by optimizing our financing costs, and to a lesser extent by optimizing our financing income. Given the objective of creating reserves for potential acquisitions, our investment policies are currently mainly focusing on money market investments. In the short term, these relate to cases where short-term liquidity reserves may be required and in the medium term to cases where corresponding opposing financing items are available.

Financial risks basically arise from currency and interest rate fluctuations.

Currency risks in procurement and sales markets have become a more significant factor for the STRATEC Group since 2012, as the Group is currently witnessing a shift in its business towards dollar areas. It is not possible in the short term to counter this development by shifting procurement to dollar areas as well. To counter this risk, in the previous year the company used derivative hedging instruments. The managers responsible for cash management review the expediency of currency hedging transactions at regular intervals. Due to the Group's structure, the risk resulting from exchange rate movements is expected to increase. Given the increasing significance of exchange rate movements, STRATEC will retain the option of using derivative financial instruments for hedging purposes. No new derivative financial instruments were agreed in the 2013 financial year. The transactions agreed in the previous year no longer existed as of December 31, 2013. Financial derivatives are generally deployed in cases where it is necessary to hedge risks in the operating business. The conclusion of such transactions is governed by very strict standards laid down in the Code of Procedure for the Board of Management.

Interest rate risks are countered on the basis of the internal requirements of the risk management system in place at the STRATEC Group. Depending on the internal risk assessment, these also involve covering such risks by means of derivative financial instruments.

Derivative financial instruments to optimize interest rates may be deployed in cases where financing needs render such measures opportune and where they relate to a general transaction. However, STRATEC did not agree any interest rate derivatives in the 2013 financial year.

A financial instrument is a contract simultaneously resulting in a financial asset at one company and in a financial liability or equity instrument at another company. For financial assets, a distinction is made between:

- Primary financial instruments, such as trade receivables or payables, or financial receivables and liabilities
- Derivative financial instruments not involving a hedging relationship with a hedged item
- Derivative financial instruments, such as hedges used to hedge risks resulting from movements in exchange or interest rates.

The volume of primary financial instruments can be seen in the balance sheet. Pursuant to IAS 39, the financial instruments on the asset side have been assigned to various categories and recognized either at (amortized) cost or at fair value in line with their respective category.

Changes in the fair value of financial instruments available for sale are recognized in equity (other comprehensive income – OCI) up to the realization of the respective financial instrument. Where the reduction in fair value is deemed material or permanent, however, corresponding impairments are recognized through profit or loss. Changes in the fair value of financial instruments held for trading are recognized through profit or loss.

Further details can be found in Sections G "Financial instruments" and H "Risk management" in the notes to the consolidated financial statements.

G. COMPENSATION REPORT

The Compensation Report of STRATEC AG sets out the basis for determining the compensation of the Board of Management and Supervisory Board, including its amount and structure. The Compensation Report is based on the requirements of § 314 (1) No. 6a) Sentences 5 to 8 of the German Commercial Code (HGB) and on § 315 (2) No. 4 of the German Commercial Code (HGB).

BASIC FEATURES OF THE COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT

The Supervisory Board lays down the compensation of individual members of the Board of Management, as well as determining and regularly reviewing the compensation system. In determining compensation, the Supervisory Board takes particular account both of the duties and performance of the individual member, as well as of the economic situation and future development of STRATEC AG. The compensation of the Board of Management consists of the following components:

Fixed compensation for each financial year – This includes a basic amount paid out as a monthly salary, as well as ancillary benefits, such as the use of company vehicles, insurance benefits, and individual contractual arrangements concerning pension provision.

Variable compensation for each financial year (short-term incentive) – This includes target achievement and extended components. The target achievement component is measured in terms of a given percentage of consolidated earnings before interest and taxes (consolidated EBIT) in accordance with International Financial Reporting Standards (IFRS) and net of a fixed basic amount. The extended component is determined by the Supervisory Board to honor any outstanding performance on the part of the Board of Management. The target achievement component is paid out following the Annual General Meeting of STRATEC AG for the 2013 financial year. Members of the Board of Management are entitled to a mutually agreed monthly prepayment of this component. Payment of the extended component, if granted, is made following expiry of the 2013 financial year.

Variable compensation based on the financial year and the two following years (mid-term compensation arrangement or mid-term incentive – MTI) – This compensation consists in equal shares of a linked component, an individual component, and a supplementary component. The linked component consists of two sub-components. The targets determined for the linked components are based on consolidated sales and consolidated EBIT. The individual components are based on various individual targets agreed between the Supervisory Board and the individual member of the Board of Management. These may include targets such as enhancing employee satisfaction, and expanding or reviewing and, where necessary, restructuring the management and organizational structure of subsidiaries.

Target achievement for the mid-term incentive (MTI) scheme is further based in terms of its timing both on achievement of the targets set for the current financial year and the two following years and on a target bonus, i. e. the amount to be paid out in the event of 100% target achievement for all components. The mid-term incentive is paid out following the Annual General Meeting of STRATEC AG for the next year but one, i. e. the mid-term incentive granted for 2011 (and 2012 and 2013 respectively) is paid out in 2014 (and 2015 and 2016 respectively). However, prepayments based on the respective achievement of individual and interim targets are made, subject to the due discretion of the Supervisory Board, at the end of each financial year.

Long-term share-based compensation (long-term incentive) – This compensation consists of stock options within the existing stock option programs. Detailed disclosures concerning the structure of these programs can be found in Section "C. Disclosures on consolidated balance sheet – Stock option programs". Where no stock option program exists, the long-term incentive is replaced at the discretion of the Supervisory Board by a component involving the same targets (such as virtual stock options or the like).

Caps – Variable compensation components are subject to requirements governing them both individually and in combination in terms of their value and the degree of target achievement. Compensation based on the target components within the "short-term incentive" and "mid-term incentive" schemes, for example, is limited to a maximum of 1.5 times basic salary plus ancillary benefits and pension commitments. Furthermore, the Supervisory Board also has the powers granted by law to limit compensation. Furthermore, the employment contracts with members of the Board of Management were supplemented in December 2013 to include a cap on the long-term incentive as well. Consistent with these additions, the fair value of the options granted in a given financial year may not exceed the fixed compensation paid for that year.

Individual compensation of Board of Management

The individual members of the Board of Management received the compensation set out below for their activities on the Board of Management in the 2013 financial year.

The structure of compensation for the Board of Management was amended in the 2011 financial year. Compensation components from the "Variable compensation for each financial year (short-term incentive)" were reclassified as bonus/malus elements into the mid-term compensation component (MTI). Between 2011 and 2013, the resultant claims subject to conditions precedent were recognized as expenses (see compensation table). Given the nature of the multiyear compensation agreement, first-time payment in 2014 of the expenses recognized for this purpose between 2011 and 2013, less the "Reduction to non-achievement of individual targets", has resulted in a one-off item in 2013.

In the 2013 financial year, Marcus Wolfinger was granted 20,000 stock options (previous year: 25,000) at an average exercise price of € 28.09 (previous year: € 31.19), Dr. Robert Siegle was granted 15,000 stock options (previous year: 25,000) at an average exercise price of € 28.09 (previous year: € 31.19), and Bernd M. Steidle was granted 15,000 stock options (previous year: 25,000) at an average exercise price of € 28.09 (previous year: € 31.19).

in € thousand	Marcus Wolfinger		Dr. Robert Siegle		Bernd M. Steidle		Total	
	2013	Previous year	2013	Previous year	2013	Previous year	2013	Previous year
NON-PERFORMANCE-RELATED COMPONENTS								
Basic amount	192	192	162	162	142	142	496	496
Other [1]	16	15	9	9	16	16	41	40
PERFORMANCE-RELATED COMPONENTS								
Expenses recognized in 2011 for future MTI compensation [2]	*59*	*0*	*38*	*0*	*36*	*0*	*133*	*0*
Expenses recognized in 2012 for future MTI compensation [2]	*94*	*59*	*54*	*38*	*57*	*36*	*205*	*133*
Expenses recognized in 2013 for future MTI compensation [2]	*94*	*94*	*62*	*54*	*21*	*57*	*177*	*205*
Reduction recognized in 2013 due to non-achievement of individual MTI targets [2]	*-12*	*0*	*-8*	*0*	*-8*	*0*	*-28*	*0*
MTI compensation claim [3]	147	0	88	0	80	0	315	0
Other performance-related components	193	178	148	137	106	109	447	424
COMPONENTS WITH LONG-TERM INVENTIVE NATURE								
Share-based compensation [4]	65	67	49	67	49	67	163	201
TOTAL	**613**	452	**456**	375	**393**	334	**1,462**	1,161

[1] The "Other" disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits.
[2] The expenses recognized for each year refer to several mid-term incentive (MTI) schemes.
[3] The amount disclosed refers to the mid-term incentive agreement for 2011, which covers 2011, 2012 and 2013, and is due for payment in 2014.
[4] The amount disclosed corresponds to the fair value upon issue of stock options issued in the 2013 (2012) financial year, calculated in accordance with IFRS 2 (Share-based Payment), even though these were in some cases not yet vested as of the balance sheet date.

In the 2013 financial year, the individual members of the Board of Management each exercised 7,500 stock options at an average exercise price of € 27.11. In the previous year, Marcus Wolfinger and Bernd M. Steidle each exercised 17,500 stock options at an average exercise price of € 12.89. Dr. Robert Siegle did not exercise any stock options in the previous year.

As of December 31, 2013, Marcus Wolfinger had 52,500 stock options outstanding (previous year: 40,000) at an average exercise price of € 29.43 (previous year: € 29.66) and a weighted remaining contract term of 69.9 months (previous year: 73.4). As of December 31, Bernd M. Steidle and Dr. Robert Siegle each had 47,500 stock options outstanding (previous year: 40,000) at an average exercise price of € 29.57 (previous year: € 29.66) and a weighted remaining contract term of 68.8 months (previous year: 73.4). For all members of the Board of Management, no stock options were exercisable either at the balance sheet date on December 31, 2013 or at the previous year's balance sheet date.

The following amounts were recognized as expenses in this respect in the 2013 financial year: € 45k for Marcus Wolfinger (previous year: € 36k), € 43k for Dr. Robert Siegle (previous year: € 32k), and € 43k for Bernd M. Steidle (previous year: € 36k).

Regulations governing regular termination of activity on Board of Management

The following regulations were in place as of the balance sheet date for members of the Board of Management upon the regular termination of their activity:

Pension provision – Members of the Board of Management receive pension provision from STRATEC AG when they have reached pensionable age, i. e. between the age of 60 and the age of 65, and have concluded their activity as members of the Board of Management. Members have the option of receiving a one-off lump sum or ongoing pension payments for the rest of their lives. Pension claims remain valid on a prorated basis in cases where members terminate their employment with the company before reaching pensionable age. STRATEC AG finances the pension claims both as defined benefit and as defined contribution plans. Alongside the aforementioned benefits, the company has also agreed surviving dependants' provision with Marcus Wolfinger. In the 2013 financial year, the company recognized expenses or provisions of € 45k for Marcus Wolfinger (previous year: € 73k), € 42k for Dr. Robert Siegle (previous year: € 42k), and € 113k for Bernd M. Steidle (previous year: € 113k) in connection with the benefits thereby committed. The present values of the capital claims acquired in connection with the benefits thereby committed as of December 31, 2013 amounted to € 274k for Marcus Wolfinger (previous year: € 247k), € 121k for Dr. Robert Siegle (previous year: € 80k), and € 360k for Bernd M. Steidle (previous year: € 269k). Due in particular to future financing amounts, the actual benefits will turn out higher than presented here.

Retrospective prohibition on competition – For the duration of the twelve-month retrospective prohibition on competition, each member of the Board of Management receives compensation amounting to 50% of his most recent contractually agreed compensation excluding the extended component of the short-term incentive. The nominal amounts of compensation payable for the retrospective prohibition on competition are € 293k for Marcus Wolfinger (previous year: € 266k), € 210k for Dr. Robert Siegle (previous year: € 191k), and € 0k for Bernd M. Steidle (previous year: € 219k). It can be assumed that actual compensation payments for the retrospective prohibition on competition will differ from the amounts presented here. This is due in particular to the currently indeterminable nature of the respective dates and amounts of compensation involved.

Regulations governing premature termination of activity on Board of Management

The following regulations were in place as of the balance sheet date for members of the Board of Management upon the premature termination of their activity:

Severance payments – Contracts with members of the Board of Management are concluded for fixed terms. In the event of any premature contract termination in the absence of compelling reason justifying immediate termination, severance payments amounting to two full-year compensation packages based on the most recent full compensation package plus pension commitments are payable, but nevertheless limited to the end of the term of the respective contract with the member of the Board of Management. In the event of the contract being terminated due to change of control pursuant to § 315 (4) No. 9 of the German Commercial Code (HGB), the member of the Board of Management receives compensation in accordance with the relevant requirements of the German Corporate Governance Code.

Retrospective prohibition on competition – For the duration of the twelve-month retrospective prohibition on competition, each member of the Board of Management receives compensation amounting to 50% of his most recent contractually agreed compensation excluding the extended component of the short-term incentive.

Permanent inability to work and fatality – Should a member of the Board of Management become permanently unable to work during the term of the employment contract, his compensation continues to be paid until the conclusion of the sixth month following the month in which such permanent inability to work is established. Should a member of the Board of Management die during the term of the employment contract, then his surviving dependants are entitled to continued payment of the monthly fixed compensation, excluding ancillary benefits, for the month in which the member died and the following five months, nevertheless limited to the expiry of the employment contract irrespective of the death of the respective member. Furthermore, surviving dependants have a prorated claim to the target achievement component of the short-term incentive program.

BASIC FEATURES OF THE COMPENSATION SYSTEM FOR THE SUPERVISORY BOARD

The compensation of the Supervisory Board is governed by § 13 of the Articles of Association of STRATEC AG and takes due account of the responsibility and scope of activity of Supervisory Board members, as well as of the economic position and performance of the company.

The Annual General Meeting on June 6, 2013 adopted a resolution amending § 13 of the Articles of Association. The new regulations governing the compensation of the Supervisory Board are applicable for the first time for the financial year beginning on January 1, 2013.

Up to and including December 31, 2012, the following regulations were applicable under the previous version of § 13 of the Articles of Association:

In addition to the reimbursement of his or her expenses and the benefits of pecuniary loss liability insurance policy concluded by the company for members of the Supervisory Board at its own expense and at suitable conditions customary to the market, each member of the Supervisory Board receives fixed compensation of € 8,000.00. Furthermore, each member of the Supervisory Board receives performance-related compensation for each financial year, the total amount of which is capped at double (i. e. twice) the level of fixed compensation. The variable compensation is structured as follows:

- € 500.00 per complete € 500,000.00 "Result of ordinary business activities" (pursuant to IFRS), and an additional amount to be offset of
- € 500.00 per complete € 500,000.00 "Cash flow from operating activities" (pursuant to IFRS, calculated in line with German Accounting Standard (DRS) 2 Subsection 27).

The Deputy Chairman of the Supervisory Board receives one and a half times (1.5 times) the aforementioned compensation and the Chairman of the Supervisory Board receives twice (two times) such amount. Moreover, each member of the Supervisory Board receives a meeting allowance of € 750.00 for each meeting of the Supervisory Board attended in person up to a maximum of € 4,500.00 per financial year. The company reimburses each member of the Supervisory Board for the sales tax incurred on this compensation. Fixed compensation is due for payment upon the conclusion of the financial year. Variable compensation is due for payment upon approval or adoption of the annual financial statements.

The version applicable from January 1, 2013 is as follows:

Each member of the Supervisory Board receives fixed compensation of € 25,000.00 for each financial year. The Supervisory Board Chairman receives twice and the Deputy Chairman receives one and a half times this amount of fixed compensation. Supervisory Board members only belonging to the Supervisory Board for part of a given financial year receive one twelfth of the fixed compensation for each month of activity commenced.

Furthermore, each member of the Supervisory Board receives a meeting allowance of € 750.00 for each meeting of the Supervisory Board attended in person. Where several meetings are held on the same day, the meeting allowance is paid only once. The meeting allowance is limited to a maximum of six meetings each financial year.

Fixed compensation and the meeting allowance are due for payment upon the conclusion of the respective financial year.

Furthermore, the company reimburses each member of the Supervisory Board for the necessary, appropriate volume of expenses incurred for him or her to perform his or her duties, as well as for any sales tax attributable to compensation or the reimbursement of expenses.

Members of the Supervisory Board may be included in a pecuniary loss liability insurance policy concluded by the company at its own expense, at an appropriate amount, and in its interest. The company assumes the resultant premiums.

H. CORPORATE COMPLIANCE

STRATEC Biomedical AG and its group companies operate in various countries, and thus in different jurisdictions. Our business activities therefore have to take due account of the jurisdictions in various countries. As a matter of principle, STRATEC manages its business activities responsibly and in accordance with the requirements imposed by law and the relevant authorities and with its own group-wide internal regulations. For STRATEC, effective compliance represents an indispensable instrument in its international business dealings.

In view of this, STRATEC has summarized the codes of conduct and ethical principles in force across the Group and additional sets of guidelines in its "STRATEC Corporate Compliance Policy". This policy is binding for all employees.

For STRATEC as a developer and manufacturer of fully automated analyzer systems for the diagnostics and biotechnology industries, compliance with various kinds of processes and regulations is a factor of far-reaching significance. STRATEC therefore sets very high standards in terms of quality, control and security measures so as to ensure compliance with the relevant regulations. The STRATEC Group has its own Regulatory Affairs department which, together with the company's experienced heads of business divisions, is involved in the development of systems for regulated markets.

The employees of the STRATEC Group are unreservedly committed to the Corporate Compliance Policy and to acting responsibly in line with relevant requirements. This also involves avoiding any business activities that contravene these principles. These principles and codes of conduct set out in the Corporate Compliance Policy are intended to guide employees in their business activities and assist them in avoiding any misconduct.

Core elements of STRATEC's Corporate Compliance Policy include:

- Preventing corruption, i.e. upholding the integrity necessary in business dealings, and in particular the prohibition of any illegitimate exercising of influence
- Compliance with all requirements set by law and the respective authorities
- The obligation to ensure fair, respectful working conditions at the company
- The avoidance of conflicts of interest
- Compliance with the requirements of capital market and antitrust law
- Compliance with all internal requirements and instructions.

STRATEC sees compliance not so much as a static program, but rather as an active process of cooperation in terms of the way the business is managed at STRATEC and integrity is thus upheld.

STRATEC's compliance management system is subject to permanent enhancement and optimization and already forms an integral component of the STRATEC Group. The compliance management system enables STRATEC to detect any risks, avert risks by analyzing and developing suitable strategies, enforce prohibitions on specified actions, and take necessary measures. Compliance structures are managed in operative terms by the Chief Compliance Officer, who reports directly to the Board of Management. The Board of Management meets its reporting obligations towards the Supervisory Board. The heads of department are responsible for implementing any organizational measures required to comply with guidelines and to avert any damages at the respective STRATEC companies and for subsequently reporting on this to the management of the respective company within the STRATEC Group. Not only that, the company is also optimizing its existing internal processes and introducing new processes to do justice to ever stricter external requirements, as well as to STRATEC's own regulations. Here, managers in key positions work together closely across their respective divisions and are advised and assisted by specialist departments, such as the legal department, as well as by the Compliance Officer and delegated individuals.

Furthermore, STRATEC expects its managers to act as models of compliance for their employees and to ensure that all decisions and actions taken in their areas of responsibility are consistent not only with the relevant legal requirements, but also with STRATEC's own values and regulations, and that they are in the company's best interests.

I. TAKEOVER-RELEVANT DISCLOSURES

The share capital is divided into 11,770,245 ordinary shares with a nominal value of € 1.00 each (previous year: 11,737,745 ordinary shares). The shares are bearer shares and are not restricted in terms of their transferability.

The appointment and dismissal of members of the Board of Management, as well as any amendments to the Articles of Association, are undertaken in accordance with the requirements of stock corporation law. The Articles of Association do not include any opposing provisions in this respect.

The company is managed and represented to third parties by the Board of Management. The Board of Management consists of one or more persons appointed pursuant to § 84 of the German Stock Corporation Act (AktG) by the Supervisory Board for a maximum period of five years. Renewed appointment or the extension of an existing contract is permitted in each case for a maximum period of five years.

These measures require a further resolution by the Supervisory Board.

The Supervisory Board may appoint members of the Board of Management as Chairman or Deputy Chairman of the Board of Management.

The Supervisory Board may revoke any appointment to the Board of Management or to the position of Chairman of the Board of Management in the event of compelling reason. Reference is made in this respect to the further comments provided in § 84 (3) of the German Stock Corporation Act (AktG).

Any amendment to the Articles of Association requires a resolution by the Annual General Meeting. The Annual General Meeting may authorize the Supervisory Board to make amendments only affecting the specific wording. Any such resolution requires a majority corresponding to at least three quarters of the share capital represented upon adoption of the resolution.

Pursuant to § 4 (4.5) of the Articles of Association, the Board of Management is authorized until April 13, 2016, subject to approval by the Supervisory Board, to increase the company's share capital on one or more occasions and by a maximum amount of up to € 5,500,000.00 by issuing new shares with a nominal value of € 1.00 each in return for cash or non-cash contributions (Authorized Capital). In general, shareholders must be granted subscription rights. In certain circumstances set out in the Articles of Association, however, the Board of Management is entitled to exclude such subscription rights.

In accordance with the provisions of the Articles of Association (§ 4 Paragraphs 4.6 and 4.7), the company has various conditional capitals with a total value of € 1.9 million as of December 31, 2013. Conditional Capitals I, V and VI (amounting to € 1.1 million) only authorize the company to increase its capital to the extent that bearers of stock options exercise their subscription rights. The new shares have profit participation rights from the beginning of the financial year in which they are issued. Conditional Capital IV authorizes the company to increase its share capital by up to € 800,000 by issuing up to 800,000 new ordinary bearer shares. This conditional capital serves exclusively to issue new shares to the bearers or creditors of warrant or convertible bonds issued by the company or by subsidiaries in which the company holds direct or indirect majority shareholdings in accordance with the resolution adopted by the Annual General Meeting on April 14, 2011.

Conditional Capital IV only authorizes the company to increase its capital to the extent that the bearers or creditors of warrant or convertible bonds actually exercise their option or conversion rights, or the conversion obligations underlying such bonds have been met.

The company has concluded significant agreements that are subject to change of control resulting from any takeover bid. With regard to further disclosures, use has been made of the protective clause provided for by § 315 (4) No. 8 of the German Commercial Code (HGB).

Individual agreements with the Board of Management and Supervisory Board of the company include change of control provisions pursuant to § 315 (4) No. 9 of the German Commercial Code (HGB) in line with the relevant requirements of the German Corporate Governance Code.

Based on the notifications received, the share of voting rights in the company held by Bettina Siegle, Tanja van Dinter, and Ralf Leistner (all resident in Germany) each exceed 10%. Furthermore, more than 10% of the voting rights are also attributable to both Hermann Leistner and Doris Leistner, as the 9.71% of the voting rights held in the company by Herdor GmbH & Co. KG and Herdor Beteiligungs GmbH, two companies jointly controlled by these individuals, are also attributable in full to these individuals in addition to the voting rights they individually hold.

J. DECLARATION ON CORPORATE GOVERNANCE (§ 289A HGB)

The company has published the declaration on corporate governance required by § 289a of the German Commercial Code (HGB), including the declaration on the German Corporate Governance Code required by § 161 of the German Stock Corporation Act Act (AktG), in the Investors section of its website (www.stratec.com).

Birkenfeld, April 15, 2014

STRATEC Biomedical AG

The Board of Management

Marcus Wolfinger

Dr. Robert Siegle

Dr. Claus Vielsack

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2013 of STRATEC Biomedical AG

CONSOLIDATED BALANCE SHEET

as of December 31, 2013 of STRATEC Biomedical AG

ASSETS in € thousand	Note	12.31.2013	12.31.2012[1]	01.01.2012[1]
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	(1)			
Goodwill		4,427	4,547	4,584
Other intangible assets		25,761	22,280	19,687
		30,188	**26,827**	**24,271**
PROPERTY, PLANT AND EQUIPMENT	(2)	17,013	17,108	17,212
FINANCIAL ASSETS				
Investments in associates	(3)	392	363	351
DEFERRED TAXES	(12)	**867**	**2,135**	**1,251**
		48,460	**46,433**	**43,085**
CURRENT ASSETS				
INVENTORIES	(4)			
Raw materials and supplies		8,391	8,857	8,269
Unfinished products, unfinished services		7,758	7,846	8,417
Finished products and merchandise		1,942	807	774
		18,091	**17,510**	**17,460**
RECEIVABLES AND OTHER ASSETS				
Trade receivables	(5)	23,372	25,627	15,845
Future receivables from construction contracts	(6)	1,312	1,011	4,229
Receivables from associates	(7)	65	96	122
Income tax receivables	(12)	3,523	2,016	1
Other receivables and other assets	(8)	1,585	2,182	1,678
		29,857	**30,932**	**21,875**
OTHER FINANCIAL ASSETS	(9)	646	366	222
CASH AND CASH EQUIVALENTS	(26)	**20,734**	**13,209**	**19,548**
		69,328	**62,017**	**59,105**
TOTAL ASSETS		**117,788**	**108,450**	**102,190**

[1] Previous year's figures adjusted in line with comments in notes to consolidated financial statements (A. General disclosures).

SHAREHOLDERS' EQUITY AND DEBT

in € thousand	Note	12.31.2013	12.31.2012[1]	01.01.2012[1]
SHAREHOLDERS' EQUITY	(10)			
SHARE CAPITAL		11,770	11,738	11,675
CAPITAL RESERVE		17,219	16,247	15,307
REVENUE RESERVES		67,766	58,768	52,733
OTHER EQUITY		424	789	639
		97,179	87,542	80,354
DEBT				
NON-CURRENT DEBT				
Non-current financial liabilities	(13)	6,643	7,459	9,167
Pension provisions	(11)	14	28	0
Deferred taxes	(12)	1,389	1,604	1,157
		8,046	9,091	10,324
Current debt				
Current financial liabilities	(13)	1,894	1,183	777
Trade payables	(14)	4,402	4,288	3,954
Liabilities to associates	(14)	211	282	40
Other current liabilities	(15)	4,520	5,218	4,604
Current provisions	(16)	679	608	1,427
Income tax liabilities	(16)	857	238	710
		12,563	11,817	11,512
TOTAL SHAREHOLDERS' EQUITY AND DEBT		117,788	108,450	102,190

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Period from January 1 to December 31, 2013 of STRATEC Biomedical AG

in € thousand	Note	2013	2012
Sales	(17)	127,950	122,667
Cost of sales	(18)	-86,186	-83,682
GROSS PROFIT		41,764	38,985
Research and development expenses	(19)	-20,151	-19,296
of which capitalized		15,104	15,780
		-5,047	-3,516
Sales-related expenses	(20)	-7,135	-9,125
General administration expenses	(21)	-8,828	-8,867
Other operating expenses	(22)	-2,566	-2,720
Other operating income	(22)	1,305	821
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		19,493	15,578
Income from profit transfer agreements		0	-19
Financial income		152	236
Financial expenses		-239	-313
Other financial income / expenses		-73	-159
NET FINANCIAL EXPENSES	(23)	-160	-255
EARNINGS BEFORE TAXES (EBT)		19,333	15,323
Taxes on income	(12)		
a) Current tax expenses		-2,793	-3,323
b) Deferred tax income / expenses		-1,062	449
CONSOLIDATED NET INCOME		15,478	12,449
ITEMS THAT MAY NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Remeasurements of defined benefit pension plans		14	-32
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Currency translation differences from translation of foreign operations		-379	182
OTHER COMPREHENSIVE INCOME		-365	150
COMPREHENSIVE INCOME		15,113	12,599
EARNINGS PER SHARE IN €	(24)	1.32	1.06
No. of shares used as basis		11,746,342	11,693,713
DILUTED EARNINGS PER SHARE IN €	(24)	1.31	1.06
No. of shares used as basis (diluted)		11,777,609	11,746,352

[1] Previous year's figures adjusted in line with comments in notes to consolidated financial statements (A. General disclosures).

CONSOLIDATED CASH FLOW STATEMENT

for the Period from January 1 to December 31, 2013 of STRATEC Biomedical AG

in € thousand	Note	2013	2012[1]
I. OPERATIONS			
Consolidated net income (after taxes)		15,478	12,449
Depreciation and amortization		6,568	5,968
Current income tax expenses	(12)	2,793	3,323
Income taxes paid less income taxes received		-3,278	-5,812
Financial income	(23)	-152	-236
Financial expenses	(23)	239	313
Interest paid		-221	-336
Interest received		83	200
Other non-cash expenses		1,035	548
Other non-cash income		-918	-315
Change in net provisions through profit or loss	(11)	1	-5
CASH FLOW		**21,628**	16,097
Change in deferred taxes through profit or loss	(12)	1,062	-449
- Profit / + Loss on disposals of non-current assets		-12	41
- Increase / + Reduction in inventories, trade receivables and other assets		1,373	-7,300
+ Increase / - Reduction in trade payables and other liabilities		-214	993
INFLOW OF FUNDS FROM OPERATING ACTIVITIES		**23,837**	9,382
II. INVESTMENTS			
Incoming payments from disposals of non-current assets			
Property, plant and equipment		27	54
Outgoing payments for investments in non-current assets			
Intangible assets		-7,518	-5,920
Property, plant and equipment		-2,575	-2,650
Financial assets		-100	0
Outgoing payments for acquisitions of consolidated companies		-126	-493
OUTFLOW OF FUNDS FOR INVESTING ACTIVITIES		**-10,292**	-9,009
III. FINANCING			
Incoming payments from taking up of financial liabilities		1,000	0
Outgoing payments for repayment of financial liabilities		-1,068	-1,242
Incoming payments from issue of shares for employee stock option programs		803	870
Dividend payments		-6,566	-6,414
OUTFLOW OF FUNDS FOR FINANCING ACTIVITIES		**-5,831**	-6,786
IV. CASH-EFFECTIVE CHANGE IN CASH AND CASH EQUIVALENTS (SUBTOTAL OF I – III)		7,714	-6,413
Cash and cash equivalents at start of period		13,209	19,548
Change in scope of consolidation		84	6
Impact of exchange rate movements		-273	68
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(26)	**20,734**	13,209

[1] Previous year's figures adjusted in line with comments in notes to consolidated financial statements (A. General disclosures).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Period from January 1 to December 31, 2013 of STRATEC Biomedical AG

in € thousand	Note	Share capital	Capital reserve
January 1, 2012 (as reported)		**11,675**	**15,307**
Adjustments pursuant to IAS 8		0	0
January 1, 2012 (adjusted)		11,675	15,307
Equity transactions with owners			
Dividend payment			
Issue of subscription shares from stock option programs, less costs of capital issue after taxes		63	792
Allocations due to stock option plans			148
COMPREHENSIVE INCOME IN 2012			
DECEMBER 31, 2012	(10)	**11,738**	**16,247**
Equity transactions with owners			
Dividend payment			
Issue of subscription shares from stock option programs, less costs of capital issue after taxes		32	768
Allocations due to stock option plans			200
Comprehensive income in 2013			
Change in scope of consolidation			4
DECEMBER 31, 2013	(10)	**11,770**	**17,219**

Revenue reserves			Other equity			
Accumulated net income	Free revenue reserves	Consolidated net income	Treasury stock	Pension plans	Currency translation	Group equity
26,706	**13,392**	**15,282**	**-212**	**0**	**1,082**	**83,232**
9,635	3,000	-15,282	0	0	-231	-2,878
36,341	16,392	0	-212	0	851	80,354
-6,414						-6,414
						855
						148
9,449	**3,000**			**-32**	**182**	**12,599**
39,376	**19,392**		**-212**	**-32**	**1,033**	**87,542**
-6,566						-6,566
						800
						200
15,478				14	-379	15,113
86						90
48,374	**19,392**		**-212**	**-18**	**654**	**97,179**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the 2013 Financial Year of STRATEC Biomedical AG

A. GENERAL DISCLOSURES

GENERAL INFORMATION

STRATEC Biomedical AG (hereinafter "STRATEC AG"), with its legal domicile in Gewerbestrasse 35 – 37, 75217 Birkenfeld, Germany, designs and manufactures fully automated systems for its partners in the fields of clinical diagnostics and biotechnology. These partners market such systems, in general together with their own reagents, as system solutions to laboratories, blood banks and research institutes around the world. The company develops its products on the basis of its own patented technologies.

STRATEC AG is entered in the Commercial Register in Mannheim under No. HRB 504390.

The Board of Management of STRATEC AG prepared the consolidated financial statements on April 15, 2014 and forwarded these to the Supervisory Board. The Supervisory Board of STRATEC AG will adopt a resolution concerning the approval of the consolidated financial statements at its meeting on April 25, 2014. The consolidated financial statements and group management report as of December 31, 2013 will be published in the electronic Federal Official Gazette (Bundesanzeiger).

DECLARATION OF CONFORMITY

The consolidated financial statements compiled by STRATEC AG as the topmost parent company as of December 31, 2013 have been prepared with due application of § 315a (1) of the German Commercial Code (HGB) in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid and endorsed by the European Union as of the balance sheet date, as well as with the supplementary requirements of German commercial law.

BASIS OF PREPARATION

The consolidated financial statements have been compiled in € thousand. Unless otherwise stated, the amounts reported in the notes are denominated in € thousand.

The financial year for the consolidated financial statements corresponds to the calendar year. The financial statements of all companies included in the consolidated financial statements have been prepared as of the balance sheet date for the consolidated financial statements and have been based on uniform accounting and valuation principles.

The financial statements have basically been prepared on the basis of amortized cost. One exception relates to financial assets measured at fair value through profit or loss.

The consolidated statement of comprehensive income has been prepared using the cost of sales method.

In the interests of clarity, individual items have been aggregated in the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity. These are explained in the notes to the consolidated financial statements. The consolidated balance sheet has been structured in line with the maturities of the respective assets and liabilities. All assets and liabilities maturing or due to be sold within the next twelve months are classified as current. Assets and liabilities earmarked for realization in the company's usual course of business are also classified as current, even when their maturities exceed twelve months. In the case of financial liabilities, a distinction has been made between the repayment installments due for payment within the next twelve months (current financial liabilities) and long-term portions (non-current financial liabilities). Pursuant to IAS 1.56, deferred taxes must generally be recognized as non-current items.

ACCOUNTING STANDARDS REQUIRING MANDATORY APPLICATION FOR THE FIRST TIME IN THE CURRENT FINANCIAL YEAR

The following accounting standards and interpretations required mandatory application for the first time in the 2013 financial year:

Standard	Titel	Effective Date[1]	EU endorsement
New and amended standards and interpretations			
IAS 1	Amendment to IAS 1: Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income The amendments introduce new requirements for the presentation of other comprehensive income. The option of providing one or two presentations is retained in the amendments. However, the presentation of other comprehensive income has been changed in that subtotals are now required for items capable of "recycling" (e. g. cash flow hedges, foreign currency translations), and those not capable of "recycling" (e. g. specified items to be recognized under other comprehensive income pursuant to IFRS 9 Financial Instruments, or recognition of the remeasurement component pursuant to IAS 19 (2011) Employee Benefits). The amendments to this standard have led to minor terminological changes and additions to the "Consolidated statement of comprehensive income".	01.01.2013	06.05.2012
Sundry	Annual Improvements to IFRS, 2009-2011 Cycle, published in May 2012 Various amendments were made to individual standards. Only the clarifications concerning the third balance sheet were relevant for the consolidated financial statements of STRATEC AG.	01.01.2013	12.11.2012
IAS 19	Amendment to IAS 19: Employee Benefits The most important amendment to IAS 19 is that unexpected fluctuations in pension obligations and any plan asset holdings, the so-called remeasurement component, previously actuarial gains and losses, must be recognized directly in other comprehensive income (OCI). The previous option between immediate recognition through profit or loss, in other comprehensive income (OCI), or deferred recognition using the corridor method has been abolished. A second amendment is that the return on plan assets may no longer be estimated based on the asset allocation and in line with the expected return, but that income resulting from the expected return on plan assets may only be recognized at the level of the discount rate. Furthermore, the amended version of IAS 19 calls for more extensive disclosures. Moreover, the treatment of termination benefits in IAS 19 has also been amended. This applies in particular to the point in time at which companies are required to recognize a liability for termination benefits. Furthermore, in respect of the recognition of termination benefits, the distinction between benefits paid in exchange for services performed and benefits paid in exchange for termination of employment has been amended. This could have implications for the recognition and measurement of termination benefits. Given the minor relevance of pension obligations and termination benefits at STRATEC AC, however, the overall implications of these amendments for its consolidated financial statements are of subordinate significance.	01.01.2013	06.05.2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine This interpretation is not relevant for STRATEC AG.	01.01.2013	12.11.2012

[1] for companies like STRATEC AG whose financial year corresponds to the calendar year

Standard	Titel	Effective Date[1]	EU endorse-ment
New and amended standards and interpretations			
IFRS 1	Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters This standard amendment is not relevant for STRATEC AG.	01.01.2013	12.11.2012
IFRS 7	Amendment to IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities The amendments to IFRS 7 require information about offsetting rights and associated arrangements (e. g. collateralization requirements) to be disclosed for financial instruments in an enforceable master netting agreement or equivalent arrangement. As STRATEC AG has not concluded any such agreements, these amendments do not have any implications for its consolidated financial statements.	01.01.2013	12.13.2012
IFRS 13	Fair Value Measurement IFRS 13 pools uniform standards governing measurement at fair value and the resultant disclosure obligations. The standard defines the concept of fair value, provides a framework for measuring fair value, and sets out the necessary disclosures. The scope of application for IFRS 13 is far-reaching and covers both financial and non-financial items. With certain exceptions, IFRS 13 has to be applied in all cases where another IFRS requires or permits fair value measurement, or requires disclosures on fair value measurement. The IFRS 13 requirements do not extend the scope of application of fair value measurement, but rather explain how fair value measurement is to be applied in cases where it is already required or permitted by other standards. First-time application of IFRS 13 resulted in minor extensions to disclosure obligations. The quantitative and qualitative disclosures made on the basis of the three-level fair value hierarchy, for example, have been extended.	01.01.2013	12.11.2012

[1] for companies like STRATEC AG whose financial year corresponds to the calendar year

The application of these standards and interpretations in the 2013 financial year was consistent with the respective transition requirements. Unless explicitly required by individual standards and interpretations and explained separately below, the respective requirements have generally been applied retrospectively, i. e. the information has been presented as if the new accounting methods had always been applied in the past. In these cases – and where called for by the respective standard – the comparative figures have been adjusted accordingly.

Overall, first-time application of the aforementioned requirements did not have any material impact on the presentation of the net asset, financial, and earnings position or on earnings per share. The implications of the first-time application of the revised version of IAS 19 are presented in the statement of changes in equity.

VOLUNTARY AMENDMENT OF ACCOUNTING METHODS

Implementation of recommendations made by German Financial Reporting Enforcement Panel

In 2011, the German Financial Reporting Enforcement Panel (DPR) subjected the consolidated financial statements of STRATEC AG as of December 31, 2010 and the accompanying group management report for the 2010 financial year to a random sample audit pursuant to § 342b (2) Sentence 3 Number 3 of the German Commercial Code (HGB). By communication dated November 1, 2011, the DPR informed the company that no erroneous financial reporting had been identified for the 2010 financial year.

During its audit, the DPR provided recommendations on specific financial reporting topics. The Board of Management of STRATEC AG reviewed these directly and in detail and already implemented the majority of the recommendations in the 2011 consolidated financial statements. On the one hand, these involved the subdivision within the segment report into “Instrumentation” and “All other segments” reporting segments presented from the 2011 financial year onwards (please see Page 99 onwards). On the other hand, the recommendations concerning the delineation of cash-generating units for the goodwill impairment test performed pursuant to IAS 36 (Impairment of Assets) were implemented. These measures had no implications – either prospectively or retrospectively – for the consolidated financial statements.

The recommendations made concerning the accounting treatment of development cooperations were significantly more complex in terms of their "technical" implementation (especially the distinction between new and existing cases), as these basically represented an amended accounting treatment affecting the "core business" of STRATEC AG. The implementation of these recommendations required substantial organizational, process-related and personnel input throughout the 2012 and 2013 financial years. Furthermore, the processes involved were agreed in detail with advisors, auditors and other institutions. The overall process was therefore only completed, taking due account of the interests of the capital market, in the consolidated financial statements at the end of the 2013 financial year. Pursuant to IAS 8.19 (b), the use of an amended accounting method to recognize development cooperations has been implemented retrospectively.

In this respect, the accounting methods previously applied have been amended as follows.

RECOGNITION UP TO AND INCLUDING QUARTERLY REPORT AS OF SEPTEMBER 30, 2013

- Within development expenses, a distinction was first made between development cooperations and proprietary development projects.

- Development cooperations were recognized under unfinished services as product development expenses for specific customers. These were measured at cost. Where development cooperations also involved subsequent arrangements for an appliance manufacturing stage, recognition of manufacturing costs, taking due account of future cash flows, was not limited to the volume of payments granted. The assessment as to whether the costs capitalized might be impaired was performed by analogy with the principles set out in IAS 36 (please see "Impairment tests"). The payments granted for services performed during the development stage were recognized under other current liabilities through to completion of the respective development services

- For development cooperations, sales generated following completion of the development stage were recognized in the amount of the payments granted. Where payments granted were lower than the manufacturing costs incurred during the development stage, but an appliance manufacturing stage was due to follow, the surplus amount of manufacturing costs following completion of the development stage continued to be recognized under unfinished services. This surplus amount was then expensed in the consolidated statement of comprehensive income over the corresponding appliance manufacturing stage.

- Following completion of the development stage, the customer-specific production of appliances was recognized using the percentage of completion method in accordance with the requirements of IAS 11 (Construction Contracts). The percentage of completion was determined by reference to the ratio of contract costs incurred as a percentage of total contract costs. Orders are regularly based on fixed-price agreements and were recognized in the "Future receivables from construction contracts" item in the consolidated balance sheet.

- Development expenses for proprietary development projects were generally recognized as expenses in the period in which they were incurred, with the exception of research and development projects acquired upon company acquisitions, and development expenses cumulatively meeting the criteria stipulated in IAS 38.57. Capitalized development expenses were tested for impairment at least once a year in line with IAS 36 in cases where they were not yet ready for their intended use. Impairment losses were recognized when the carrying amount of the capitalized assets exceeded the recoverable amount.

FOLLOWING IMPLEMENTATION OF THE AMENDED ACCOUNTING METHOD, BY CONTRAST, DEVELOPMENT EXPENSES HAVE BEEN RECOGNIZED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AS FOLLOWS:

- A distinction continues to be made between development cooperations and proprietary development projects.

- The accounting treatment of proprietary development projects is unchanged on previous accounting practice in the consolidated financial statements.

- The accounting treatment of development cooperations is now as follows:

  For these items, it is first assessed whether the respective development cooperation constitutes a construction contract pursuant to IAS 11. This assessment is largely based on the relevant facts and circumstances as to whether a binding agreement for the recovery of the costs of the non-recurring phase already exists upon conclusion of the development agreement. Such facts and circumstances may, for example, involve the conclusion of an appliance production and supply agreement with minimum purchase volumes at the same time at which the development agreement is concluded. Furthermore, the assessment will also account for any damages compensation clauses in the event of the development agreement being cancelled. Where it is concluded that a binding agreement for the recovery of the costs of the non-recurring phase exists, the development agreement then constitutes a construction contract pursuant to IAS 11.

  In this case, sales are recognized in accordance with the requirements of IAS 11 in the development stage already. Pursuant to IAS 11.32 et seq., however, the sales recognized are limited to the amount of contract costs incurred. No earnings are therefore be recognized. Here too, the respective contracts are tested for impairment as a minimum as of each balance sheet date. The impairment test is performed by analogy with the requirements of IAS 36.

  Development cooperations classified as construction contracts are recognized during the development stage in each case in line with IAS 11 as either receivables or liabilities from construction contracts. Any differential amount arising following completion of the development stage between the development expenses capitalized and the prepayments received is amortized in the subsequent appliance manufacturing stage within sales over the agreed minimum purchase volume.

  Where no binding agreement for the recovery of the costs of the non-recurring phase exists upon conclusion of the development agreement, the respective orders are not recognized in accordance with the requirements of IAS 11 during the development stage.

  For these orders, amounts not covered by prepayments received gradually arise as the relevant development work progresses. Based on past experience at STRATEC AG, however, these amounts are as a general rule significantly offset by future appliance sales. Here, historic figures are compared with the latest market information. Where the requirements of IAS 38.57 are cumulatively met, the (prorated) shortfall determined for these projects using the percentage of completion method is capitalized. These items are recognized as intangible assets within non-current assets pursuant to IAS 38, while the development expenses covered by prepayments received are recognized as unfinished services pursuant to IAS 2 (Inventories).

For these orders, the recognition of sales during the development stage is generally based on the percentage of completion pursuant to IAS 18.21. In line with IAS 18.24 (c), percentage of completion is calculated as the ratio of the costs incurred as of the balance sheet date to the estimated total costs for the development agreement. In the case of contingent milestone payments pursuant to IAS 18.25 Sentence 2, however, sales may only be recognized when the respective conditions governing the milestone payment have been met. In these cases too, the sales thereby recognized are "capped" at the percentage of completion of the order at that point in time.

Unfinished services pursuant to IAS 2 are recognized as costs of sales in each case at the time at which the aforementioned principles governing recognition of sales are met, while the capitalized shortfall pursuant to IAS 38.97 et seq. is amortized over the expected purchase volume following completion of the development stage and from the beginning of the appliance manufacturing stage. This amortization is also recognized within cost of sales. Furthermore, in line with IAS 36.10 (a) the capitalized shortfall is tested for impairment as a minimum as of each balance sheet date – and also during the financial year should there be any corresponding indications of impairment.

In contrast to our previous accounting practice, the recognition of sales in the appliance manufacturing stage is now treated as a "sale of goods" pursuant to IAS 18.14 et seq. and no longer as a construction contract pursuant to IAS 11. This approach is adopted irrespective of whether or not the order constitutes a construction contract pursuant to IAS 11 in the preceding development stage.

Voluntary adjustments to presentation of shareholders' equity and statement of changes in equity

Unlike in previous years, the presentation of shareholders' equity and the statement of changes in equity have been adapted to the proposals made by the IASB in the Implementation Guidance to IAS 1. In this regard, starting in the consolidated financial statements for the 2013 financial year, no separate line item has been reported for "Consolidated net income" in the balance sheet and no separate column has been reported for "Consolidated net income" in the statement of changes in equity.

Implications of error correction

It was established in the 2013 financial year that inventories at STRATEC Biomedical USA, Inc., Newbury Park, USA, with a carrying amount of € 203k had unintentionally and in contravention of IAS 2.34 not been recognized as expenses in the reporting period (2012) in which the relevant revenues were recognized. The figures were therefore adjusted retrospectively pursuant to IAS 8.41 et seq. in the current financial year.

Furthermore, it was established in the 2013 financial year that in the consolidated cash flow statement for the 2012 financial year individual cash flows had not been appropriately allocated to the respective sections of the consolidated cash flow statement. The figures were therefore also adjusted retrospectively pursuant to IAS 8.41 et seq. in the current financial year.

AGGREGATE PRESENTATION OF IMPLICATIONS

The amended accounting methods and error correction had the following specific implications for the net asset, financial, and earnings position:

CORRECTION IN OPENING CONSOLIDATED BALANCE SHEET OF STRATEC BIOMEDICAL AG AS OF JANUARY 1, 2012

BALANCE SHEET ITEM in € thousand	December 31, 2011 (as reported)	Adjustments pursuant to IAS 8	Opening balance sheet as of January 1, 2012
Other intangible assets	5,874	13,813	19,687
Deferred taxes	630	621	1,251
Unfinished products, unfinished services	30,409	-21,992	8,417
Trade receivables	15,331	514	15,845
Future receivables from construction contracts	5,992	-1,763	4,229
TOTAL ASSETS	**110,997**	**-8,807**	**102,190**

in € thousand			
Revenue reserves	40,098	12,635	52,733
of which from reclassification to revenue reserves		15,282	
of which item resulting from amended accounting		-2,647	
Consolidated net income	15,282	-15,282	0
Other equity	870	-231	639
Deferred taxes	1,352	-195	1,157
Other current liabilities	10,338	-5,734	4,604
TOTAL SHAREHOLDERS' EQUITY AND DEBT	**110,997**	**-8,807**	**102,190**

CORRECTION IN CONSOLIDATED BALANCE SHEET OF STRATEC BIOMEDICAL AG AS OF DECEMBER 31, 2012

BALANCE SHEET ITEM in € thousand	December 31, 2012 (as reported)	Adjustments pursuant to IAS 8	December 31, 2012 (adjusted)
Other intangible assets	6,192	16,088	22,280
Deferred taxes	1,260	875	2,135
Unfinished products, unfinished services	34,406	-26,560	7,846
Trade receivables	23,802	1,825	25,627
Future receivables from construction contracts	6,627	-5,616	1,011
TOTAL ASSETS	**121,838**	**-13,388**	**108,450**

in € thousand			
Revenue reserves	48,966	9,802	58,768
of which from reclassification to revenue reserves		13,973	
of which item resulting from amended accounting		-4,171	
Consolidated net income	13,973	-13,973	0
Other equity	1,061	-272	789
Deferred taxes	2,060	-456	1,604
Other current liabilities	13,707	-8,489	5,218
TOTAL SHAREHOLDERS' EQUITY AND DEBT	**121,838**	**-13,388**	**108,450**

CORRECTION IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF STRATEC BIOMEDICAL AG FOR THE 2012 FINANCIAL YEAR

ITEM IN INCOME STATEMENT in € thousand	2012 financial year (as reported)	Adjustments pursuant to IAS 8	2012 financial year (adjusted)
Sales	122,424	243	122,667
Cost of sales	-82,854	-828	-83,682
GROSS PROFIT	**39,570**	**-585**	**38,985**
Research and development expenses	-19,319	23	-19,296
of which capitalized	16,568	-788	15,780
Sales-related expenses	-9,694	569	-9,125
General administration expenses	-8,780	-87	-8,867
Other operating expenses	-1,582	-1,138	-2,720
Other operating income	855	-34	821
EBIT	**17,618**	**-2,040**	**15,578**
Deferred tax income / expenses	-67	516	449
CONSOLIDATED NET INCOME	**13,973**	**-1,524**	**12,449**
Earnings per share	1.19		1.06
Diluted earnings per share	1.19		1.06

CORRECTION IN CONSOLIDATED CASH FLOW STATEMENT OF STRATEC BIOMEDICAL AG FOR THE 2012 FINANCIAL YEAR

ITEM IN CASH FLOW STATEMENT in € thousand	2012 financial year (as reported)	Adjustments pursuant to IAS 8	2012 financial year (adjusted)
Consolidated net income (after taxes)	13,973	-1,524	12,449
Depreciation and amortization	3,761	2,207	5,968
Income taxes paid less income taxes received	-5,758	-54	-5,812
Financial income	-316	80	-236
Financial expenses	570	-257	313
Interest paid	-217	-119	-336
Interest received	114	86	200
Other non-cash expenses	684	-136	548
Other non-cash income	-2,495	2,180	-315
Change in net pension provisions through profit or loss	28	-33	-5
CASH FLOW	**13,667**	**2,430**	**16,097**
Change in deferred taxes through profit or loss	67	-516	-449
Profit on disposal of non-current assets	-24	65	41
Increase in inventories, trade receivables, and other assets	-14,244	6,944	-7,300
Increase in trade payables and other liabilities	3,254	-2,261	993
INFLOW OF FUNDS FROM OPERATING ACTIVITIES	**2,720**	**6,662**	**9,382**
Incoming payments from disposals of property, plant and equipment	73	-19	54
Outgoing payments for intangible assets	-211	-5,709	-5,920
Outgoing payments for property, plant and equipment	-2,274	-376	-2,650
Outgoing payments for acquisitions of consolidated companies	0	-493	-493
OUTFLOW OF FUNDS FOR INVESTING ACTIVITIES	**-2,412**	**-6,597**	**-9,009**
Change in scope of consolidation	0	6	6
Impact of exchange rate movements	139	-71	68

ACCOUNTING REQUIREMENTS ALREADY PUBLISHED BUT NOT YET APPLIED

The IASB and IFRIC have issued the following standards, amendments and revisions to standards and interpretations not yet requiring mandatory application. Application of the new and revised standards and interpretations is dependent, among other factors, on their acceptance by the European Union within its IFRS endorsement procedure.

Standard	Titel	Effective date[1]	EU endorsement
New and amended standards and interpretations			
IAS 27	New version of IAS 27: Consolidated and Separate Financial Statements	01.01.2014	12.11.2012
IAS 28	New version of IAS 28: Investments in Associates and Joint Ventures	01.01.2014	12.11.2012
IAS 32	Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities	01.01.2014	12.13.2012
IFRS 9	Financial Instruments: Revision and Replacement of All Existing Standards (Classification and Measurement)	01.01.2015	Still outstanding
IFRS 9 / IFRS 7	Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	01.01.2015	Still outstanding
IFRS 10	Consolidated Financial Statements	01.01.2014	12.11.2012
IFRS 11	Joint Arrangements	01.01.2014	12.11.2012
IFRS 12	Disclosures of Interests in Other Entities	01.01.2014	12.11.2012
Sundry	Amendment to IFRS 10, IFRS 12, and IAS 27: Investment Entities	01.01.2014	11.20.2013
Sundry	Amendment to IFRS 10, IFRS 12, and IAS 27: Amendment to Transition Guidance	01.01.2014	04.04.2013
IAS 39	Amendments to IAS 39: Novations of Derivatives and Continuation of Hedge Accounting	01.01.2014	12.19.2013
Sundry	Annual Improvements to IFRS, 2010 – 2012 cycle, published in December 2013	07.01.2014	Expected in Q3 2014
Sundry	Annual Improvements to IFRS, 2011 – 2013 Cycle, published in December 2013	07.01.2014	Expected in Q3 2014
IAS 19	Amendments to IAS 19: Defined Benefit Plans, Employee Contributions	07.01.2014	Expected in Q3 2014
IFRIC 21	Levies	01.01.2014	Expected in Q3 2014
IFRS 14	Regulatory Deferral Accounts	01.01.2016	Expected in Q3 2014

[1] for companies like STRATEC AG whose financial year corresponds to the calendar year

STRATEC AG does not intend to make any voluntary, premature application of these standards and interpretations.

In the interests of reporting efficiency, only those standards and interpretations have been outlined below which, based on the information currently available and given the business model and business transactions customary at the STRATEC Group, are very likely to have implications for the accounting policies or for the reporting and disclosure of information in STRATEC's consolidated financial statements in future financial years.

IFRS 9 (FINANCIAL INSTRUMENTS) AND AMENDMENTS TO IFRS 7 (FINANCIAL INSTRUMENTS: DISCLOSURES) AND IAS 32 (FINANCIAL INSTRUMENTS: PRESENTATION)

The IASB published IFRS 9, a new standard governing the classification and measurement of financial assets, in November 2009. This standard represents the first part of a three-stage project to completely replace IAS 39. According to the methods set out in IFRS 9, financial assets must be measured either at amortized cost or at fair value. Allocation to either of these measurement categories is dependent on the management of the financial instruments (so-called business model) and on the product features of the individual financial assets.

In October 2010, the IASB also published requirements for the accounting treatment of financial liabilities in IFRS 9. Accordingly, a company that has selected the fair value option for the recognition of its financial liabilities must recognize that portion of the change in fair value resulting from changes in the company's own credit risk directly in equity in its statement of comprehensive income, or in accumulated other equity, rather than in its income statement.

In December 2011, the IASB issued the amendment "Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)", in which the effective date of IFRS 9 is amended to financial years beginning on or after January 1, 2015. Furthermore, the alleviatory regulations concerning comparative figures and related IFRS 7 disclosures were also amended.

Given the complexity of the topics covered by IFRS 9, it is currently not possible to issue any reliable detailed statement concerning the expected implications for STRATEC's accounting.

Furthermore, in December 2011 the IASB also published amendments to IAS 32 and IFRS 7. These clarify the requirements governing offsetting. Moreover, the IASB has also decided to amend IAS 32 to clarify specific aspects which have resulted in variances in practice.

The amendments to the IFRS 7 requirements necessitate disclosures on all financial instruments recognized that have been offset pursuant to IAS 32.42. The amendments also call for disclosures to be made on all recognized financial instruments that are subject to an enforceable master netting or similar arrangement, even when such instruments are not offset pursuant to IAS 32.

The IASB is of the opinion that these disclosures will assist readers of the financial statements in assessing the effect or potential effect of offsetting arrangements, including rights to offset a company's recognized financial assets and financial liabilities, on the financial position of such company.

In February 2014, the IASB postponed the effective date for IFRS 9 to January 1, 2018.

The accounting implications of the amendments to IAS 32 and IFRS 7 for the consolidated financial statements of STRATEC AG are currently assessed as negligible.

IFRS 10 (CONSOLIDATED FINANCIAL STATEMENTS), IFRS 11 (JOINT ARRANGEMENTS), IFRS 12 (DISCLOSURES OF INTERESTS IN OTHER ENTITIES), IAS 27 (CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS) AND IAS 28 (INVESTMENTS IN ASSOCIATES)

In May 2011, the IASB published a package of five standards dealing with consolidation (IFRS 10), joint arrangements (IFRS 11), disclosures of interests in other entities (IFRS 12), separate financial statements (IAS 27 (2011)), and investments in associates and joint ventures (IAS 28 (2011)).

The principal requirements of the new standards are as follows:

IFRS 10 replaces the existing requirements for consolidated financial statements set out in IAS 27 and for special purpose entities set out in SIC 12. In IFRS 10, the IASB now lays down the control approach as a uniform principle. Under IFRS 10, control exists when the following three conditions are cumulatively met:

(a) A company must be able to exercise power over the shareholding (investee),
(b) must be exposed to variable returns from its involvement,
(c) must have the ability to use its power to affect the amount of its returns.

Furthermore, the standard sets out extensive guidelines for implementing complex structures.

IFRS 11 replaces the existing requirements set out in IAS 31 and SIC 13. IFRS 11 governs the classification of joint arrangements. A joint arrangement is defined as a contractual agreement in which two or more parties exercise joint management over something. Joint management may be exercised over a joint operation or a joint venture. Unlike IAS 31, IFRS 11 does not separately address the accounting treatment of jointly controlled assets. Here, application is rather made of the regulations governing jointly controlled operations. Classification of a joint arrangement as a joint operation or a joint venture is dependent on the rights and obligations accruing to the parties to the arrangement. Furthermore, IFRS 11 requires application of the equity method for the inclusion of joint ventures, while IAS 31 permits either proportionate consolidation or the equity method for jointly controlled entities.

IFRS 12 is a standard governing note disclosures. It is applicable to companies holding investments in subsidiaries, joint arrangements (joint operations or joint ventures), associates and / or unconsolidated structured units. In general, the disclosures called for in IFRS 12 are significantly more far-reaching than in the currently valid standards.

The new standards IFRS 10 to 12 have triggered fundamental follow-up amendments to IAS 27 (2011) and IAS 28 (2011).

At STRATEC AG, these five new standards will result in extended disclosures in the notes to the consolidated financial statements. No further implications are expected by STRATEC AG.

PUBLISHED ACCOUNTING REQUIREMENTS OF WHICH VOLUNTARY PREMATURE APPLICATION WAS MADE

STRATEC AG made voluntary premature application of the amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets in the 2013 financial year.

The amendments to this standard mean that recoverable amount disclosures are only required for assets and cash generating units in cases where an impairment is recognized or reversed in the current period. Furthermore, the amendments clarify the disclosure obligations for measurement methods and fair value hierarchies pursuant to IFRS 13. These amendments did not have any implications for the net asset, financial, or earnings position in the consolidated financial statements of STRATEC AG.

B. ACCOUNTING POLICIES APPLIED

CONSOLIDATION PRINCIPLES

Capital consolidation at STRATEC AG has been performed using the purchase method by offsetting the carrying amounts of investments against the prorated equity of the subsidiaries. This involves accounting for the assets and liabilities identifiable at the subsidiaries at the time of acquisition at fair value and for deferred taxes pursuant to IAS 12 (Income Taxes). Any remaining credit difference from capital consolidation is recognized as goodwill.

Intercompany profits and losses, sales, income and expenses have been eliminated, as have receivables and liabilities between the companies included in the consolidated financial statements. The income tax implications of consolidation entries have been accounted for by recognizing deferred taxes.

SCOPE OF CONSOLIDATION

The consolidated financial statements of STRATEC AG basically include all companies where STRATEC AG has the possibility of determining the financial and business policy (control relationship). Inclusion of these companies begins as of the acquisition date, i. e. from the date on which STRATEC AG first gains the possibility of exercising control and ends when STRATEC AG no longer exercises control. Shareholdings whose implications for the net asset, financial, and earnings position are of immaterial significance both individually and aggregately are included in the consolidated financial statements at cost, less any impairments, and recognized as investments in associates in the consolidated balance sheet. The financial data of those subsidiaries of immaterial significance cumulatively account for less than 1% of consolidated sales, group equity, group earnings and total group assets respectively.

As in the previous year, in addition to STRATEC AG the consolidated financial statements as of December 31, 2013 include the following subsidiaries by way of full consolidation:

- STRATEC Biomedical Switzerland AG, Beringen, Switzerland
- STRATEC Biomedical UK, Ltd. Burton upon Trent, UK
- STRATEC Molecular GmbH (previously: STRATEC NewGen GmbH), Berlin, Germany,
- STRATEC Biomedical USA, Inc., Newbury Park, USA.

Furthermore, STRATEC Biomedical S.R.L, Cluj-Napoca, Romania, a company previously not fully consolidated due to materiality considerations, was included in the scope of consolidation for the first time in 2013. The resultant implications for the net asset, financial, and earnings position of the STRATEC Group are of subordinate significance.

Furthermore, the following factor resulted in amendments to the scope of consolidation in legal terms. By merger agreement dated August 6, 2013, STRATEC Molecular GmbH, Berlin, Germany, was merged in its entirety by dissolution and without liquidation into STRATEC NewGen GmbH, Birkenfeld, Germany with retrospective effect as of January 2, 2013. STRATEC NewGen GmbH was subsequently renamed as STRATEC Molecular GmbH and the company's headquarters was relocated from Birkenfeld, Germany, to Berlin, Germany. This measure did not have any implications for the net asset, financial, or earnings position in the consolidated financial statements of STRATEC AG.

As in the previous year, the level of shareholding and voting rights held as of December 31, 2013 amounted to 100% of voting capital at all of the companies.

Due to their immaterial significance, the following subsidiaries have not been included in the consolidated financial statements by way of full consolidation:

	Share capital	Shareholding %	Annual earnings[1]
STRATEC Biomedical Inc., Hamden, CT, USA	USD 15,000	100.0	USD -7,480 (2012: USD -5,779)
Sanguin International Inc., Hamden, CT, USA	USD 1,000	100.0	USD -32,690 (2012: USD -32,926)
STRATEC Biomedical (Taicang) Co. Ltd., Taicang, China	CNY 814,940	100.0	CNY -51,917 (2012: -)

[1] The earnings figures reported are based on the annual financial statements prepared in accordance with respective national accounting requirements as of December 31, 2013 and December 31, 2012 respectively.

COMPANY ACQUISITIONS

No companies were acquired in the 2012 and 2013 financial years. However, payments of fixed purchase price components were made in these years in connection with the takeover of STRATEC Biomedical USA, Inc. as of July 8, 2010. In the 2013 financial year, these six payments (previous year: 12) totaled USD 167k (previous year: USD 334k). A security deposit with a nominal total of USD 300k was paid at the beginning of 2012. All fixed purchase price components have thus now been settled.

Agreement was reached in the 2013 financial year concerning the performance-related and development-dependent purchase price components of USD 350k that were still outstanding and recognized under other current liabilities as of December 31, 2012. Taking due account of exchange rate differences, this resulted in income of € 276k from the reversal of other liabilities in the 2013 financial year. This income has been recognized under "Other operating income" in the consolidated statement of comprehensive income.

As of December 31, 2013, no payments were still outstanding in connection with the company acquisition.

CURRENCY TRANSLATION

Transactions in foreign currencies

Transactions in foreign currencies have been translated into the functional currency using the rate on the date of the transaction. On the balance sheet date, monetary items have been translated using the reporting date rate, while non-monetary items have been translated at the rate on the date of the transaction. Differences arising upon currency translation have been recognized through profit or loss in the consolidated statement of comprehensive income.

Translation of financial statements of foreign group companies

The functional currency of foreign group companies is the respective national currency, as the companies operate independently in financial, economic and organizational terms. Assets and liabilities at foreign companies have been translated into euros at the reporting date rate, while income and expenses have been translated into euros using annual average exchange rates. Equity components have been translated at historic rates upon the respective dates of addition from the Group's perspective. The translation difference compared with the reporting date rates has been recognized directly in equity in the "Other equity – Foreign currency translation" item.

The exchange rates between major currencies and the euro developed as follows:

		Reporting date rate		Average rate	
1 EUR /		2013	2012	2013	2012
GBP	UK	0.83	0.82	0.85	0.81
USD	USA	1.38	1.32	1.33	1.28
CHF	Switzerland	1.23	1.21	1.23	1.21
RON	Romania	4.47	4.44	4.42	4.46

OTHER INTANGIBLE ASSETS

Other intangible assets are recognized upon addition at cost in accordance with IAS 38.24. In line with IAS 38.27, the purchase costs of a separately purchased intangible asset particularly comprise the purchase price, less any reductions in the purchase price, plus costs directly attributable to preparing the asset for its intended use. In line with IAS 38.66, the construction costs of an internally generated intangible asset comprise all costs directly attributable to create, produce and prepare the asset to be capable of operating in the manner intended by the management.

In line with IAS 38.74, subsequent measurement is based on the cost model. Accordingly, other intangible assets with limited useful lives have been amortized in accordance with these, generally using the straight-line method unless the actual decline in their value requires another form of amortization. Furthermore, account is also taken where necessary of impairments (please see "Impairment tests"). Where the reasons for impairment no longer apply, the respective assets are written back to a maximum of amortized cost.

Amortization of intangible assets has been based on the following useful lives:

	Useful lives in years
Technologies	3 – 8
Customer relationships acquired	5
Current R&D projects acquired	8
Software and licenses	3

In respect of the accounting treatment of development cooperations, reference is made to the comments in Section A. General disclosures "Voluntary amendment of accounting methods".

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured upon initial recognition at cost in accordance with IAS 16.15 et seq.

In line with IAS 16.30, subsequent measurement is based on the cost model. Accordingly, in subsequent periods the costs recognized are reduced by depreciation, where the respective assets are depreciable. Depreciation has generally been performed using the straight-line method, unless the actual decline in value requires a use-based form of depreciation. Furthermore, account is also taken where necessary of impairments (please see “Impairment tests” below). Where the reasons for impairment no longer apply, the respective assets are written back to a maximum of amortized cost.

Costs incurred to repair or maintain items of property, plant and equipment have generally been recognized through profit or loss. Costs incurred for measures leading to the accrual of future economic benefit have been capitalized as retrospective costs.

Scheduled depreciation of property, plant and equipment has been based on the following useful lives:

	Useful lives in years
Buildings	25 – 33
Outdoor facilities	10 – 15
Technical equipment and machinery	3 – 10
Vehicles	3 – 5
Tools	3 – 6
IT components	3 – 5
Other plant and office equipment	3 – 10

Gains or losses incurred upon the sale, decommissioning or scrapping of items of property, plant and equipment have been recognized under other operating income or expenses in the amount of the difference between the potential proceeds on disposal and the residual carrying amount.

Investment property includes land and buildings held to generate rental income or for capital appreciation, rather than for proprietary performance of services, administration purposes, or sales within customary business activities. STRATEC AG lets out parts of the real estate recognized under property, plant and equipment to third parties external to the Group. Given the immaterial scope of these surfaces, they have not been recognized in a separate item.

BORROWING COSTS

Where a significant period of time is required to manufacture a respective asset (so-called qualifying asset), the borrowing costs incurred through to completion are capitalized as a component of cost where the requirements of IAS 23 (Borrowing Costs) are met.

At the STRATEC Group, qualifying assets may relate in particular to property, plant and equipment, intangible assets, and inventories / construction contracts in connection with development cooperations. As the STRATEC Group’s borrowing costs are of subordinate significance in terms of their amount, however, no borrowing costs have yet been capitalized pursuant to IAS 23 (Borrowing Costs).

SUBSIDIES AND GRANTS

Government grants intended to promote investment and directly allocable to the respective investments have been deducted from the amount capitalized for the object of investment. Non-repayable grants received as project subsidies for research and development projects are linked to the respective expenses and have been recognized through profit or loss under other operating income in the consolidated statement of comprehensive income.

LEASES

A leasing arrangement is classified as an operating lease in cases where all major risks and rewards relating to ownership remain with the lessor. The STRATEC Group only has operating leases in which the STRATEC Group acts as lessee. In line with IAS 17.33, payable leasing installments have been recognized in the consolidated statement of comprehensive income as expenses over the term of the leasing arrangement.

IMPAIRMENT TESTS

Impairment tests pursuant to IAS 36 (Impairment of Assets) are performed on goodwill and other intangible assets with unlimited or indefinite useful lives, as well as on intangible assets not yet ready for use, at least once a year and, in the case of other intangible assets with limited useful lives and property, plant and equipment, only if there are specific indications of impairment. Impairment losses have been recognized through profit or loss in the consolidated statement of comprehensive income to the extent that the recoverable amount of the asset, i. e. the higher of its fair value less costs to sell and its value in use, falls short of its carrying amount. In principle, the recoverable amount has been determined for each individual asset. Where this is not possible, the recoverable amount has been determined on the basis of a group of assets representing a cash generating unit. A review is performed at least once a year to ascertain whether there is any indication that the reason for impairment losses already recognized no longer applies or that the amount of impairment has reduced. In this case, the recoverable amount is newly determined and the impairment losses already recognized, unless they involve goodwill, are correspondingly reversed.

The cash generating units determined for goodwill impairment testing are “laboratory automation”, “workflow software”, “nucleic acid purification” and “contact-free measurement and capacity calculation methods”.

The determination of the recoverable amount for the cash generating units as of December 31, 2013 (2012) has been based on their value in use, defined as the present value of future net inflows of cash. The forecast future net inflows of cash have been based on current budgets at the STRATEC Group covering a detailed budget period of three years (previous year: five years). The budgets have in turn been based on assumptions concerning future sales volumes and sales prices, as well as on expected costs. Net inflows of cash beyond the detailed budget period have been presented as perpetuity, taking due account of growth rates based on current market information.

Growth rates of 1.0% (previous year: 1.5% to 2.2%) have been used for those cash generating units attributable overall to the “healthcare products and services” market or industry.

In line with IAS 36.A17 (a), capital costs of cash generating units have been calculated as the weighted average of their equity and debt capital costs (WACC).

Given the various risk and return profiles of the cash generating units thereby reviewed, the costs of capital have been calculated on an individual basis. The key parameters are as follows:

Cash generating unit	Growth rate beyond detailed budget period in %	Pre-tax-WACC in %
LABORATORY AUTOMATION		
2013	**1.0**	**10.31**
2012	1.5	9.41
WORKFLOW SOFTWARE		
2013	**1.0**	**9.91**
2012	1.5	9.91
NUCLEIC ACID PURIFICATION		
2013	**1.0**	**14.59**
2012	1.5	11.94
CONTACT-FREE MEASUREMENT AND CAPACITY CALCULATION METHODS		
2013	**1.0**	**12.40**
2012	2.2	12.40

Of the goodwill recognized, € 692k results from the acquisition of STRATEC Biomedical UK, Ltd. in the 2006 financial year, € 1,488k from the acquisition of STRATEC Molecular GmbH in the 2009 financial year, and € 2,247k from the acquisition of STRATEC Biomedical USA, Inc. in the 2010 financial year. For impairment testing purposes, the goodwill has been allocated to those cash generating units benefiting from the synergies.

For impairment testing purposes, the carrying amounts of the goodwill resulting from the aforementioned acquisitions have mainly been allocated to the "laboratory automation" and "workflow software" cash generating units on the basis of the ratios of the respective EBIT margins. These units have the following characteristics:

in € thousand	Laboratory automation		Workflow software	
	2013	2012	2013	2012
Carrying amount of goodwill	4,233	4,347	101	104
Carrying amount of CGU including goodwill	96,454	86,277	2,306	2,028

In line with IAS 36 (Impairment of Assets), the company performed the annual impairment test for these goodwill items as of December 31, 2013 and December 31, 2012 respectively.

The following key assumptions have been used to determine the recoverable amounts of the cash generating units:

"Laboratory automation": The budget for the recoverable amount has been based on budgeted average EBIT growth of 7.6% (previous year: 16.3%). This assumption reflects previous management experience. In perpetuity, a growth rate of 1.0% has been assumed (previous year: 1.5%).

"Workflow software": Average sales growth of 16.5% has been assumed (previous year: 29%). The EBIT margin has been budgeted at an average of around 7.3% (previous year: 11.5%). These assumptions are consistent with average growth prospects in the sector based on external market data. In perpetuity, a growth rate of 1.0% has been assumed (previous year: 1.5%).

The sensitivity analysis has assumed a reduction in the future cash flow and an increase in weighted costs of capital by 10% each, as changes on this scale would appear reasonable and possible, especially from a long-term perspective. On this basis, we concluded that there were no indications of any potential impairment in the goodwill reported at the STRATEC Group. As in the previous year, no impairment losses were therefore recognized in the year under report.

An amount of € 93k, and thus not material compared with the total carrying amount of goodwill, was allocated from the total carrying amount of goodwill to several cash generating units in 2012 (previous year: € 96k). For the goodwill thereby allocated as well, the annual impairment test did not identify any indications of impairment.

FINANCIAL ASSETS AND LIABILITIES

Financial assets consist of investments in associates, loans and receivables, other financial assets, and cash and cash equivalents.

Financial assets are recognized and measured in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). Accordingly, financial assets have been recognized in the consolidated balance sheet when the STRATEC Group has a contractual right to receive cash or other financial assets from third parties. These items are basically recognized as of their respective performance dates. They are initially recognized at fair value plus transaction costs. Transaction costs incurred upon the acquisition of financial assets measured at fair value through profit or loss have been expensed directly in the consolidated statement of comprehensive income.

Subsequent measurement is based on the asset's allocation to one of the following IAS 39 categories (Financial Instruments: Recognition and Measurement), which are governed by different measurement rules in each case:

Financial assets measured at fair value through profit or loss comprise financial assets held for trading. Other financial assets have been allocated to this category. Changes in the fair value of financial assets in this category are recognized through profit or loss in the consolidated statement of comprehensive income as of the date of increase or decrease in their value.

Loans and receivables are non-derivative financial assets not listed on any "active market". Trade receivables, future receivables from construction contracts, receivables from associates, the financial receivables included under other receivables and other assets have been allocated to this category, as have cash and cash equivalents. These items are measured at amortized cost using the effective interest method, accounting for impairments where appropriate. For impairments of trade receivables, a distinction is made between individual allowances and general allowances. These take appropriate account of default risks calculated on the basis of historic experience and individual risk assessments. Impairments of trade receivables are recognized in an allowances schedule. When a receivable is demonstrably in default, its carrying amount is written down directly. Given the short-term nature of the maturities (< 1 year), trade receivables are not discounted.

Available-for-sale financial assets include those non-derivative financial assets not allocated to any of the other measurement categories. Changes in the fair value of available-for-sale financial assets are recognized directly in equity. Changes in their fair value are only recognized through profit or loss upon disposal. When the fair value falls either permanently or significantly short of cost, then a corresponding impairment is recognized through profit or loss in the consolidated statement of comprehensive income. Financial assets for which no listed market price is available and whose fair value cannot be reliably estimated are measured at cost, less any impairment losses.

The STRATEC Group does not have any financial assets in the financial investments held to maturity category. STRATEC AG has not drawn on the option provided for in specified circumstances of designating financial assets upon initial recognition as financial assets measured at fair value through profit or loss.

When there are objective, substantial indications of impairment in the case of financial assets in the loans and receivables and available-for-sale financial assets categories, then a test is performed to ascertain whether their carrying amounts exceed the present value of the expected future cash flows determined on the basis of the market yields of comparable instruments. In this case, corresponding impairment losses are recognized through profit or loss.

Application is made of the following requirements when the reasons for impairment losses previously recognized no longer apply: Impaired items in the loans and receivables, available-for-sale debt instruments and held-to-maturity financial investments categories may not be written up beyond their respective amortized cost. Impairments of items in the available-for-sale equity instruments category may not be reversed through profit or loss. Impairments of unlisted equity instruments whose fair value cannot be reliably determined may not be reversed.

Financial assets are retired when the contractual rights to payment have expired or the financial assets have been assigned.

Financial liabilities are recognized in the consolidated balance sheet when the STRATEC Group has a contractual obligation to transfer cash or other financial assets to a third party. These items are initially recognized at the fair value of the consideration received, less transaction costs where appropriate. They are subsequently measured at amortized cost using the effective interest method. Financial liabilities are retired when the contractual obligations have been met or cancelled, or have expired. STRATEC AG has not drawn on the option provided for in specified circumstances of designating financial liabilities upon initial recognition as financial liabilities measured at fair value through profit or loss.

Where the STRATEC Group has made use of derivative financial instruments (generally currency futures to manage exchange risks), these have initially been recognized at fair value and subsequently measured at fair value as of each balance sheet date. Gains or losses resulting from measurement have been recognized directly through profit or loss in the consolidated statement of comprehensive income, unless the derivative is designated and effective as a hedge within hedge accounting. However, STRATEC AG has so far not drawn on the possibility of designating such instruments as hedges. Derivatives with positive fair values are recognized as financial assets, while derivatives with negative fair values are recognized as financial liabilities.

Other receivables and liabilities, i. e. deferrals / accruals, prepayments, and other non-financial assets and liabilities have been recognized at amortized cost.

INVENTORIES

Broadly speaking, inventories include assets held for sale in the normal course of business (finished products and merchandise), assets currently in the process of being manufactured for sale (unfinished products and unfinished services), and assets consumed during the manufacturing process or in the performance of services (raw materials and supplies). These items are measured at their cost of acquisition or at their net disposal value, if lower.

Upon addition, raw materials, supplies and merchandise are measured at their average cost of acquisition.

The manufacturing costs for unfinished and finished products include both directly allocable manufacturing wage and material expenses and a prorated share of material and production overheads, including depreciation. The manufacturing costs for unfinished services include both directly allocable manufacturing wage expenses and prorated production overheads. Administration expenses are also included to the extent that they can be directly allocated to production. Sales-related expenses are not included. Due to materiality considerations, borrowing costs as defined in IAS 23 (Borrowing Costs) have been recognized in full through profit or loss in the consolidated statement of comprehensive income.

Consistent with the business model at STRATEC AG, this balance sheet item also includes development cooperations. In respect of the accounting policies applied for the first time for development cooperations in the consolidated financial statements as of December 31, 2013, reference is made to the information in Section A. General disclosures "Voluntary amendment of accounting methods".

TAXES

The taxes on income reported include the taxes levied on taxable profit and deferred tax items at companies in the STRATEC Group. The income taxes reported have been calculated in accordance with the country-specific tax legislation valid or adopted as of the balance sheet date, and in the amount at which they are expected to be paid or refunded.

Other taxes levied on items other than income have been recognized under other operating expenses in the consolidated statement of comprehensive income.

Deferred taxes have been calculated using the liability method for temporary differences between the amounts recognized for assets and liabilities in the tax balance sheet and those stated in the IFRS financial statements, as well as for consolidation entries and loss carryovers likely to be realized.

Deferred tax assets on temporary differences and tax loss carryovers have been capitalized to the extent that it is likely that future taxable income will be available and that there is sufficient likelihood that the loss carryovers will be utilized. The assessment of the ongoing value of tax loss carryovers has been based on short and medium-term forecasts concerning the future earnings situation of the respective group company. In this assessment, STRATEC AG is further bound by the tax law norms valid as of the balance sheet date. Future legislative amendments may thus make it necessary to adjust the respective values through profit or loss.

Deferred tax assets and liabilities have been reported on a net basis in cases where they refer to the same taxable entity and the same tax authority. Where gains and losses have been recognized directly in equity, the same applies for the relevant deferred tax assets and liabilities.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Company pensions at the STRATEC Group involve both defined contribution and defined benefit schemes.

In defined contribution pension schemes, the company is obliged to pay contributions to state or private pension companies in accordance with statutory or contractual requirements. Apart from these contributions, the company is not subject to any further payment obligations. Current contributions have been recognized as expenses in the consolidated statement of comprehensive income.

The defined benefit pension schemes take the form of pension commitments made by the company. To cover its benefit obligations, the company makes contributions to external plan assets. For accounting purposes, all income and expenses are recognized within the company's operating earnings (EBIT). In line with IAS 19 (Employee Benefits), the present value of pension obligations has been calculated using the projected unit credit method. This involves future obligations being measured using actuarial methods. The calculations at STRATEC AG have mainly been based on statistical data concerning mortality and invalidity rates, on assumptions concerning the discount rate, and the expected income from plan assets. The expected return on plan assets is determined by reference to the return on the reinsurance policies (guaranteed interest, including annually allocated profit shares). The discount rate has basically been determined by reference to the yields on congruent company bonds of AA-rated companies, or additionally by reference to the yields on corresponding government bonds. The fair value of the plan assets has been deducted from the present value of the pension obligations. The obligations and plan assets are measured annually. Actuarial calculations are generally performed as of the balance sheet date, unless advance surveys are obtained in order to ensure prompt preparation of the financial statements. Consistent with the amendments to IAS 19, starting in the 2013 financial year remeasurements have been recognized for the first time directly in "Other comprehensive income".

OTHER PROVISIONS

Other provisions have been recognized to cover legal or constructive obligations to third parties resulting from past events which are likely to lead to a future outflow of resources and for which the expected amount of the obligation can be reliably estimated.

Such obligations have been recognized at the present values of the expected outflow of resources where this is expected to occur later than in the following year. Refund claims due from third parties have been recognized separately from provisions to the extent that their realization is virtually certain.

Other provisions include those for guarantee and warranty obligations. The calculation of the scope of obligation has been based on the sales involving such guarantees thereby generated, on the respective contractual warranty periods, and on past empirical values.

RECOGNITION OF SALES, COST OF SALES, RESEARCH AND DEVELOPMENT EXPENSES

The key principles governing the recognition of sales and the recognition of cost of sales and research and development expenses in respect of the business model at STRATEC AG have been amended in the consolidated financial statements as of December 31, 2013 in line with the extensive information provided in Section A. General disclosures "Voluntary amendment of accounting methods". The comparative figures for the previous year have been retrospectively adjusted. To avoid repetition, reference is made to the comments provided in Section A. The following aspects should also be noted:

Cost of sales basically consists of production-related manufacturing expenses for completed development cooperations and sold products. Alongside directly attributable individual material and production costs, they also include systematically attributed production overheads, including depreciation of production-related assets and impairments of inventories.

Development expenses of € 2,279k were capitalized for proprietary development projects in the 2013 financial year (previous year: € 2,164k). Pursuant to IAS 38.54, outlays allocable to research expenses have been recognized as expenses in the period in which they are incurred.

DISCRETIONARY DECISIONS AND FORWARD-LOOKING ASSUMPTIONS

The preparation of the consolidated financial statements requires a certain number of discretionary decisions and forward-looking assumptions to be made which have implications for the method of statement and volume of assets, liabilities, expenses, income and contingent liabilities thereby recognized.

Discretionary decisions and forward-looking assumptions have to be made in particular in connection with the recognition of development expenses as presented in Section A. General disclosures "Voluntary amendment of accounting methods". Further, such decisions and assumptions also have to be made for establishment of uniform useful lives for non-current assets at the Group, the allocation of goodwill to cash generating units, the determination of the recoverable amount for impairment testing purposes, the measurement of pension provisions, the fair value measurement of stock options granted, the measurement of provisions, the recognition of deferred tax assets on tax loss carryovers, and the determination of the functional currency of foreign business units.

The most important discretionary decisions and forward-looking assumptions, as a result of which there may be a substantial risk of significant adjustments being required in the assets and liabilities thereby recognized in the coming financial year, are presented in greater detail below:

DISCRETIONARY DECISIONS

1. CAPITALIZATION OF INTERNALLY GENERATED INTANGIBLE ASSETS IN CONNECTION WITH THE DEVELOPMENT, OR DEVELOPMENT STAGE, OF A PROPRIETARY DEVELOPMENT PROJECT

The assessment as to whether the requirements for capitalization have been met in each individual case represents a significant discretionary decision. Given the empirical values available in the fields of development and project management, STRATEC AG assumes that the estimates in terms of technical feasibility, expected overall costs and market conditions are reliable. When determining the recoverable amount, assumptions have been made concerning product lifecycles and the resultant future cash flows. The discount rates have been based on the relevant weighted average costs of capital (WACC) of the cash generating unit performing the development work, adjusted where appropriate to account for inherent development risks, and spread over the relevant term.

2. RECOGNITION OF DEVELOPMENT COOPERATIONS

Within the business model of the STRATEC Group, the adequate recognition of development cooperations including analyzer system production represents one of the core problems, and one that is subject to significant discretionary decisions. Reference is made to the information in Section A. General disclosures "Voluntary amendment of accounting methods".

3. ALLOCATION OF GOODWILL TO CASH GENERATING UNITS FOR IMPAIRMENT TESTING PURPOSES

The allocation of goodwill acquired upon company acquisitions to cash generating units for impairment testing purposes pursuant to IAS 36 (Impairment of Assets) is subject to significant discretionary decisions. From the takeover date onwards, STRATEC AG allocates the goodwill resulting from any company acquisition to each cash generating unit at the company intended to benefit from the synergies expected to arise on account of the business combination. STRATEC AG works with appropriate key figures (EBIT margins) to determine the potential synergies expected in each case.

4. IDENTIFICATION OF FUNCTIONAL CURRENCY

When determining the functional currency of a foreign business operation and deciding whether its functional currency is identical with that of the reporting company, reference has to be made to the indicators specified in IAS 21 (The Effects of Changes in Foreign Exchange Rates). When these indicators provide a mixed picture and the functional currency is not immediately apparent, STRATEC AG determines at its own discretion which functional currency best reflects the economic implications of the underlying business transactions, events and circumstances. In the case of foreign group companies, the respective national currencies have accordingly been chosen as the functional currencies.

FORWARD-LOOKING ASSUMPTIONS

1. DETERMINATION OF THE RECOVERABLE AMOUNT WHEN TESTING GOODWILL FOR IMPAIRMENT UNDER IAS 36 (IMPAIRMENT OF ASSETS)

Due to the large number of variables involved, the goodwill impairment test (carrying amount as of December 31: € 4,427k; previous year: € 4,547k) is subject to a difficult assessment involving a significant degree of uncertainty in the estimates used. The principal assumptions underlying the impairment test performed at each balance sheet date are outlined in Section B. “Accounting policies applied – Impairment tests”. When performing sensitivity analyses for goodwill impairment tests, a reduction in the future cash flow and an increase in the weighted costs of capital by 10% each has been assumed, as changes on this scale would appear possible from a long-term perspective. On this basis, STRATEC AG has concluded that there are no indications of potential impairment in the goodwill of any of its cash generating units.

2. DETERMINATION OF THE RECOVERABLE AMOUNT WHEN TESTING OTHER INTANGIBLE ASSETS FOR IMPAIRMENT UNDER IAS 36 (IMPAIRMENT OF ASSETS)

Other intangible assets (e.g. capitalized development expenses) are tested for impairment either upon the occurrence of a triggering event (where the respective assets are subject to scheduled amortization) or at least once a year (where the respective assets are not subject to scheduled amortization) (carrying amount as of December 31: € 25,761k; previous year: € 22,280k). These impairment tests are also subject to the same difficulties and discretionary scope as the goodwill impairment test. When performing sensitivity analyses for these impairment tests, a reduction in the future cash flows and an increase in the weighted costs of capital by 10% each has been assumed, as changes on this scale would appear possible from a long-term perspective. On this basis, STRATEC AG has concluded that there are no indications of potential impairment in these assets.

3. IMPAIRMENT TEST ON CONSTRUCTION CONTRACTS AND UNFINISHED SERVICES IN CONNECTION WITH DEVELOPMENT COOPERATIONS

The impairment test on capitalized construction contracts and unfinished services in connection with development cooperations is performed by analogous application of the principles set out in IAS 36 (carrying amount as of December 31: € 1,367k; previous year: € 1,544k). These impairment tests are thus subject to the same difficulties and discretionary scope as the impairment tests performed on goodwill and other intangible assets. When performing sensitivity analyses for these impairment tests, a reduction in the future cash flows and an increase in the weighted costs of capital by 10% each has been assumed, as changes on this scale would appear possible from a long-term perspective. On this basis, STRATEC AG has concluded that there are no indications of potential impairment in these assets.

4. MEASUREMENT OF STOCK OPTION RIGHTS GRANTED UPON DATE OF CONTRACTUAL COMMITMENT AND CALCULATION OF THE RESULTANT PERSONNEL EXPENSES AND AMOUNT ALLOCATED TO THE CAPITAL RESERVE PURSUANT TO IFRS 2 (SHARE-BASED PAYMENTS)

The calculation of the fair value of option rights granted, which amount is then distributed as personnel expenses over the vesting period, requires forward-looking estimates. In particular, the selection of the option price model underlying the calculation is made on the subjective assessment of the management. The management is convinced that the Black-Scholes model used represents a suitable valuation model for the stock options granted at the STRATEC Group. The principal parameters involving estimates (expected future volatility, dividend yield, turnover of subscription beneficiaries) have been presented in Section C. "Disclosures on the balance sheet – Stock option programs".

5. CALCULATION OF PROVISION FOR GUARANTEE AND WARRANTY OBLIGATIONS PURSUANT TO IAS 37 (PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS)

When calculating the provision for guarantee and warranty obligations (carrying amount as of December 31: € 679k; previous year: € 608k), the management takes due account of historic values from previous years and projects these onto sales involving guarantee commitments in the financial year under report. Actual expenses in future financial years may deviate from the estimated figures.

6. RECOGNITION OF DEFERRED TAXES FOR TEMPORARY DIFFERENCES AND TAX LOSS CARRYOVERS ELIGIBLE FOR FUTURE USE PURSUANT TO IAS 12 (INCOME TAXES)

In its assessment that the – predominantly short-term – differences between the figures recognized for tax purposes and the figures recognized in the IFRS consolidated financial statements will reverse in subsequent financial years, the management is bound pursuant to IAS 12 (Income Taxes) by the requirements of tax law valid as of the balance sheet date. Future legislative amendments could therefore make it necessary to adjust these figures through profit or loss. In its assessment that it will be possible to offset the tax loss carryovers recognized against future profits, the management relies on its short and medium-term budget forecasts. The actual materialization of future profits is based on discretionary estimates.

There are no other significant forward-looking assumptions and major sources of uncertainty concerning estimates at the balance sheet date which involve any substantial risk of material adjustments being required in the assets and liabilities thereby recognized within the coming financial year.

C. DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET

(1) GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets developed as follows in the 2013 financial year:

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
ACQUISITION AND MANUFACTURING COSTS BALANCE AT 12.31.2012	4,547	7,385	431	23,199	3,120	38,682
Change in scope of consolidation	0	0	0	0	50	50
Additions	0	0	0	7,061	457	7,518
Disposals	0	0	0	0	5	5
Currency differences	-120	-149	0	-36	-22	-327
BALANCE AT 12.31.2013	4,427	7,236	431	30,224	3,600	45,918

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENTS BALANCE AT 12.31.2012	0	5,132	147	3,907	2,669	11,855
Change in scope of consolidation	0	0	0	0	23	23
Additions	0	1,549	49	2,015	393	4,006
Disposals	0	0	0	0	5	5
Currency differences	0	-127	0	-3	-19	-149
BALANCE AT 12.31.2013	0	6,554	196	5,919	3,061	15,730
CARRYING AMOUNTS AT 12.31.2013	4,427	682	235	24,305	539	30,188
Carrying amounts at 12.31.2012	4,547	2,253	284	19,292	451	26,827

The goodwill results from the acquisitions of the subsidiaries STRATEC Biomedical UK, Ltd., STRATEC Molecular GmbH, and STRATEC Biomedical USA, Inc., in previous years.

The amount recognized for technologies involves the expertise identified in the context of company acquisitions and was structured as follows at the balance sheet date:

in € thousand	12.31.2013	12.31.2012
Workflow software (STRATEC Biomedical UK, Ltd.)	90	461
RNA / DNA purification (STRATEC Molecular GmbH)	592	790
Contact-free measurement and capacity calculation methods (STRATEC Biomedical USA, Inc.)	0	1,002
TOTAL	682	2,253

Current research and development projects acquired are attributable to the acquisition of the STRATEC Molecular GmbH subsidiary in the 2009 financial year.

The amount recognized for internally generated intangible assets includes both development expenses capitalized for proprietary development projects (€ 6,415k; previous year: € 4,002k) and development expenses capitalized for development cooperations (€ 17,890k; previous year: € 15,290k). Reference is made to the information in Section A. General disclosures "Voluntary amendment of accounting methods".

The other rights and values item includes software and licenses (€ 539k; previous year: € 366k) and customer relationships identified upon company acquisitions (€ 0k; previous year: € 85k).

Impairments losses of € 935k were recognized for contact-free measurement and capacity calculation methods in the 2013 financial year (previous year: € 0k).

In the consolidated statement of comprehensive income, amortization and the impairment losses recognized for intangible assets are recognized within the individual functional divisions in line with their causation.

Intangible assets developed as follows in the 2012 financial year:

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
ACQUISITION AND MANUFACTURING COSTS BALANCE AT 12.31.2011	4,584	7,304	431	17,505	2,929	32,753
Additions	0	0	0	5,703	217	5,920
Disposals	0	0	0	0	26	26
Currency differences	-37	81	0	-9	0	35
BALANCE AT 12.31.2012	4,547	7,385	431	23,199	3,120	38,682

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
ACCUMULATED AMORTIZATION BALANCE AT 12.31.2011	0	4,380	98	1,699	2,305	8,482
Additions	0	670	49	2,207	388	3,314
Disposals	0	0	0	0	26	26
Currency differences	0	82	0	1	2	85
BALANCE AT 12.31.2012	0	5,132	147	3,907	2,669	11,855
CARRYING AMOUNTS AT 12.31.2012	4,547	2,253	284	19,292	451	26,827
Carrying amounts at 12.31.2011	4,584	2,924	333	15,806	624	24,271

[2] PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows in the 2013 financial year:

in € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
ACQUISITION AND MANUFACTURING COSTS BALANCE AT 12.31.2012	13,187	696	17,327	238	31,448
Change in scope of consolidation	0	45	11	0	56
Additions	322	217	1,725	311	2,575
Disposals	0	2	1,043	0	1,045
Reclassifications	485	0	64	-549	0
Currency differences	-82	-12	-81	6	-169
BALANCE AT 12.31.2013	13,912	944	18,003	6	32,865

in € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
ACCUMULATED DEPRECIATION BALANCE AT 12.31.2012	2,450	313	11,577	0	14,340
Change in scope of consolidation	0	32	7	0	39
Additions	385	167	2,010	0	2,562
Disposals	0	2	1,029	0	1,031
Currency differences	-6	-5	-47	0	-58
BALANCE AT 12.31.2013	2,829	505	12,518	0	15,852
CARRYING AMOUNTS AT 12.31.2013	11,083	439	5,485	6	17,013
Carrying amounts at 12.31.2012	10,737	383	5,750	238	17,108

As in the previous year, it was not necessary to capitalize any borrowing costs as a component of costs of acquisition pursuant to IAS 23 (Borrowing Costs) in the 2013 financial year.

As in the previous year, it was not necessary to recognize any impairment losses in the 2013 financial year.

Property, plant and equipment developed as follows in the 2012 financial year:

in € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
ACQUISITION AND MANUFACTURING COSTS BALANCE AT 12.31.2011	13,065	506	15,758	193	29,522
Additions	77	97	2,232	244	2,650
Disposals	0	14	774	0	788
Reclassifications	0	111	88	-199	0
Currency differences	45	-4	23	0	64
BALANCE AT 12.31.2012	13,187	696	17,327	238	31,448

in € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
ACCUMULATED DEPRECIATION BALANCE AT 12.31.2011	2,065	245	10,000	0	12,310
Additions	383	89	2,182	0	2,654
Disposals	0	12	644	0	656
Currency differences	2	-9	39	0	32
BALANCE AT 12.31.2012	2,450	313	11,577	0	14,340
CARRYING AMOUNTS AT 12.31.2012	10,737	383	5,750	238	17,108
Carrying amounts	11,000	261	5,758	193	17,212

(3) FINANCIAL ASSETS

The composition of investments in associates has been presented in Section B. "Accounting policies applied – Scope of consolidation". The amounts recognized developed as follows:

in € thousand	2013	2012
Carrying amount at 01.01.	363	351
Addition	100	30
Change in scope of consolidation	-64	-25
Currency differences	-7	7
CARRYING AMOUNT AT 12.31.	**392**	**363**

The addition relates to the foundation of STRATEC Biomedical (Taicang) Co. Ltd., Taicang, China.

(4) INVENTORIES

Raw materials and supplies

Impairment losses of € 225k were recognized through profit or loss for raw materials and supplies in the year under report (previous year: € 19k). The impairments arose on account of obsolescence.

Unfinished products / unfinished services

These items are structured as follows:

in € thousand	12.31.2013	12.31.2012
Unfinished products	6,391	6,302
Unfinished services	1,367	1,544
TOTAL	**7,758**	**7,846**

Information about the accounting treatment of development cooperations can be found in the comments in Section A. General disclosures "Voluntary amendment of accounting methods".

Finished products and merchandise

These items are structured as follows:

in € thousand	12.31.2013	12.31.2012
Finished products	1,921	671
Merchandise	21	136
TOTAL	**1,942**	**807**

Of the items recognized within inventories, the overwhelming share is expected to be realized within a period of twelve months after the balance sheet date.

[5] TRADE RECEIVABLES

Of trade receivables (€ 23,372k; previous year: € 25,627k), an amount of € 22,190k (previous year: € 24,506k) are due for payment within one year. Customer credit balances have been recognized under other current liabilities.

The allowances schedule for trade receivables developed as follows:

in € thousand	2013	2012
Accumulated allowances at 01.01.	269	145
Expenses in period under report	162	133
Utilized	0	-9
Currency translation	-11	0
ACCUMULATED ALLOWANCES AT 12.31.	**420**	269

The gross amount of receivables for which individual allowances had been recognized at the balance sheet date amounted to € 541k (previous year: € 161k).

Expenses of € 3k were recognized through profit or loss in the 2013 financial year for the complete write-down of trade receivables fully retired (previous year: € 17k). No write-backs were required on volumes written down.

The time band structure of trade receivables has been presented in the following table (all figures in € thousand):

	Carrying amount	of which: neither impaired nor overdue at balance sheet date	of which: not impaired at balance sheet date, but overdue with the following time bands			
in € thousand			up to 30 days	between 30 and 60 days	between 60 and 90 days	more than 90 days
12.31.2013	**23,372**	**17,513**	**5,281**	**360**	**85**	**133**
12.31.2012	25,627	17,986	6,296	422	388	535

There were no indications at the balance sheet date of any default risks in connection with receivables which were not impaired. Furthermore, material receivables are covered by trade credit insurance policies.

[6] FUTURE RECEIVABLES FROM CONSTRUCTION CONTRACTS

Information about the potential recognition of development cooperations as construction contracts pursuant to IAS 11 has been provided in the comments in Section A. General disclosures "Voluntary amendment of accounting methods".

Sales totaling € 1,797k have been recognized from construction contracts in the consolidated statement of comprehensive income for the 2013 financial year (previous year: € 1,593k).

The future receivables from construction contracts recognized as of December 31, 2013 and as of the previous year's balance sheet date were neither impaired nor overdue.

(7) RECEIVABLES FROM ASSOCIATES

These receivables are structured as follows:

COMPANY PROVIDING SERVICE	COMPANY RECEIVING SERVICE	12.31.2013 in € thousand	12.31.2012 in € thousand
STRATEC AG	STRATEC Biomedical Inc.	58	60
STRATEC AG	STRATEC Biomedical S.R.L.	0	1
STRATEC Biomedical Switzerland AG	STRATEC Biomedical S.R.L.	0	24
STRATEC Biomedical UK, Ltd.	Sanguin International Inc.	7	11
TOTAL		65	96

The loan receivable due from STRATEC Biomedical Inc. (€ 54k; previous year: € 57k) bears interest at 3% p.a. The loan receivable due from STRATEC Biomedical Inc. was written down by 50% in the 2012 financial year. As in the previous year, these receivables have remaining terms of less than one year.

Receivables due from associates are subject to foreign currency risks. Given the amounts involved, however, these do not have any material impact on consolidated earnings.

(8) OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets are structured as follows:

in € thousand	12.31.2013	12.31.2012
Other tax receivables	704	1,483
Deferred expenses	616	571
Interest receivables	0	16
Receivables from employees	36	32
Sundry	229	80
TOTAL	1,585	2,182

A write-down of € 47k was recognized in the “Sundry” item in the previous year for a supplier with a debit balance. Apart from this, other receivables and other assets are neither impaired nor overdue. An amount of € 1,557k is due within one year (previous year: € 2,134k).

[9] OTHER FINANCIAL ASSETS

This balance sheet item includes shares in listed companies and the positive fair values of option rights, which amount to € 325k (previous year: € 30k).

Shares in listed companies have been measured at their closing prices on the Frankfurt Stock Exchange at the balance sheet date. The expenses of € 14k resulting from measurement as of the balance sheet date (previous year: income of € 113k) have been recognized through profit or loss in the consolidated statement of comprehensive income. As in the previous year, no securities were acquired or disposed of in the 2013 financial year.

The option rights relate to the existing development cooperation with Quanterix Corporation, USA. In the 2013 financial year, STRATEC AG was granted a total of 650,000 option rights to shares in Quanterix Corporation in return for the achievement of milestones (previous year: 300,000). Measurement of the 950,000 option rights has been based on a survey obtained from an independent valuation expert and dated March 3, 2014. Quanterix Corporation, USA, is a company that is not traded on an "active market". The surveyor calculated the total equity value of Quanterix Corporation, USA, on the basis of financing rounds currently implemented. At Quanterix Corporation, USA, there are liquidation preferences for the different classes of equity instruments. In particular, equity instruments are subdivided into "common stock" and "preferred stock" and into shares in A, B and C series. Shares in the C and B series have precedence over shares in the A series. As STRATEC AG has option rights to shares in the A series at Quanterix Corporation, USA, the management of STRATEC AG has accounted for the existing liquidity preferences by way of a discount of almost 50% over and above the 21% discount already imposed by the surveyor to account of the lack of marketability of the shares. The discount thereby recognized is subject to discretionary decisions and may change in the further course of the development cooperation with Quanterix Corporation, USA.

The change in the fair value of option rights resulted in income of € 82k in the 2013 financial year (previous year: € 0k), which has been recognized in the "Other operating income" item in the statement of comprehensive income. The measurement of the Quanterix warrants involves a fair value measurement based on Level 3 input factors pursuant to IFRS 13.

If the management of STRATEC AG had not accounted for the existing liquidation preferences by way of a further discount of almost 50%, internally generated intangible assets would have been € 301k lower, while sales and other operating income would have been € 301k and € 411k higher respectively.

[10] SHAREHOLDERS' EQUITY

The individual components of shareholders' equity and their development in 2013 and 2012 have been presented in the consolidated statement of changes in equity.

Share capital

The share capital of STRATEC AG amounted to € 11,770k at the balance sheet date (previous year: € 11,738k). The share capital is divided into 11,770,245 ordinary shares (previous year: 11,737,745 ordinary shares) with a nominal value of € 1.00 each. The increase in the share capital by 32,500 ordinary shares are due to a conditional capital increase (previous year: 62,850 ordinary shares). The shares have been paid up in full and are bearer shares. Each share entitles its holder to one voting right. The share is listed in the "TecDax" index of the Frankfurt Stock Exchange.

Authorized capital

Pursuant to § 4 (4.5) of the Articles of Association, the Board of Management is authorized, subject to approval by the Supervisory Board, to increase the company's share capital on one or more occasions prior to April 13, 2016 by a maximum amount of up to € 5,500,000.00 by issuing up to a maximum of 5,500,000 new ordinary bearer shares with a nominal value of € 1.00 each in return for cash or non-cash contributions (Authorized Capital). In general, shareholders must be granted subscription rights. In specific circumstances outlined in the Articles of Association, however, the Board of Management is entitled to exclude such subscription rights for a total amount of up to 20% of existing share capital upon this authorization becoming effective or, if lower, of the equivalent amount upon this authorization being acted on. Authorized Capital amounted to € 5,500,000 as of December 31, 2013.

Conditional capital

§ 4 (4.6) Paragraph 1 of the Articles of Association provides for Conditional Capital I. This conditional capital increase serves to grant subscription rights (stock options) up to May 15, 2012 on the basis of the resolution adopted by the Annual General Meeting on May 16, 2007. Pursuant to the resolution adopted by the Annual General Meeting on May 20, 2009, Conditional Capital I was reduced to € 212,900.00 and the authorization to grant stock options dated May 16, 2007 rescinded to the extent that no further new option rights may be granted; only existing option rights may be exercised. Conditional Capital I amounted to € 2,800.00 as of December 31, 2013.

§ 4 (4.6) Paragraph 2 of the Articles of Association provides for Conditional Capital V. This conditional capital increase serves to grant subscription rights (stock options) up to May 19, 2014 on the basis of the resolution adopted by the Annual General Meeting on May 20, 2009. Pursuant to the resolution adopted by the Annual General Meeting on June 6, 2013, Conditional Capital V was reduced to € 198,500.00 and the authorization to grant stock options dated May 20, 2009 rescinded to the extent that no further new option rights may be granted; only existing option rights may be exercised. Conditional Capital V amounted to € 168,750.00 as of December 31, 2013.

§ 4 (4.6) Paragraph 3 of the Articles of Association provides for Conditional Capital VI. This conditional capital increase serves to grant subscription rights (stock options) up to June 5, 2018 on the basis of the resolution adopted by the Annual General Meeting on June 6, 2013. The conditional capital increase is only exercised to the extent that bearers of stock options actually exercise their subscription rights. The new shares have profit entitlement from the beginning of the financial year in which they are issued. Conditional Capital VI amounted to € 900,000.00 as of December 31, 2013.

Furthermore, § 4 (4.7) of the Articles of Association provides for Conditional Capital IV, which amounts to € 800,000.00. This conditional capital increase serves exclusively to grant up to 800,000 new ordinary bearer shares to the bearers or creditors of warrant or convertible bonds issued pursuant to the resolution adopted by the Annual General Meeting on April 14, 2011 by the company or by companies in which the company holds direct or indirect majority shareholdings. Conditional Capital IV amounted to € 800,000.00 as of December 31, 2013.

Total conditional capital thus amounted to € 1,871,550.00 as of December 31, 2013 (previous year: € 1,544k).

Stock option programs

The company had three stock option programs as of December 31, 2013 (previous year: three). These programs are especially well-suited to provide a sustainable performance incentive for members of the Board of Management and employees of the company, as well as for members of the management and employees of associates. They thus help increase the value of the company in the interests of the company and its shareholders. For members of the Board of Management of STRATEC AG, the stock options allocated to them simultaneously serve as variable components of compensation of a long-term incentive nature.

The following specific conditions apply to stock option programs granted up to June 6, 2013:

Each stock option entitles its bearer to subscribe one STRATEC share at a later date in return for payment of an exercise price determined upon the options being granted. The exercise price is equivalent to the average closing price of STRATEC shares on the five trading days prior to the decision being taken to grant stock options, with the par value of one euro per share representing the minimum possible exercise price. Following the expiry of qualifying periods and the meeting of specified performance targets, the stock options may be exercised in predetermined exercise windows. Up to 50% of the stock options granted may only be exercised at the earliest following a qualifying period of two years and provided that STRATEC's share has risen in value by a least ten percent compared with the exercise price between the date of the option rights being granted and the date marking the expiry of the qualifying period. Following a qualifying period of a further year, up to 100% of the stock options granted may be exercised provided that STRATEC's share has risen in value by at least 15% between the date of the option rights being granted and the date marking the expiry of the qualifying period. Following the expiry of a seven-year term after being granted, the option rights lapse without compensation.

The following specific conditions in respect of qualifying periods and the meeting of specific performance targets apply to stock options granted from June 6, 2013 onwards:

The stock options granted may be exercised in full at the earliest following the expiry of a qualifying period of four years and provided that STRATEC's share has risen in value by at least twenty percent compared with the exercise price between the date of the option rights being granted and the date marking the expiry of the qualifying period. Following the expiry of a seven-year term after being granted, the option rights lapse without compensation.

The individual stock option programs, fair value calculations using the Black-Scholes option pricing model, and the calculation of the related personnel expenses in the individual periods (taking due account of personnel turnover) have been based on the following key parameters (with expected volatility derived from historic volatility figures):

Granted in:	2013	2012	2011	2010	2009	2008
Option rights granted (number of shares)	92,600	96,100	58,100	17,100	117,800	92,300
Weighted exercise price (in €)	29.75	31.39	27.47	27.88	13.48	12.16
Expected share price volatility in %	34.20 to 39.43	28.70 to 33.51	29.23 to 31.60	31.33 to 47.35	48.0 to 59.8	48.8 to 55.8
Expected dividend yield in %	1.50	1.50	1.50	1.50	1.50	1.00 bis 1.50
Risk-free interest rate in %	1.20 to 1.76	1.30 to 1.85	1.83 to 3.21	2.35 to 3.17	3.02 to 3.47	3.56 to 3.88
Assumed turnover of personnel entitled to subscribe in %	5.0	5.0	5.0	5.0	5.0 to 16.5	5.0
Fair value of option rights granted in financial year (in € thousand)	307	258	165	44	226	199

The weighted average share price has been accounted for at € 29.85 in the fair value calculation (previous year: € 31.69).

In respect of the exercise behavior shown by the program participants, it has been assumed that they will exercise their options at the earliest opportunity.

Of the option rights granted in the 2013 financial year, 23,550 stock options with a fair value of € 80k were granted before June 6, 2013.

The following options schedule provides an overview of the development in stock option rights in the 2012 to 2013 financial years:

	Number of option rights	Weighted exercise price
OUTSTANDING ON 12.31.2011	**154,150**	**20.92**
EXERCISABLE ON 12.31.2011	**20,050**	**17.85**
During the 2012 financial year		
granted	96,100	31.39
exercised	62,850	13.84
lapsed	0	n,a,
forfeited	200	n,a,
OUTSTANDING ON 12.31.2012	**187,200**	**28.68**
EXERCISABLE ON 12.31.2012	**24,450**	**21.19**
During the 2013 financial year		
granted	92,600	29.75
exercised	32,500	24.73
lapsed	1,400	n,a,
forfeited	5,300	n,a,
OUTSTANDING ON 12.31. 2013	**240,600**	**29.71**
EXERCISABLE ON 12.31.2013	**14,800**	**23.90**

Of the stock options granted in the year under report, a total of 50,000 were allocated to members of the Board of Management of STRATEC AG (previous year: 75,000), and 42,600 to employees at STRATEC AG (previous year: 20,100). The average exercise prices amounted to € 28.09 for members of the Board of Management (previous year: € 31.19) and € 31.71 for employees (previous year: € 32.06). No stock options were granted to Managing Directors of subsidiaries in the financial year under report (previous year: 1,000; average exercise price: € 32.95 per share).

In the year under report, 22,500 stock options (previous year: 35,000) were exercised by members of the Board of Management at an average exercise price of € 27.11 per share (previous year: € 12.89). The Managing Directors of subsidiaries did not exercise any stock options in the year under report or in the previous year. Employees of STRATEC AG exercised 10,000 stock options (previous year: 7,850) at an average exercise price of € 19.38 per share (previous year: € 19.61). Former members of the Board of Management did not exercise any stock options in the year under report (previous year: 20,000; average exercise price: € 13.23 per share).

The fair value of the option rights has been expensed over the agreed qualifying periods and has resulted in an endowment of the same amount in the capital reserve. This led to expenses of € 200k in the 2013 financial year (previous year: € 148k). Given the consistent, low level of personnel turnover, it has not been necessary in subsequent periods to adjust the expenses calculated upon the respective rights being granted.

The 14,800 stock option rights exercisable as of December 31, 2013 (previous year: 24,450) entitle their bearers to acquire a total of up to 14,800 shares (previous year: 24,450) at a total exercise price of € 354k (previous year: € 518k).

The weighted average listed price on the Frankfurt Stock Exchange of those stock options exercised in the period under report since their respective issue amounted to € 31.20 (previous year: € 34.22).

The weighted exercise prices and weighted average remaining contractual terms of the stock options outstanding at the end of the period under report have been presented in the following table:

2013

NUMBER OF STOCK OPTIONS	Weighted exercise price in €	Weighted remaining contractual term in months
240,600	29.71	67.9

2012

NUMBER OF STOCK OPTIONS	Weighted exercise price in €	Weighted remaining contractual term in months
187,200	28.68	68.3

Capital reserve

The capital reserve mainly includes the premium from the issuing of shares, less the costs of equity procurement, after taxes. Moreover, the capital reserve also includes the benefit from the granting of stock options recognized as expenses, as well as the differential amount from the buyback and reissue of treasury stock.

Revenue reserves

Revenue reserves include accumulated net income generated in the past, to the extent that this has not been distributed, as well as free revenue reserves. The free revenue reserves arose due to allocations made in the context of the statutory authorization of the Board of Management and Supervisory Board of STRATEC AG to determine the appropriation of profit pursuant to § 58 (2) of the German Stock Corporation Act (AktG).

Revenue reserves are thus structured as follows:

in € thousand	12.31.2013	12.31.2012
Free revenue reserves	19,392	19,392
Accumulated net income	48,374	39,376
TOTAL	67,766	58,768

Accumulated net income developed as follows in the year under report:

in € thousand	
Accumulated net income at 12.31.2012	39,376
Change in scope of consolidation	86
Consolidated net income in 2013	15,478
Distribution (dividend for 2012)	-6,566
ACCUMULATED NET INCOME AT 12.31.2013	48,374

Other equity

Other equity includes the currency translation reserve, remeasurement components from the measurement of pension provisions, and treasury stock.

The currency translation reserve of € 654k reported as of the balance sheet date (previous year: € 1,033k) relates to currency differences arising upon the translation of the separate financial statements of companies with functional currencies other than the euro.

Treasury stock

By resolution of the Annual General Meeting held on May 21, 2010, the Board of Management was authorized until May 20, 2015 to acquire treasury stock on one or several occasions and in total or in partial amounts up to a total of ten percent of existing share capital as of May 21, 2010. Together with the treasury stock already acquired and still possessed by the company, the newly acquired treasury stock may not account for more than ten percent of the share capital. Alongside sale on the stock market or by way of a public tender addressed to all, the newly acquired treasury stock and treasury stock already acquired on account of earlier authorizations may also be used as follows:

- Subject to approval by the Supervisory Board, and without any further resolution being required, the treasury stock may be retired.

- The treasury stock may be used to the exclusion of shareholders' subscription rights to service subscription rights in connection with stock option programs based on authorizations adopted by the Annual General Meeting.

- The treasury stock may be sold to third parties to the exclusion of shareholders' subscription rights in return for contributions in kind in the context of business combinations, or to acquire companies, parts of companies or shareholdings in companies.

- The treasury stock may be sold to third parties to the exclusion of shareholders' subscription rights in ways other than via the stock market. In this case, the selling price may not fall significantly short of the share's average closing price in XETRA trading on the Frankfurt Stock Exchange on the five trading days preceding the substantiation of the disposal obligation. Moreover, the volume of shares thereby sold may not exceed the ten percent threshold set out in § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG), taking due account of volumes sold to the exclusion of shareholders' subscription rights since this authorization became effective by drawing on other authorizations pursuant to § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).

As in the previous year, the company made no use of this authorization to acquire treasury stock in 2013. The company currently has no plans to retire the shares already acquired, but rather intends to retain the financial scope to make acquisitions and safeguard its growth strategy. Furthermore, the company reserves the right to use the treasury stock already acquired for other purposes consistent with the authorization provided by the Annual General Meeting.

As in the previous year, the company held a total of 12,223 treasury stocks as of December 31, 2013. The treasury stock has been recognized at cost at a total amount of € 212k (previous year: € 212k) within other equity.

Appropriation of earnings

The German Stock Corporation Act (AktG) requires the dividends to be distributed to shareholders to be calculated on the basis of the net income reported in the annual financial statements of STRATEC AG prepared in line with the German Commercial Code (HGB).

In the 2013 financial year, a dividend of € 0.56 (previous year: € 0.55) was paid per share with dividend entitlement for the 2012 financial year, corresponding to a total distribution of € 6,566k (previous year: € 6,414k).

With the approval of the Supervisory Board, the Board of Management proposes that, of the net income of € 21,906k calculated for STRATEC AG in line with the German Commercial Code, an amount of € 7,054,813.20, equivalent to € 0.60 per share with dividend entitlement, should be distributed, and that the remaining amount of € 14,851k should be carried forward. The proposed dividend is dependent on approval by the Annual General Meeting and has not been recognized as a liability in the consolidated financial statements.

Upon the preparation of the annual financial statements of STRATEC AG in line with the German Commercial Code (HGB) as of December 31, 2013, the Board of Management and Supervisory Board did not allocate any amount from the net income for 2013 to the free revenue reserves (previous year: € 3,000k from net income for 2012).

(11) PROVISIONS FOR PENSIONS

STRATEC AG applied the requirements of IAS 19 (rev. 2011) for the first time in the 2013 financial year. Given the subordinate significance of the pension obligation for the net asset, financial, and earnings position in the consolidated financial statements of STRATEC AG and the implications of the first-time application of IAS 19 (rev. 2011), the adjustments were introduced as of December 31, 2012. Reference is made to the information in Section A. General disclosures "Accounting requirements requiring mandatory application for the first time in the current financial year". The previous year's figures stated below have been adjusted where necessary.

The company pension scheme can basically be divided into defined contribution plans and defined benefit plans. In defined contribution plans, the company does not enter into any legal or constructive obligations over and above its obligation to pay contributions to an external state or private pension provider. These contributions are recognized within personnel expenses upon becoming due for payment. Defined contribution pension expenses totaled € 2,525k in the financial year under report (previous year: € 2,314k). This total includes employer contributions of € 1,568k to the German state pension system (previous year: € 1,581k).

One capital allowance commitment had been made to one member of the Board of Management of STRATEC AG as of the balance sheet date. Vested rights to this capital allowance come into force upon the individual reaching the age of 65.

Reinsurance policies have been concluded to cover the pension obligation. Actuarial surveys have been obtained to ascertain the corresponding asset values as of the balance sheet date. This pension obligation is offset against the pledged assets of the reinsurance policies and stated on a net basis in the balance sheet.

The present value of pension obligations is calculated using the projected unit credit method, the actuarial method stipulated by IAS 19.67 to measure the respective provisions. In this, the future obligations are measured on the basis of the prorated vested claims attained by the end of the financial year, taking due account of assumed trends. Alongside life expectancy assumptions, which have been taken from the biometric "2005G Guidelines" published by Prof. Dr. Klaus Heubeck, the calculation of the present value of pension obligations has been based on the following assumptions:

in %	12.31.2013	12.31.2012
Discount factor	3.68	3.10
Future income increases	0.00	0.00
Future pension increases	0.00	0.00

The assumptions stated for the calculation of the present value of pension obligations as of the previous year's balance sheet date also apply for the calculation of interest expenses and current service cost in the following financial year.

The present value of the vested defined benefit obligations (DBO) and plan assets changed as follows in the financial year under report:

in € thousand	2013	2012
DEFINED BENEFIT OBLIGATIONS (DBO) AS OF 01.01.	163	108
Current service cost	11	8
Compounding of pension obligations	5	5
Remeasurements of pension obligations		
Actuarial gains (-) / losses (+)		
Due to changes in		
financial assumptions	-17	42
demographic assumptions	0	0
experience-based adjustments	-1	-1
DEFINED BENEFIT OBLIGATIONS (DBO) AS OF 12.31.	162	163

in € thousand	2013	2012
FAIR VALUE OF PLAN ASSETS AS OF 01.01.	135	118
Employer contributions to plan assets	12	12
Interest income on plan assets	4	6
Remeasurement of plan assets		
Income from plan assets (excluding interest income)	-4	-1
Other	0	0
FAIR VALUE OF PLAN ASSETS AS OF 12.31.	148	135

in € thousand	2013	2012
ASSET CEILING AS OF 01.01.	0	10
Interest income on asset ceiling (< € 1k)	0	0
Changes in asset ceiling (excluding interest income)	0	-10
ASSET CEILING AS OF 12.31.	0	0

To calculate the financing status or the net obligation, the present value of the externally financed obligations is compared with the fair value of the plan assets.

in € thousand	12.31.2013	12.31.2012
Present value of pension obligations	162	163
Fair value of plan assets	148	135
FINANCING STATUS = NET OBLIGATION	14	28

The net obligation has developed as follows in the past financial years:

in € thousand	2013	2012
NET OBLIGATION AS OF 01.01.	28	0
Share of pension expenses recognized in income statement	12	8
Amounts recognized in OCI	-14	32
Employer contributions to plan assets	-12	-12
NET OBLIGATION AS OF 12.31.	14	28

The pension expenses recognized through profit or loss in the income statement for defined benefit commitments in the period under report comprise the following items:

in € thousand	2013	2012
Current service cost	11	8
Compounding of pension obligations	5	5
Interest income on plan assets (less marginal asset ceiling item)	-4	-5
SHARE OF PENSION EXPENSES RECOGNIZED IN INCOME STATEMENT	12	8

Service cost is included in personnel expenses, while other components of the share of pension expenses recognized in the income statement are included in net financial expenses.

The following amounts have been recognized in equity under “Other comprehensive income” in the statement of comprehensive income:

in € thousand	2013	2012
REMEASUREMENT OF NET OBLIGATION:		
Income from plan assets (excluding interest income)	4	1
Actuarial gains (-) / losses (+) from changes in		
financial assumptions	-17	42
demographic assumptions	0	0
experience adjustments	-1	-1
Changes due to asset ceiling items	0	-10
AMOUNTS RECOGNIZED IN OCI	-14	32

The plan assets relate exclusively to STRATEC AG, which covers the acquired pension claims via reinsurance policies. These reinsurance policies predominantly invest in fixed-income securities. When selecting such securities, the rating and equity resources of the issuer are accounted for, among other factors. The investment strategy predominantly aims to generate ongoing interest income and to ensure capital preservation with a low degree of volatility. No prices listed on an “active market” are available for the reinsurance policies.

At STRATEC, the discount factor is the key actuarial assumption used to calculate the pension obligation. The following sensitivity analysis shows how the defined benefit obligation would have been influenced by potential changes in the underlying assumptions. Accordingly, if the discount factor had been 0.50 percentage points higher or lower then, assuming all other assumptions remained unchanged, the present value of the defined benefit obligations (DBO) would have fallen by € 13k (previous year: € 14k) or risen by € 15k (previous year: € 16k) respectively.

The average duration of the pension obligation amounted to 18.0 years at the end of the period under report (previous year: 19.0 years).

Plan asset endowments by STRATEC of € 12k (previous year: € 12k) are expected for the following 2014 and 2015 financial years.

[12] TAXES ON INCOME

The following table provides an overview of income tax expenses broken down by origin:

in € thousand	2013	2012
Income taxes paid or owed		
Germany	1,853	3,087
International	940	236
	2,793	**3,323**
Deferred taxes		
Germany	1,103	-460
International	-41	11
	1,062	**-449**
INCOME TAX EXPENSES	**3,855**	**2,874**

Deferred taxes are recognized in balance sheet items as follows:

	12.31.2013		12.31.2012	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	1,296	1,879	979	1,555
Property, plant and equipment	0	35	2	62
Financial assets	0	76	0	56
Inventories	28	44	110	52
Receivables and other assets	272	216	664	287
Pension provisions	1	0	5	0
Other liabilities and provisions	12	80	9	106
Loss carryovers	249	0	889	0
Consolidation items	160	210	210	219
SUBTOTAL	**2,018**	**2,540**	**2,866**	**2,337**
Netting	-1,151	-1,151	-733	-733
AMOUNT RECOGNIZED IN CONSOLIDATED BALANCE SHEET	**867**	**1,389**	**2,135**	**1,604**

Of the deferred tax expenses of € 1,062k recognized in the consolidated statement of comprehensive income (previous year: income of € 449k), € -420k (previous year: € 462k) is attributable to temporary valuation differences, € -2k (previous year: € -6k) to the costs of capital increases, and € -640k (previous year: € -7k) to the recognition through profit or loss of deferred tax assets on tax loss carryovers.

In the 2013 financial year, deferred tax assets on loss carryovers totaling € 249k (previous year: € 889k) were recognized for two (previous year: three) subsidiaries reporting a loss in the past year or the previous year. Due to the group-internal restructuring measures completed in the 2013 financial year, deferred tax assets on loss carryovers of € 330k were expensed through profit or loss. Furthermore, deferred tax assets on tax loss carryovers amounting to € 310k were written down at STRATEC Biomedical USA, Inc. in the 2013 financial year. Given the existence of deferred tax liabilities, the deferred tax assets still recognized at this company are deemed to have retained their value.

The tax expenses of € 3,855k reported for the 2013 financial year (previous year: € 2,874k) deviate by € 1,465k (previous year: € 1,322k) from the tax expenses of € 5,320k (previous year: € 1,196k) expected to result from application of the overall tax rate for STRATEC AG (27.5%; previous year: 27.4%) to the Group's earnings before taxes. The change in the overall tax rate is attributable to the fiscal unity relationship between STRATEC AG and STRATEC Molecular GmbH.

The difference between the tax expenses expected and those reported is attributable to the following items:

in € thousand	2013	2012
Expected tax expenses (-) / income (+)	-5,320	-4,196
Deviations in German and foreign tax rates	1,842	1,270
Tax-exempt income (+) / expenses (-) from the disposal of shareholdings and securities price gains / losses	-4	29
Expenses not deductible for tax purposes less tax reductions	-30	-25
Personnel expenses IFRS (stock options)	-55	-41
Tax back payments / refunds for previous years and non-period tax expenses / income	25	-9
Impact of group-internal restructuring measures	0	100
Write-down of deferred tax assets on tax loss carryovers	-310	0
Sundry	-3	-2
REPORTED TAX EXPENSES (-) / INCOME (+)	**-3,855**	-2,874

(13) FINANCIAL LIABILITIES

The Group has financial liabilities of € 8,537k due to banks (previous year: € 8,642k). Of financial liabilities, € 2,117k (previous year: € 2,237k) are denominated in Swiss francs.

As of December 31, 2013, the Group had total credit lines of € 17,731k at its disposal (previous year: € 7,926k). Of this total, an amount of € 15,731k (previous year: € 6,926k) was unutilized and thus available for borrowing.

Financial liabilities have the following maturities:

Maturity	12.31.2013 in € thousand
2014	1,894
2015	2,936
2016	1,172
2017	726
2018	588
2019 and later	1,221
TOTAL	**8,537**

Maturity	12.31.2012 in € thousand
2013	1,183
2014	1,708
2015	1,518
2016	1,070
2017	686
2018 and later	2,477
TOTAL	8,642

The company land in Switzerland is encumbered with land charges of € 2,851k (previous year: € 2,899k) as security for a mortgage loan taken up to cover the costs of constructing a company building.

(14) TRADE PAYABLES / LIABILITIES TO ASSOCIATES

Trade payables mostly involve goods and services provided in November and December 2013. As in the previous year, these items are due for payment within one year.

Liabilities to associates, amounting to € 211k (previous year: € 282k), are due to Sanguin International Inc. (€ 200k; previous year: € 220k), STRATEC Biomedical (Taicang) Co. Ltd. (€ 11k; previous year: € 0k) and in the previous year to STRATEC Biomedical S.R.L. (€ 62k), a company which was then not yet fully consolidated. Of this total, € 11k (previous year: € 62k) relate to the ongoing exchange of services and goods and € 200k (previous year: € 220k) to the granting of loans. As in the previous year, these items are due for payment within one year.

[15] OTHER CURRENT LIABILITIES

These liabilities are structured as follows:

in € thousand	12.31.2013	12.31.2012
Wage and salary liabilities	2,314	2,390
Other tax liabilities	639	683
Social security liabilities	223	199
Prepayments received on orders	320	767
Supervisory Board compensation	95	109
Other liabilities	929	1,070
TOTAL	**4,520**	**5,218**

As in the previous year, these liabilities have remaining terms of less than one year.

The wage and salary liabilities mainly consist of outstanding vacation (€ 1,107k; previous year: € 1,167k), employee working time credits (€ 428k; previous year: € 384k), profit participations (€ 745k; previous year: € 734k), and in the previous year the liability of € 92k incurred to settle a pension commitment made to the former Managing Director of a subsidiary.

Social security liabilities chiefly relate to social security contributions still to be transferred. The tax liabilities relate to employee payroll settlement.

Of prepayments received on orders, an amount of € 87k (previous year: € 757k) relates to the development cooperations. Reference is made to the information in Section A. General disclosures "Voluntary amendment of accounting methods".

Other liabilities chiefly relate to liabilities of € 481k for accounting and financial reporting (previous year: € 389k) and in the previous year to liabilities of € 316k resulting from the acquisition of STRATEC Biomedical USA, Inc.

[16] CURRENT PROVISIONS AND CURRENT INCOME TAX LIABILITIES

Current provisions relate to provisions for guarantees and warrantees. These developed as follows:

in € thousand	12.31.2013	12.31.2012
01.01.	608	622
Currency translation	-5	3
Utilized	-601	-291
Reversed	0	-105
Added	677	379
12.31.	**679**	**608**

Given the immaterial sums involved, the amounts reported have not been discounted or compounded. There is uncertainty in respect of the amount and maturity of the provisions recognized. This has been duly accounted for by way of best estimates.

Income tax liabilities (€ 857k; previous year: € 238k) relate to current income tax obligations.

D. DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(17) SALES

Sales mainly relate to:

in € thousand	2013	2012
1. Product range	90,721	83,705
2. Maintenance and spare parts	27,317	25,071
3. Development and other services	9,401	12,361
4. Sundry	511	1,530
TOTAL	127,950	122,667

Sales can be broken down by geographical region (customer location) as follows:

in € thousand	2013	2012
1. Germany	24,155	18,399
2. European Union	54,110	54,471
3. Other	49,685	49,797
TOTAL	127,950	122,667

Substantial sales generated with analyzer systems in other countries are structured as follows:

in € thousand	2013	2012
Italy	8,570	9,184
France	5,591	4,218
Brazil	1,474	1,840
Belgium	19,371	5,122
USA	17,187	17,857
China	2,314	9,330
UK	8,312	8,533

The allocation of sales generated with analyzer systems to other countries has been based on the delivery locations from the perspective of the STRATEC Group. In view of the fact that the customers of the STRATEC Group partly supply their country outlets and customers from central distribution centers, however, this breakdown of sales does not necessarily reflect the geographical distribution of the final operating locations of the analyzer systems supplied by the STRATEC Group. For the same reason, it would not be meaningful to compile any country-specific breakdown of the supply of spare parts and other services by the STRATEC Group.

In the financial year under report, the STRATEC Group generated more than 10% of its total sales with each of five customers (€ 25.4 million; € 23.9 million; € 21.5 million; € 16.2 million; € 13.6 million). In the previous year, the STRATEC Group generated more than 10% of its total sales with each of four customers (€ 25.6 million; € 23.6 million; € 20.3 million; € 14.5 million). The sales generated with these customers are mainly allocable to the Instrumentation segment.

(18) COST OF SALES

Cost of sales, amounting to € 86,186k (previous year: € 83,682k), includes production-related manufacturing expenses incurred for the products, maintenance and spare parts sold, and for development and other services.

(19) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses not meeting the criteria for capitalization pursuant to IAS 38 (Intangible Assets) amounted to € 5,047k (previous year: € 3,516k) and were mainly recognized under cost of materials and personnel expenses.

(20) SALES-RELATED EXPENSES

Sales-related expenses amounted to € 7,135k (previous year: € 9,125k) and included direct sales expenses and sales overheads. These basically include all expenses incurred for personnel, materials, and other expenses incurred for sales (including prorated depreciation and amortization). A major share relates to expenses arising in connection with product launches and support.

(21) ADMINISTRATION EXPENSES

At € 8,828k (previous year: € 8,867k), administration expenses include the personnel and material expenses incurred in central administration departments (including corporate management, controlling, finance and accounting, legal affairs, investor relations, personnel and quality management) that are not directly attributable to production, sales, or research and development.

(22) OTHER OPERATING INCOME AND EXPENSES

The other operating income of € 1,305k (previous year: € 821k) and other operating expenses of € 2,566k (previous year: € 2,720k) mainly consist of income and expenses for currency translation. Other than that, other operating income and other operating expenses also include numerous items that, viewed individually, are only of subordinate significance.

(23) NET FINANCIAL EXPENSES

The income from profit transfer agreements in the previous year was attributable to the control and profit transfer agreement dated March 21, 2005 with STRATEC NewGen GmbH (now: STRATEC Molecular GmbH). This control and profit transfer agreement was rescinded as of the expiry of December 31, 2012. With the approval of the Annual General Meeting on June 6, 2013, a new control and profit transfer agreement was concluded between STRATEC AG and STRATEC NewGen GmbH (now: STRATEC Molecular GmbH) for a term of at least five years.

Financial income is structured as follows:

in € thousand	2013	2012
Interest income on cash and cash equivalents	66	208
Interest income on receivables from associates	3	3
Interest income from compounding of receivables	68	2
Other interest income	15	23
TOTAL	152	236

Financial expenses are structured as follows:

in € thousand	2013	2012
Interest expenses on loan liabilities to banks	216	263
Interest expenses on liabilities to associates	5	0
Interest expenses on typical silent partnerships	0	44
Interest expenses on taxes	0	1
Interest expenses for compounding of pension provisions	5	5
Interest expenses for compounding of liabilities and provisions	12	0
Other interest expenses	1	0
TOTAL	239	313

Other financial income / expenses include gains and losses for financial assets and financial liabilities measured at fair value and are structured as follows:

in € thousand	2013	2012
Gains / losses on financial assets measured at fair value through profit or loss:		
Gains / losses on retirement	-59	-280
Gains / losses on measurement at balance sheet date	-14	121
OTHER FINANCIAL INCOME / EXPENSES	-73	-159

[24] EARNINGS PER SHARE

Earnings per share have been calculated pursuant to IAS 33 (Earnings per Share) by dividing the consolidated net income by the average weighted number of shares in STRATEC AG in circulation in the past financial year.

The treasury stock held by STRATEC AG has been excluded from the calculation of the number of shares in circulation. The year-on-year increase in the number of shares was due to the issue of new shares upon the exercising of option rights within stock option programs. Changes in the number of shares within the financial year have been accounted for by weighting the respective figures on a prorated basis. The resultant weighted average number of outstanding shares used to calculate (basic) earnings per share amounts to 11,746,342 (previous year: 11,693,713).

Pursuant to IAS 33 (Earnings per Share), the consolidated net income of € 15,478k (previous year: € 12,449k) reported in the consolidated statement of comprehensive income has been used as the unaltered basis for the calculation.

Due to the option rights outstanding as of December 31, 2013, both basic earnings per share (€ 1.32; previous year: € 1.06) and diluted earnings per share (€ 1.31; previous year: € 1.03) have been calculated. Diluted earnings per share have been calculated on the assumption that all outstanding options not yet exercised are actually exercised. The number of additional shares to be accounted for is calculated by comparing the proceeds generated by such exercising of options with the proceeds which could theoretically be generated by issuing new shares on customary market terms.

The allocation or exercising of option rights within the financial year has been accounted for using prorated weighting. The resultant weighted average number of outstanding shares with a diluting effect accounted for in the calculation of (diluted) earnings per share amounts to 11,777,609 (previous year: 11,746,352).

[25] ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Cost of materials

The functional divisions include the following cost of materials:

in € thousand	2013	2012
Costs of raw materials and supplies	64,931	63,176
Costs of purchased services	1,950	1,649
TOTAL	**66,881**	**64,825**

Personnel expenses

The functional divisions include the following personnel expenses:

in € thousand	2013	2012
Wages and salaries	29,943	29,284
Social security contributions and pension and welfare expenses	4,519	4,354
TOTAL	**34,462**	**33,638**

Wages and salaries include expenses of € 1,993k (previous year: € 2,218k) for third-party employees (personnel leasing).

Number of employees

The average number of individuals employed by the Group during the financial year (including temporary employees from personnel agencies) was as follows:

Number	2013	2012
Employees	477	425
Trainees	13	16
Employees in permanent employment	490	441
Temporary employees	47	55
TOTAL	537	496

Of permanent employees, 330 (previous year: 313) were in Germany, and 147 (previous year: 112) abroad. Of temporary employees, 45 (previous year: 52) were in Germany, and 2 (previous year: 3) abroad.

Operating leases

Expenses of € 999k (previous year: € 948k) were incurred for operating leases in the year under report. Leasing contracts at the STRATEC Group mainly relate to buildings, IT and vehicle leasing agreements.

Disclosures concerning the auditor's fee pursuant to § 314 (1) No. 9 HGB

The total fees recorded for the group auditor in the financial year under report pursuant to § 314 (1) No. 9 of the German Commercial Code (HGB) are structured as follows:

in € thousand	2013	2012
Fee for		
a) Auditing	255	258
b) Other certification services	2	2
c) Tax advisory services	30	6
d) Other services	9	5
TOTAL AUDITOR'S FEE	296	271

The total fee for 2013 includes an amount of € 33k for auditing services and an amount of € 23k for tax advisory services, in both cases relating to the 2012 financial year.

The total fee for 2012 includes an amount of € 65k for auditing services relating to the 2011 financial year.

E. DISCLOSURES ON THE CONSOLIDATED CASH FLOW STATEMENT

General disclosures

The consolidated cash flow statement shows how the liquidity of the STRATEC Group has changed due to inflows and outflows of funds during the financial year. A distinction is made between the cash flows from operating, investing and financing activities.

The amounts reported for foreign group companies have generally been translated at annual average exchange rates. One exception involves cash and cash equivalents which, like in the consolidated balance sheet, have been recognized at the exchange rate on the reporting date. The impact of changes in exchange rates on cash and cash equivalents is presented separately.

Inflow of funds from operating activities

The cash flow from operating activities has been calculated using the indirect method. This involves eliminating non-cash earnings components from consolidated net income after taxes.

The following other non-cash expense items have been accounted for:

in € thousand	2013	2012
EXPENSES		
Currency translation losses from measurement of cash and cash equivalents at balance sheet date	393	79
Personnel expenses in connection with the granting of stock option rights	200	148
Exchange rate differences for foreign currency receivables / liabilities	21	58
Increase in impairment of inventories	226	19
Expenses for fair value measurement of securities held for trading	14	0
Allocations to impairments of receivables	181	244
TOTAL	1,035	548

The following other non-cash income items have been accounted for:

in € thousand	2013	2012
INCOME		
Currency translation gains from measurement of cash and cash equivalents at balance sheet date	5	17
Exchange rate differences for foreign currency receivables / liabilities	1	20
Fair value measurement and recognition of sales for options in connection with development cooperations	302	23
Income from reversal of other provisions and liabilities	593	134
Expenses from fair value measurement of securities held for trading	0	121
Reversal of impairments of receivables	17	0
TOTAL	918	315

Interest income and expenses have been allocated to operating activities, as have the components of other financial income / expenses. Dividend payments are presented in the cash flow from financing activities.

Tax payments have been reported under operating activities in their entirety, as their allocation to individual business divisions is not practically feasible.

The interest paid / received and income taxes paid / refunded items in the cash flow from operating activities have been presented using the direct method. In the first stage, this involves adjusting consolidated net income to account for income and expenses recognized in the consolidated statement of comprehensive income. After this, the interest and income taxes paid or received are reported separately.

Inflow / outflow of funds from investing activities

A total of € 10,292k was expended on investing activities (previous year: € 9,009k). Of this sum, € 10,093k was channeled into the acquisition of property, plant and equipment and intangible assets (previous year: € 8,570k).

Inflow / outflow of funds from financing activities

Financing activities led to an outflow of funds of € 5,831k (previous year: € 6,786k). Net repayments of loans amounted to € 68k (previous year: € 1,242k). Dividend payments accounted for an outflow of € 6,566k (previous year: € 6,414k).

[26] CASH AND CASH EQUIVALENTS

The “Cash and cash equivalents” item comprises cash holdings and credit balances at banks with original maturities of up to three months. As of December 31, 2013, cash and cash equivalents amounted to € 20,734k (previous year: € 13,209k).

F. SEGMENT REPORT

For internal management purposes, reference is chiefly made to the individual legal entities within the STRATEC Group. These therefore basically represent the operating segments as defined in IFRS 8 (Operating Segments). Apart from STRATEC Biomedical UK, Ltd, STRATEC Molecular GmbH, and STRATEC Biomedical S.R.L., the Group's operating segments are comparable in terms of their economic characteristics, products and services, types of production processes, customers, sales methods, and regulatory framework, and have therefore been aggregated into one operating segment – "Instrumentation". Separate reporting has been provided for the segments to the extent that they exceed the quantitative threshold values set out in IFRS 8 (Operating Segments).

The segments of the STRATEC Group subject to reporting requirements are as follows:

1. Instrumentation: In this segment, the STRATEC Group designs and produces fully automated analyzer systems for its clinical diagnostics and biotechnology customers.

2. All other segments: In this segment, the STRATEC Group develops workflow software for networking several analyzer systems and develops and sells scientific materials and technologies such as nucleic acid purification.

Segment data by operating segment for 2013

in € thousand	Instrumentation	All other segments	Reconciliation	Total
Sales	133,338	7,046	-12,434	127,950
of which inter-segmental	806	1,210		
EBIT	21,944	-3,860	1,409	19,493
Assets	130,614	9,984	-22,810	117,788

The accounting policies applied to the reporting segments requiring report are consistent with the accounting policies set out in Section B. "Accounting policies applied". Of non-current assets at the reporting segments, excluding financial instruments and deferred taxes, € 37,614k are located in the country of origin of STRATEC AG and € 6,408k in other countries. Further disclosures on company level have been presented in Section D. "Disclosures on the consolidated statement of comprehensive income – (17) Sales".

Segmentdaten nach Geschäftssegmenten 2012

in € thousand	Instrumentation	All other segments	Reconciliation	Total
Sales	127,813	4,616	-9,762	122,667
of which inter-segmental	902	633		
EBIT	17,070	94	-1,586	15,578
Assets	119,172	7,501	-18,223	108,450

The accounting policies applied to the reporting segments requiring report are consistent with the accounting policies set out in Section B. "Accounting policies applied". Of non-current assets at the reporting segments, excluding financial instruments and deferred taxes, € 32,138k are located in the country of origin of STRATEC AG and € 6,142k in other countries. Further disclosures on company level have been presented in Section D. "Disclosures on the consolidated statement of comprehensive income – (17) Sales".

G. FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of individual financial assets and liabilities for each class of financial instruments and reconciles these with the corresponding balance sheet items. Classification has been based on the underlying valuation method, with a distinction made between financial instruments measured at amortized cost and those measured at fair value. Furthermore, within those instruments measured at fair value, a further distinction has been made between instruments measured at fair value through profit or loss, and those measured at fair value in equity.

As the other receivables, other assets and other assets and other current liabilities balance sheet items include both financial instruments and non-financial assets and liabilities (e. g. tax receivables and liabilities, prepayments received for orders), the "Not covered by IFRS 7" column provides a corresponding reconciliation of these items.

FINANCIAL ASSETS

		Measurement standard				
			Fair value			
in € thousand	Carrying amount 12.31.2013 (12.31.2012)	Amortized cost	through profit or loss	in equity	Not covered by IFRS 7	Fair value 12.31.2013 (12.31.2012)
Investments in associates	392 (363)	392 (363)				392 (363)
Trade receivables	23,372 (25,627)	23,372 (25,627)				23,372 (25,627)
Future receivables from construction contracts	1,312 (1,011)	1,312 (1,011)				1,312 (1,011)
Receivables from associates	65 (96)	65 (96)				65 (96)
Other receivables and other assets	1,585 (2,182)	265 (123)			1,320 (2,059)	1,585 (2,182)
Other financial assets	646 (366)		646 (366)			646 (366)
Cash and cash equivalents	20,734 (13,209)	20,734 (13,209)				20,734 (13,209)
TOTAL	48,106 (42,854)	46,140 (40,429)	646 (366)	0 (0)	1,320 (2,059)	48,106 (42,854)

FINANCIAL LIABILITIES

		Measurement standard				
			Fair value			
in € thousand	Carrying amount 12.31.2013 (12.31.2012)	Amortized cost	through profit or loss	in equity	Not covered by IFRS 7	Fair value 12.31.2013 (12.31.2012)
Financial liabilities	8,537 (8,642)	8,537 (8,642)				9,390 (9,507)
Trade payables	4,402 (4,288)	4,402 (4,288)				4,402 (4,288)
Liabilities to associates	211 (282)	211 (282)				211 (282)
Other current liabilities	4,520 (5,218)	3,285 (3,522)			1,235 (1,696)	4,520 (5,219)
TOTAL	17,670 (18,430)	16,435 (16,734)	0 (0)	0 (0)	1,235 (1,696)	18,523 (19,296)

The fair value of receivables, loans and primary liabilities is calculated as the present value of future cash flows. Where a listed price is available, this has been taken as the fair value.

Given the short-term maturities of the overwhelming majority of trade receivables and payables, other receivables and liabilities, and cash and cash equivalents, their carrying amounts as of the balance sheet date do not deviate significantly from their fair values.

The net results on financial instruments broken down into their respective measurement categories were as follows:

		From subsequent measurement					
2013 (2012) in € thousand	From interest and dividends	Fair value	Currency translation	Discounting / compounding	Impairment	From disposals	Net result 2013 (2012)
Loans and receivables	8 (4)		-20 (-38)	68 (2)	-164 (-244)	-3 (-17)	-111 (-293)
Financial assets held for trading	10 (3)	68 (121)				-59 (-280)	19 (-156)
Cash and cash equivalents	66 (208)		-388 (-62)				-322 (146)
Financial liabilities measured at amortized cost	-221 (-307)			-12 (0)		593 (134)	360 (-173)
TOTAL	-137 (-92)	68 (121)	-408 (-100)	56 (2)	-164 (-244)	531 (-163)	-54 (-476)

Interest expenses and interest income resulting from financial instruments measured at amortized cost have been recognized under net financial expenses. Total interest income on financial assets not measured at fair value through profit or loss amounts to € 152k (previous year: € 236k). Total interest expenses on financial liabilities not measured at fair value through profit or loss amounts to € 234k (previous year: € 307k). The net result of € -14k on financial instruments measured at fair value has been recognized under other financial income / expenses (previous year: € 121k). Information about the individual components of net financial expenses can be found in the disclosures on the consolidated statement of comprehensive income under (23) Net financial expenses.

The gains and losses resulting from translation through profit or loss of financial assets and liabilities at average exchange rates on the balance sheet date have been recognized under other operating income or expenses, as have the results of foreign currency translation performed within the financial year. The translation of cash and cash equivalents at the balance sheet date resulted in currency income of € 5k (previous year: € 17k) recognized through profit or loss under other operating income. Currency expenses of € 393k (previous year: € 79k) have been recognized under other operating expenses in connection with the translation of cash and cash equivalents at the balance sheet date.

Fair value hierarchy

To ensure the comparability and consistency of fair value measurements and related disclosures, IFRS 13 stipulates a fair value hierarchy that allocates the input factor used in valuation methods to calculate fair value to three levels. The hierarchy grants the highest priority to prices (taken over without amendment) on active markets for identical assets or liabilities (Level 1 input factors) and the lowest priority to non-observable input factors (Level 3 input factors). The following specific definitions apply:

Input factor: Assumptions that would be used by market participants when determining the price of an asset or liability, including risk assumptions, such as:

(a) The risk involved in a specific valuation method used to calculate fair value (such as a price model), and
(b) The risk involved in the input factors used in the valuation method.

Input factors may be observable or non-observable.

Level 1 input factors: Listed prices (taken over without amendment) on active markets for identical assets or liabilities to which the company has access on the valuation date.

Level 2 input factors: Input factors other than the listed prices included in Level 1 that are either directly or indirectly observable for the asset or liability.

Level 3 input factors: Input factors not observable for the asset or liability.

Observable input factors: Input factors derived from market data, such as publicly available information about actual events or transactions, which reflect those assumptions that would be used by market participants when determining the price of the asset or liability.

Non-observable input factors: Input factors for which no market data is available and which are derived from the best information available concerning the assumptions that would be used by market participants when determining the price of the asset or liability.

Maturity analysis

The liquidity risk to which the STRATEC Group is exposed in connection with its financial instruments consists of obligations due to future interest and principal payments for financial liabilities. Future payments are structured as follows:

in € thousand	Carrying amount 12.31.2013	Cash flows 2014		Cash flows 2015		Cash flows 2016 – 2017		Cash flows 2018 and later	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities	8,537	181	1,894	116	2,936	103	1,898	31	1,809
Trade payables	4,402	0	4,402	0	0	0	0	0	0
Liabilities to associates	211	5	211	0	0	0	0	0	0
Other financial liabilities	3,285	0	3,285	0	0	0	0	0	0
TOTAL	16,435	186	9,792	116	2,936	103	1,898	31	1,809

in € thousand	Carrying amount 12.31.2012	Cash flows 2013		Cash flows 2014		Cash flows 2015 – 2016		Cash flows 2017 and later	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities	8,642	209	1,183	166	1,708	203	2,588	143	3,163
Trade payables	4,288	0	4,288	0	0	0	0	0	0
Liabilities to associates	282	5	282	0	0	0	0	0	0
Other financial liabilities	3,522	0	3,522	0	0	0	0	0	0
TOTAL	16,734	214	9,275	166	1,708	203	2,588	143	3,163

Loans with remaining terms of up to five years charge interest at a weighted average of 2.63% (previous year: 2.86%). Loans with remaining terms of more than five years charge interest at a weighted average of 0.75% (previous year: 1.97%).

H. RISK MANAGEMENT

Risk management principles

The assets, liabilities and future activities of STRATEC AG are subject to risks resulting from changes in exchange rates, interest rates and stock market prices. The objectives and methods used by the STRATEC Group to deal with the financial risks listed below form the object of the Group's risk management activities. The principles underlying the Group's risk management policies are presented in the "Opportunity and risk report" section of the group management report.

The objective of financial risk management is to limit these risks primarily by means of its operating activities. In assessing individual risks the management takes account of the volume of such risks arising across the Group as a whole. These activities are supplemented by finance-based measures. The primary objective is to limit the risks of relevance to the cash flow. The basic principles of the company's financial policy are reviewed by the Board of Management annually and revised to account for new developments. The Supervisory Board is informed at regular intervals of the financial position of the Group and the assessments made by the Board of Management.

The financial instruments reported in the accounts could in principle give rise to the following risks for the company:

Foreign currency risks

On account of its international business activities, the STRATEC Group is exposed to foreign currency risks resulting from the impact of exchange rate movements on business transactions and the foreign currency receivables and liabilities as of the balance sheet date (transaction risks). Furthermore, the translation of the financial statements of foreign subsidiaries into the group currency (€) also involves foreign currency risks (translation risks). Pursuant to IFRS 7.B23, these latter risks do not require separate analysis for IFRS 7 (Financial Instruments: Disclosures) purposes.

The principal foreign currency transactions performed by the STRATEC Group relate to export transactions in US dollars, intercompany loan relationships in US dollars, and loan liabilities in Swiss francs. Translation risks arise due to the translation of the financial statements of foreign group companies from Swiss francs (CHF), British pounds (GBP), and US dollars (USD) into the group reporting currency (€).

Sensitivity to exchange rate movements (transaction risk)

The Group had the following transaction risk exposure as of the balance sheet date:

FOREIGN CURRENCY ITEM TRANSLATED INTO € THOUSAND	12.31.2013			12.31.2012		
	GBP	CHF	USD	GBP	CHF	USD
Cash and cash equivalents	214	638	13,365	77	270	1,241
Trade receivables and other receivables	429	680	2,825	118	1,310	3,916
Receivables from associates less liabilities to associates	-13	0	54	0	0	-220
Financial liabilities	0	-1,725	0	0	-2,237	0
Trade payables	-19	-637	-234	-60	-108	-219
Other liabilities and provisions	-143	-970	-255	-65	-333	-224
NET RISK EXPOSURE	**468**	**-2,014**	**15,755**	**70**	**-1,098**	**4,494**

Exchange rate gains and losses resulting from the measurement of financial assets and financial liabilities as of the balance sheet date have been presented in Section G. "Financial instruments".

Any change in the exchange rate of these key currencies and the euro by +10% / -10% would have impacted as follows on consolidated net income as of the balance sheet date:

	12.31.2013			12.31.2012		
in € thousand	GBP	CHF	USD	GBP	CHF	USD
CHANGE IN CURRENCY BY +10%						
Change in consolidated net income	-43	183	-1,423	-8	100	-408
CHANGE IN CURRENCY BY -10%						
Change in consolidated net income	52	-224	1,751	9	-122	499

In the 2013 financial year, the translation of transactions with third parties and within intercompany relationships led to the recognition through profit or loss of income from currency translation totaling € 613k (previous year: € 488k) and expenses for currency translation totaling € 1,174k (previous year: € 735k). These have been recognized under other operating income and other operating expenses respectively.

Interest rate risks

Interest rate risks involve the risk of fluctuations in the value of a financial instrument as a result of changes in market interest rates.

The STRATEC Group is subject to interest rate risks in terms of its medium and long-term interest-bearing / interest-charging financial instruments. Interest rates are extremely low by historical standards. As a result, the cash and cash equivalents at the STRATEC Group now only generate interest income of immaterial significance and the resultant interest rate risk is also of subordinate significance. In view of this, this item has not been accounted for in the following analysis. However, any rise in interest rates would have a positive impact on earnings.

The Group reported the following medium and long-term interest-bearing assets and interest-charging liabilities as of the balance sheet date:

in € thousand	2013	2012
Interest-bearing financial assets	21	11
of which with floating interest rates	0	0
of which with fixed interest rates	21	11
Interest-charging financial liabilities	6,643	7,459
of which with floating interest rates	1,221	1,243
of which with fixed interest rates	5,422	6,216

Sensitivity of fair values for fixed-interest financial instruments

Changes in market interest rates have no implications for the measurement of fixed-interest financial instruments at the STRATEC Group as of the balance sheet date, as these items are measured at amortized cost. The fair values based on market interest rates as of the balance sheet date have been presented in Section G. "Financial instruments".

Sensitivity of cash flows for floating-interest financial instruments

Changes in market interest rates have no implications for the measurement of floating-interest financial instruments at the STRATEC Group as of the balance sheet date, as these items are measured at amortized cost. Unlike fixed-interest financial liabilities, however, financial liabilities with floating interest rates involve the risk of fluctuations in future cash flows for payments of interest and principal due to changes in market interest rates.

The following table presents the future interest and principal payments assumed for the remaining term of the floating-rate loan liability as of the balance sheet date. The table presents the figures based on the market interest rate prevalent at this time and compares them with the payments that would result were the market interest rate to rise by 100 base points:

in € thousand	Carrying amount 12.31.2013	Cash flows 2014		Cash flows 2015		Cash flows 2016 onwards	
		Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities with floating interest rates (3-month LIBOR)							
Actual	1,221	9	0	9	0	9	1,221
+ 100 base points	1,221	21	0	21	0	21	1,221

The increase in the cash flow for interest payments presented here simultaneously corresponds to the hypothetical impact on earnings in the statement of comprehensive income. As the 3-month LIBOR rate was below 0.3% both at the end of the 2012 financial year and at the end of the 2013 financial year, no "downward" sensitivity analysis has been presented.

The situation was as follows as of the previous year's balance sheet date:

in € thousand	Carrying amount 12.31.2012	Cashflows 2013		Cashflows 2014		Cashflows 2015 onwards	
		Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities with floating interest rates (3-month LIBOR)							
Actual	1,243	10	0	10	0	10	1,243
+ 100 base points	1,243	22	0	22	0	22	1,243

Other price risks

Financial assets in the "financial assets held for trading" category are subject to the risk of changes in fair values. Had fair values been 10% higher (lower) than their balance sheet date levels, then consolidated net income would have been € 53k (previous year: € 37k) higher (lower).

Default risks

The principal default risks faced by STRATEC AG are to be found in its operating activities. They involve the risk of contractual partners failing to meet their obligations. At STRATEC AG, this risk relates in particular to receivables from customers. The risk volumes considered for default risk management purposes includes all creditor items due from customers in connection with supplies and services. Default risk is countered by means of receivables management, such as trade credit insurance policies. Remaining default risks are accounted for with individual and general allowances.

Liquid funds are invested solely in the form of short-term monthly deposits (with maximum terms of six months) at financial institutions with high-quality ratings.

The maximum default risk is reflected on the one hand by the carrying amounts of the financial assets reported in the balance sheet. However, these figures do not account for the hedging measures outlined above.

Capital management

The objectives of capital management at STRATEC are:

- To safeguard the company's continued existence to enable it to continue generating income for shareholders and benefits for other stakeholders, and
- to generate an adequate return for shareholders by setting prices for products and services that are suitable to the degree of risk involved.

STRATEC determines its level of capital in proportion to risk. To this end, STRATEC manages its capital structure and makes adjustments to react to changes in the macroeconomic framework and the risk characteristics of its underlying assets.

The main key management figure referred to by the management is the equity ratio. This amounted to 82.5% as of December 31, 2013 (previous year: 80.7%). The target range for this figure amounts to between 50% and 75%.

I. OTHER DISCLOSURES

RELATED PARTY DISCLOSURES

Closely related companies and persons as defined in IAS 24 (Related Party Disclosures) are legal or natural persons in a position to exert influence on STRATEC AG and / or its subsidiaries or subject to control or significant influence by STRATEC AG or its subsidiaries. Such parties include unconsolidated subsidiaries, members of the Board of Management and Supervisory Board of STRATEC AG and persons and companies closely related to such.

The receivables and liabilities due to and from unconsolidated subsidiaries as of the balance sheet date have been presented under the respective balance sheet items.

In the 2013 financial year, STRATEC AG generated interest income of € 3k from a loan granted to STRATEC Biomedical Inc., Hamden (previous year: € 3k). This loan receivable was written down by 50% in the 2012 financial year.

In the 2013 financial year, STRATEC AG purchased services of € 31k (previous year: € 0k) from STRATEC Biomedical (Taicang) Co. Ltd.

In the 2013 financial year, STRATEC Biomedical USA, Inc. paid interest expenses of € 5k (previous year: € 0k) for a loan received from Sanguin International Inc.

In the previous year, STRATEC AG generated revenues of € 23k from transactions with STRATEC Biomedical S.R.L., which was then not yet fully consolidated, and purchased services of € 501k from this company. In the previous year, STRATEC Biomedical Switzerland AG generated revenues of € 24k from transactions with STRATEC Biomedical S.R.L and purchased services of € 203k from this company. In the previous year, STRATEC Biomedical UK, Ltd. purchased services of € 166k from STRATEC Biomedical S.R.L.

Hermann Leistner, company founder, shareholder and until March 31, 2011 Chairman of the Board of Management of STRATEC AG, counts as a related party pursuant to IAS 24 due to his activity as a member of the Administrative Board of STRATEC Biomedical Switzerland AG. In his capacity as a member of the Administrative Board and advisor of STRATEC Biomedical Switzerland AG, Hermann Leistner received compensation of CHF 220k in the financial year under report. As Hermann Leistner is a member of the Board of Management of DITABIS Digital Biomedical Imaging Systems AG and Managing Director of LITRON GmbH, these companies count as related parties pursuant to IAS 24. In the financial year under report, STRATEC AG generated revenues of € 28k from transactions with DITABIS Digital Biomedical Imaging Systems AG and revenues of € 6k from transactions with LITRON GmbH.

In the previous year, a contingent purchase price liability in connection with the acquisition of STRATEC Biomedical USA, Inc. was still due to one of the managing directors of this company. Reference is made in this respect to the disclosures on company acquisitions in Section B.

DIRECTORS AND OFFICERS

The company's Board of Management comprised the following members in the year under report:

Marcus Wolfinger, Remchingen (Chairman)
Graduate in Business Administration

Bernd M. Steidle, Oberboihingen (Director of Sales and Marketing, until March 19, 2014)
Businessman

Dr. Robert Siegle, Birkenfeld (Director of Human Resources, Compliance, and Legal Affairs)
Attorney

Dr. Claus Vielsack, Birkenfeld (Director of Product Development, since February 15, 2014)
Graduate in Chemistry

The Chairman of the Board of Management, Marcus Wolfinger, is authorized to solely repre-sent the company. Dr. Robert Siegle is a member of the Board of STRATEC Biomedical UK, Ltd., Burton upon Trent, UK, since December 23, 2012 a member of the management of STRATEC Molecular GmbH, and since March 2014 a member of the Administrative Board of STRATEC Biomedical Switzerland AG.

The compensation of members of the Board of Management consists of fixed basic compensation and variable components dependent, among other factors, on the achievement of individual performance targets. More detailed comments on the basic features of the compensation system for the Board of Management and the disclosures required by § 314 (1) No. 6a) Sentences 5 to 8 of the German Commercial Code (HGB) have been presented in Section G. "Compensation report" of the group management report.

Moreover, members of the Board of Management are entitled to participate in a stock option program. Among other conditions, the exercising of the options is dependent on the achievement of performance targets determined at the time of issue. These are outlined in greater detail in Section C. "Disclosures on the consolidated balance sheet – Stock option programs".

The members of the Board of Management received total compensation of € 1,462k for their activity on the Board of Management in the 2013 financial year (previous year: € 1,161k).

A total of 50,000 stock options (previous year: 75,000) with an average exercise price of € 28.09 (previous year: € 31.19) and an arithmetical total value of € 163k (previous year: € 201k) were issued to members of the Board of Management in the 2013 financial year.

As in the previous year, former members of the Board of Management received no compensation in the 2013 financial year for their previous activity on the Board of Management.

The company's Supervisory Board comprised the following individuals in the year under report:

Fred K. Brückner, Marburg (Chairman)
Chemical Engineer and Independent Management Consultant

Wolfgang Wehmeyer, Tübingen (Deputy Chairman)
Graduate in Mechanical Engineering, BBA, MBA, Senior Vice President Business Expansion,
Fresenius Medical Care Deutschland GmbH

Prof. Dr. Hugo Hämmerle, Weil der Stadt
Graduate in Biology and Director of the Natural and Medical Science Institute (NMI) at the University of Tübingen

The Supervisory Board members Fred K. Brückner and Wolfgang Wehmeyer do not hold positions on any other supervisory boards or supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG). Prof. Dr. Hugo Hämmerle is a member of the Supervisory Boards of TETEC AG, Reutlingen, and Retina Implant AG, Reutlingen.

The Supervisory Board members received total compensation of € 124k in the 2013 financial year for their activities on the Supervisory Board (previous year: € 122k). The specific structure of overall compensation was as follows:

in € thousand	2013	2012
Fixed compensation	113	36
Performance-related components	0	72
Meeting allowance	11	14
TOTAL	**124**	122

In addition to this total compensation, each member of the Supervisory Board also has his expenses reimbursed and benefits from a pecuniary damage liability insurance policy taken out at the company's expense at suitable terms customary to the market.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations primarily relate to acceptance obligations (basic contracts with suppliers concerning modules and contractual obligations), and obligations in connection with operating leases and development orders.

Obligations for orders placed amounted to € 37,110k (previous year: € 28,075k).

Undiscounted future minimum leasing and rental payments in connection with operating leases amounted to € 2,515k as of the balance sheet date (previous year: € 2,813k). Of this sum, € 1,923k related to the rental agreement for the company building used by STRATEC Biomedical USA, Inc. (previous year: € 2,319k).

The corresponding payment obligations mature as follows (in € thousand):

Due in	in € thousand
2014	35,050
of which for operating leases	752
2015	3,205
of which for operating leases	392
2016	335
of which for operating leases	335
2017	296
of which for operating leases	296
2018 and later	740
of which for operating leases	740
TOTAL	**39,626**

Due in	in € thousand
2013	26,649
	565
2014	2,465
	474
2015	382
	382
2016	310
	310
2017 and later	1,082
	1,082
TOTAL	**30,888**

There are no contingent liabilities relating to the provision of security for third-party liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

As of February 15, 2015, Dr. Claus Vielsack was appointed to the Board of Management with responsibility for product development.

Bernd M. Steidle departed from the Board of Management as of March 19, 2014.

DECLARATION IN RESPECT OF THE GERMAN CORPORATE GOVERNANCE CODE

The declaration in respect of the German Corporate Governance Code ("Declaration of Conformity") required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and Supervisory Board of STRATEC AG on December 6, 2013 and has been made permanently available to shareholders in the Investors section of the company's website (www.stratec.com).

Birkenfeld, April 15, 2014

STRATEC Biomedical AG

The Board of Management

Marcus Wolfinger　　Dr. Robert Siegle　　Dr. Claus Vielsack

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Birkenfeld, April 15, 2014

STRATEC Biomedical AG

The Board of Management

Marcus Wolfinger Dr. Robert Siegle Dr. Claus Vielsack

AUDITOR'S REPORT

We have audited the consolidated financial statements compiled by STRATEC Biomedical AG, Birkenfeld, which consist of the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, as well as the group management report, for the financial year from January 1 to December 31, 2013. The compilation of the consolidated financial statements and group management report in accordance with IFRS as adopted by the EU, as well as with the provisions of German commercial law requiring supplementary application pursuant to Section 315 a (1) of the German Commercial Code (HGB), lies within the responsibility of the board of management of the company. It is our responsibility to submit an opinion on the consolidated financial statements and the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking due account of the principles governing the proper auditing of financial statements promulgated by the German Institute of Auditors (IDW). These standards require the audit to be planned and executed such that any inaccuracies and infringements with a material impact on the presentation of the net asset, financial and earnings situation provided by the consolidated financial statements, taking due account of applicable accounting standards, and by the group management report are identified with reasonable assurance. When determining the audit procedures, account was taken of our knowledge of the business activities and economic and legal environment of the group, as well as of expectations as to any possible misstatements. The effectiveness of the internal accounting controlling system and the evidence supporting the disclosures made in the consolidated financial statements and the group management report were examined within the framework of the audit, principally on the basis of trial samples. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the delineation of the scope of consolidation, the accounting and consolidation principles thereby applied, and the principal estimates made by the board of management, as well as an appraisal of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonably secure basis for our opinion.

Our audit did not give rise to any qualifications.

On the basis of the findings of our audit, it is our opinion that the consolidated financial statements are in accordance with IFRS as adopted by the EU, as well as with the provisions of German commercial law requiring supplementary application pursuant to Section 315 a (1) of the German Commercial Code (HGB), and that they provide a true and fair view of the net asset, financial and earnings situation of the Group, taking due account of the aforementioned requirements. The group management report is consistent with the consolidated financial statements and provides a suitable overall portrayal of the situation of the group and adequately presents the opportunities and risks relating to its future development.

Stuttgart, April 15, 2014

WirtschaftsTreuhand GmbH
Chartered Accountants
Tax Consultants

(Ernst)	(Richter)
Chartered Accountant	Chartered Accountant

BOARD OF DIRECTORS

BOARD OF MANAGEMENT

Marcus Wolfinger

- Aged 46, Graduate in business administration, Remchingen, Germany
- Chairman of the Board of Management of STRATEC Biomedical AG
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships: None
  - External memberships: None

Dr. Robert Siegle

- Aged 46, Attorney, Birkenfeld, Germany
- Member of the Board of Management of STRATEC Biomedical AG
- Responsible for Finances and Human Resources, Compliance and Legal Affairs
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships:
    STRATEC Biomedical UK, Ltd., Burton upon Trent, UK
    STRATEC Molecular GmbH, Berlin, Germany
    STRATEC Biomedical Switzerland AG, Beringen, Switzerland
  - External memberships: None

Dr. Claus Vielsack (from February 15, 2014)

- Aged 46, Graduate in chemistry, Birkenfeld, Germany
- Member of the Board of Management of STRATEC Biomedical AG
- Responsible for Product Development
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships: None
  - External memberships: None

Bernd M. Steidle (until March 19, 2014)

- Aged 61, Businessman, Oberboihingen, Germany
  Member of the Board of Management of STRATEC Biomedical AG
- Responsible for Marketing and Sales
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships: None
  - External memberships: None

SUPERVISORY BOARD

Fred K. Brückner

- Aged 71, Marburg, Germany
- Chairman of the Supervisory Board of STRATEC Biomedical AG
- Chemical engineer and independent management consultant, Marburg, Germany
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - None

Wolfgang Wehmeyer

- Aged 55, Tübingen, Germany
- Deputy Chairman of the Supervisory Board of STRATEC Biomedical AG
- Graduate in Mechanical Engineering, BBA, MBA, Senior Vice President Business Expansion, Fresenius Medical Care Deutschland GmbH, Bad Homburg, Germany
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - None

Prof. Dr. Hugo Hämmerle

- Aged 62, Weil der Stadt, Germany
- Member of the Supervisory Board of STRATEC Biomedical AG
- Graduate in biology and Director of NMI Natural and Medical Science Institute at the University of Tübingen, Reutlingen, Germany
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - TETEC AG, Reutlingen, Germany (Chairman of the Supervisory Board)
  - Retina Implant AG, Reutlingen, Germany (Deputy Chairman of the Supervisory Board)

FINANCIAL CALENDAR

April 29, 2014	2013 Consolidated / Annual Financial Statements
May 14, 2014	Interim Report as of March 31, 2014
June 18, 2014	Annual General Meeting, Pforzheim, Germany
July 23, 2014	Interim Report as of June 30, 2014
October 22, 2014	Interim Report as of September 30, 2014

Furthermore, based on current planning, STRATEC will also be taking part in the following capital market conferences in 2014:

May 2014	39th Annual Deutsche Bank Health Care Conference, Boston, USA Berenberg Diagnostics Conference, London, Großbritannien
June 2014	UBS Pan European small & midcap conference, London, UK Jefferies 2014 Global Healthcare Conference, New York City, USA
September 2014	11th Annual Goldman Sachs European Medtech and Healthcare Services Conference, London, UK Berenberg Bank & Goldman Sachs German Corporate Conference, Munich, Germany
November 2014	HSBC Healthcare Day 2014, Frankfurt / Main, Germany Jefferies 2014 Global Healthcare Conference, London, Großbritannien German Equity Forum, Frankfurt / Main, Germany
December 2014	Berenberg Bank European Conference, Pennyhill Park, UK

Subject to amendment

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NOTICE
Forward-looking statements involve risks: This annual report contains various statements concerning the future performance of STRATEC. These statements are based on both assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, we can provide no guarantee of this. This is because our assumptions involve risks and uncertainties which could result in a substantial divergence between actual results and those expected. It is not planned to update these forward-looking statements.

This annual report contains various disclosures from an economic point of view that are required by the relevant international financial reporting standards (IFRS). These disclosures should be regarded as a supplement, rather than as a substitute for the notes to be disclosed under IFRS.

Discrepancies may arise throughout this annual report on account of mathematical rounding up or down in the course of addition.

This annual report is also available in German.

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