stratec biomedical

2014
ANNUAL REPORT

Locations

HEADQUARTERS
SUBSIDIARY

KEY FIGURES AT A GLANCE

SALES [1] in € million

'08	61.0
'09	79.6
'10	102.0
'11	116.6
'12	122.4
'13	128.0
'14	144.9

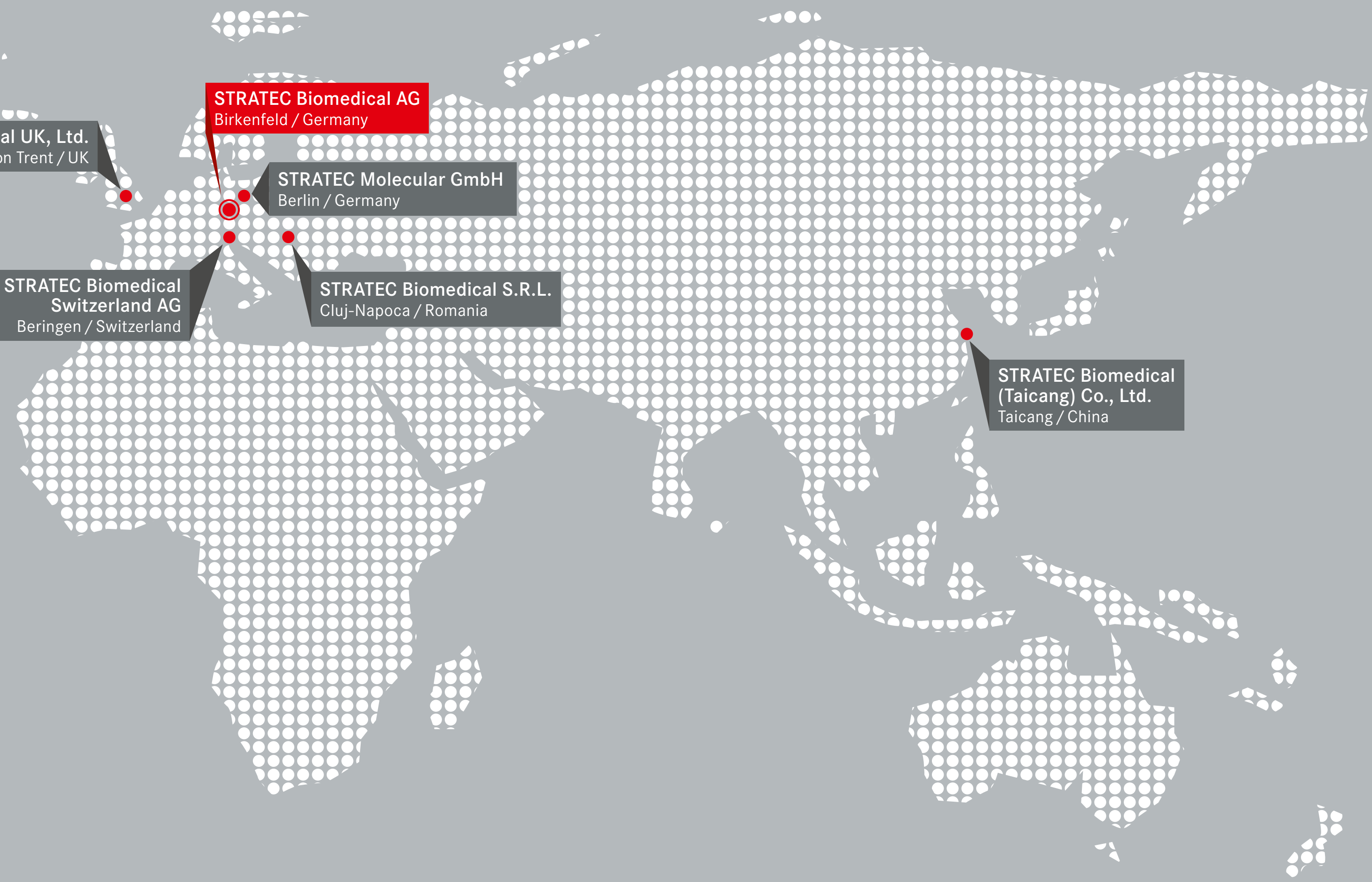
EBIT [1] in € million

'08	11.2
'09	14.7
'10	17.6
'11	21.8
'12	17.6
'13	19.5
'14	24.1

EBIT MARGIN [1] in %

'08	18.4
'09	18.5
'10	17.3
'11	18.7
'12	14.4
'13	15.2
'14	16.6

[1] The accounting methods used in the consolidated financial statements were amended in line with IAS 8 in the 2013 financial year. The previous year's figures stated in this overview of key figures (2008 to 2012) have not been adjusted and are therefore only comparable to a limited extent with the figures stated from the 2013 financial year.



CONSOLIDATED NET INCOME [1] in € million

'08	6.1
'09	11.7
'10	13.0
'11	15.3
'12	14.0
'13	15.5
'14	19.8

EMPLOYEES

'08	284
'09	380
'10	440
'11	503
'12	533
'13	546
'14	544

ANALYZER SYSTEMS DELIVERED

'08	1,411
'09	1,851
'10	2,281
'11	2,319
'12	2,602
'13	2,679
'14	2,719

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

DEAR SHAREHOLDERS,
DEAR PARTNERS AND FRIENDS OF STRATEC,

The STRATEC Group is pleased to report record figures for 2014. During the twelve months of the past financial year, a total of 2,719 systems were supplied to our partners and installed in laboratories, blood banks, hospitals and research institutions worldwide. We are proud to be making an increasingly notable contribution towards growth in the global healthcare system infrastructure.

In the 2014 financial year, we increased our sales by 13.2% from € 128.0 million in 2013 to € 144.9 million and improved our adjusted EBIT margin to 17.0%, up from 15.2% in the previous year. We achieved even higher growth in our adjusted earnings per share, which rose by 29.6% to € 1.71. This disproportionate increase in EPS was mainly attributable to currency and tax items.

In view of this very positive overall performance and our confidence in STRATEC's long-term prospects, the management is proposing a further increase in the dividend. After distributing €0.60 per share in the previous year, we are proposing a distribution of €0.70 per share for the 2014 financial year, representing a 16.7% increase in total distribution year-on-year. Subject to approval by shareholders at the Annual General Meeting on May 22, 2015, the STRATEC Group will thus be maintaining its continuity-based dividend policy involving a distribution quota of 40% to 60% of consolidated net income. This way, we aim to remain an attractive investment prospect for those interested in a high-growth company while also offering reliability in terms of our dividend distribution.

In parallel with the publication of this Annual Report, STRATEC is publishing for the first time a detailed report on sustainability and social responsibility, which is available on our homepage. These are important aspects of our corporate strategy. In the coming months, we will be adding further content aimed at making our company more transparent and measurable in this area.

In this Annual Report, we would like to introduce you to a very exciting topic – both for health-care specialists and patients – namely cancer diagnostics using tumor markers in liquid biopsies. This is a very exciting area of cancer diagnostics that has gained in significance in the recent past.

STRATEC is benefiting from this kind of development, as well as from the ongoing increase in outsourcing in our industry, in the form of further development and supply orders. Although the sales expected for projects in these new areas in our industry or early project phases cannot be planned with adequate precision in quantitative terms, they represent interesting long-term opportunities for STRATEC.

f.l.t.r.
Dr. Robert Siegle [47] Member of the Board of Management, Finances and Human Resources
Marcus Wolfinger [47] Chairman of the Board of Management
Dr. Claus Vielsack [47] Member of the Board of Management, Product Development

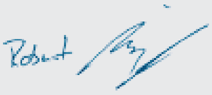
Based on our current business and order situation, we stand by our forecast average annual sales growth of eight to twelve percent through to 2017. This company forecast, which is based on sales for the 2013 financial year, also accounts for figures falling below or exceeding this range in individual years, as was most recently the case in 2014.

We are channeling all of our energies into building our company's future and thank you for the trust you are placing in us.

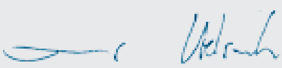
Birkenfeld, April 2015

The Board of Management of
STRATEC Biomedical AG

Marcus Wolfinger



Dr. Robert Siegle



Dr. Claus Vielsack

Report of the Supervisory Board

DEAR SHAREHOLDERS,

In the 2014 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.

Supervisory Board meetings and their key focuses
The Supervisory Board held a total of seven meetings in the 2014 financial year. Three of these meetings were held as teleconferences.

In its teleconference on February 2, 2014, the Supervisory Board dealt, among other matters, with the appointment of Dr. Claus Vielsack as a member of the Board of Management. Dr. Vielsack is responsible for the group-wide management of technology development.

In its teleconference on March 17, 2014, the Supervisory Board resolved to rescind the appointment of Bernd M. Steidle to the Board of Management as Director of Marketing and Sales.

At its meetings held in person on April 25, 2014, July 25, 2014, October 20, 2014, and December 5, 2014, the Supervisory Board dealt in particular with the risk handbook, compliance management, the Group's sales and earnings performance, its financial position, and 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 the Group's long-term corporate strategy.

Furthermore, at its meeting on April 25, 2014 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 2013 financial year. It discussed and approved the draft resolutions to be proposed to the Annual General Meeting on June 18, 2014, including the proposed appropriation of profit for the 2013 financial year. Moreover, at this meeting the Supervisory Board also discussed the realignment of the marketing and sales department.

In the context of the subsidiaries status report at the meeting held on July 25, 2014, discussions focused in particular on the location at Newbury Park, US, and its future focus on development activities and prototype construction.

f.l.t.r.
Wolfgang Wehmeyer [56] Deputy Chairman of the Supervisory Board
Prof. Dr. Stefanie Remmele [37] Member of the Supervisory Board
Fred K. Brückner [72] Chairman of the Supervisory Board

At its meeting on October 20, 2014, the Supervisory Board consented to a Board of Management transaction requiring its approval, namely to further expand the location in Beringen, Switzerland. Furthermore, this location extension was discussed once again in detail at the Supervisory Board meeting on December 5, 2014.

In a teleconference held on November 24, 2014, 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 2014 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 25, 2014 and then published on the company's homepage.

At its meeting on December 5, 2014, the Supervisory Board addressed the German Corporate Governance Code in its version dated June 24, 2014. 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. As a result, the Supervisory Board and Board of Management renewed their Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) on this date and made this permanently available to shareholders at the company's homepage.

Supervisory Board committees
As it only comprises three members, the Supervisory Board has not formed any committees and thus deviates from the recommendation in the German Corporate Governance Code.

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.

Changes in composition of Board of Management and Supervisory Board
There were two changes in the composition of the Board of Management of STRATEC Biomedical AG. 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 already held various senior positions in product development at the company for more than 15 years.

The activity on the Board of Management of Bernd M. Steidle, Director of Marketing and Sales, ended as of March 19, 2014. The Supervisory Board expressed its thanks to Mr. Steidle for his longstanding activity and notable achievements on behalf of the company.

The term in office of all members of the Supervisory Board expired upon the conclusion of the Annual General Meeting on June 18, 2014. The Supervisory Board therefore required re-election by the Annual General Meeting. Prof. Dr. Hugo Hämmerle, who did not stand for re-election, left the Supervisory Board. To succeed him, Prof. Dr. Stefanie Remmele, Landshut, Professor of Medical Technology at the University of Applied Sciences in Landshut, was newly elected to the Supervisory Board. The previous Supervisory Board Chairman, Fred K. Brückner, and the previous Deputy Supervisory Board Chairman, Wolfgang Wehmeyer, stood for re-election and were elected once again. The members of the Supervisory Board thanked Prof. Dr. Hämmerle for his constructive contribution.

Audit of annual and consolidated financial statements

At its meeting on April 8, 2015, 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, 2014, as well as with the management report of the company and the Group for the 2014 financial year. Both sets of financial statements had previously been audited and provided with unqualified audit opinions 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) for the early identification of any risks to the company's continued existence.

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 8, 2015 and outlined the key audit findings.

The audit of the annual and consolidated financial statements and of the management report 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 €0.70 per share with dividend entitlement, in detail with the Board of Management and approved this proposal.

Thanks

The Supervisory Board would like to thank the members of the Board of Management and all employees of STRATEC Biomedical AG and of all group companies for their achievements in the 2014 financial year.

Birkenfeld, April 8, 2015

On behalf of the Supervisory Board

Fred K. Brückner

Fred K. Brückner
Chairman

Liquid Biopsy – Tracking Cancer

EARLY NICHE MARKETS

For many years, STRATEC Biomedical AG has been a well-established partner of global market leaders in the diagnostics industry. In its role as a close contact and service provider in development and production, STRATEC is part of its customers' strategic focus on markets and segments with excellent prospects of sustainable future growth. STRATEC is already active in markets that are currently just developing from niches or research activities and consequently offer new potential partners and customers. As a result, STRATEC is closely following the development of such niches to ensure early establishment in these developing markets through research and development cooperation activities.

GROWTH SEGMENTS IN IN-VITRO DIAGNOSTICS

STRATEC's product portfolio is targeted toward growth segments within the diagnostics and healthcare industries. In addition to systems that are currently significant drivers of growth for the company in markets involving immunoassay and molecular diagnostic applications – and are generating sales for STRATEC's customers in the hundred-million-dollar range – more recent systems and projects still in development exist in sometimes small, but rapidly growing niche segments, such as projects involving circulating tumor cells. Experts expect average annual growth rates of around 25% between now and 2018 for this application, which is considered the fastest-growing segment of the diagnostics industry. As a result, this segment – a sub-segment of liquid biopsy – will be analyzed in more detail below.

THE BENEFITS OF LIQUID BIOPSY COMPARED TO STANDARD METHODS

Liquid biopsy is a sensitive non-invasive diagnostic method for the quantification and characterization of biomarker in body liquid samples. Liquid biopsy offers clear benefits compared to invasive methods. It is less stressful to the patient and is faster and more economical than conventional tissue biopsies, making it ideally suited for regular therapeutic monitoring.

Since liquid biopsy is a non-invasive diagnostic approach, its importance is increasing, particularly in cancer diagnostics and therapy. This technique also has the potential to revolutionize cancer treatment. It allows physicians significantly faster access to additional information on the molecular level, allowing them to optimize or enhance treatment options.

In particular, biomolecular and cytological methods, such as DNA sequencing, have so far involved prior tedious invasive biopsy (i. e., taking a tumor tissue sample from the living organism).

LIQUID BIOPSY: A METHOD FOR THE DETECTION OF CANCER CELLS IN CIRCULATING BLOOD

Liquid biopsy is a very useful tool in cancer diagnostics. In addition to other applications, it offers the unique opportunity to get detailed insights into metastasis formation. As a result, this technique can contribute to the identification and understanding of the mechanisms underlying the infiltration of cancer cells into foreign tissues.

In addition, liquid biopsy allows the search for tumor markers or tumor-specific gene mutations not only in blood, but also in other body liquids, such as blood plasma, saliva and urine, providing high analytical sensitivity and specificity. The results of these analyses make it possible to draw conclusions on a potential increase in size or metastatic activity of a tumor (so-called tumor progression) or to detect a disease before clinical signs appear, for example.

In addition to the cancer diagnostic option discussed above, current applications of non-invasive liquid biopsy include cancer screening, cancer classification and personalized medicine as well as the efficacy evaluation and follow-up monitoring of cancer therapies.

Every year, more than eleven million people worldwide develop cancer; almost eight million people die from the consequences.

OF TUMOR MARKERS IN LIQUID BIOPSIES

Tumor markers can be found in the following three relevant types of liquid biopsies:

1. Free circulating genetic material	2. Circulating Exosomes containing genetic material	3. Circulating tumor cells
↓	↓	↓
TUMOR MARKER		

1. Free circulating genetic material (DNA and RNA)
In addition to circulating tumor cells (called CTCs below), blood and other body liquids of cancer patients also contain genetic material released by tumor cells, either free or enclosed in exosomes (small, cell-like membrane structures). Like normal human body cells, which release their (normal) genetic material into blood circulation during regular cell death, cancer cells do the same with their (mutant) genetic material.

As a result, the increased level of mutant circulating DNA and RNA (microRNA, or miRNA) in blood or plasma samples indicates cells released from tumors, making it a suitable diagnostic tumor marker. Consequently, a highly sensitive blood test can detect genetic material from cancer cells before patients show first cancer symptoms. This process allows conclusions on the type of mutation of the cancer cell and the relative tumor size, for example. Newly developed techniques such as “digital droplet PCR” or “next generation sequencing” make this relationship detectable by analyzing cell-free DNA. The current view therefore strongly supports growing future acceptance of these techniques in cancer diagnostics.

In addition, the detection of cell-free DNA in blood is today also used for transplantation monitoring and has become the basis of non-invasive prenatal diagnostics.

2. Circulating Exosomes containing genetic material
Exosomes are the major constituent of the human body’s complex communication system. They are used for the transfer of genetic information between body cells by all body liquids, plus they contain and transport substances such as genetic material. It is generally accepted that they are very important for the detection of new biomarkers, which serve as the basis for personalized medicine and diagnostics. Exosomes can be isolated from body liquids such as blood, urine or cerebrospinal fluid. They also allow the extraction and purification of top-quality RNA and DNA for other analyses.

Cancer is the second most common cause of death worldwide. About 80% of all cancer patients do not die from the primary tumor, but from the consequences of metastasis.

Exosomes are released by both healthy and ill body cells. Exosomes from tumor cells contain tumor-specific RNA, for example, that can be more easily isolated from body liquids than from biopsy tissue samples. Compared to CTCs, exosomes provide the additional benefit that they are released from almost all body cells and could therefore be useful for other pathological applications in addition to cancer diagnostics. As a result, they provide new options in the molecular diagnosis of a wider range of diseases.

It is therefore to be expected that exosome-based tests could become a diagnostic alternative to both tissue biopsies and CTCs.

3. Circulating tumor cells

CTCs are cells that can release themselves from a primary tumor and circulate in the circulating blood and lymph of the affected patients. Consequently, they are part of the metastatic process and responsible for the progress of cancer or the growth of additional tumors far away from the primary tumor.

However, this characteristic alone makes them a valuable early indicator of early cancer or an indicator of individual tumor size and status during cancer therapy.

According to the current state of knowledge, about 80% of all cancer patients die from the consequences of metastases rather than from the actual primary tumor. Cancer formation and the underlying biochemical processes are now well understood, and thanks to progress in CTC isolation and characterization, researchers are also searching for a better understanding of the basis of the formation of metastatic process.

Oddly enough, the most common cancer types – breast cancer, prostate cancer, lung cancer and intestinal cancer – are those that have the ability to form metastases. They account for half of all cases of cancer. As a result, cancer diagnostics includes a wide range of applications with a potential high clinical impact of the analysis of CTCs in blood.

The availability of a diagnostic tool to count individual CTCs in the blood allows physicians to assess the severity of individual cancer cases, since the CTC count in blood correlates with the progress of this disease and the probability of the patient's survival. The number of CTCs per sample is extremely low, and their purification is a very tedious task. Nevertheless, they provide extensive information relating to genetic and cellular conditions. Such information should allow predictions about the efficacy of a specific cancer treatment in the near future.

The next step

Today, CTCs are attracting the attention of many biotech companies and researchers because they can be isolated by a relatively simple blood test instead of tedious tissues biopsy procedures. Thanks to their non-invasive and far more patient-friendly approach, they represent a superior tool for cancer diagnostics. In addition, the harvested cells are readily available for state-of-the-art biomolecular analyses, such as real-time PCR, next generation sequencing, immune assays and mutation analyses. Once the biomolecular analyses of CTCs have been fully developed and are available, they could become part of daily medical routine in just a few years. The scope of application even could extend to the screening of subjectively healthy and symptom-free individuals for CTCs, for example, thereby opening the door to the very early identification of potential cancer development.

Some years ago, the U.S. Food and Drug Administration (FDA) issued a registration for a method and a medical device to isolate and count CTCs. Even now, this system allows prognoses for patients with metastatic breast, intestinal or prostate cancer. This routine blood test can be performed at any time during the course of cancer therapy and has already established itself as a standard method in many diagnostic labs. Together with other test results, the results are assessed by qualified physicians to allow a complete prognosis for individual patients. CTC tests are currently still expensive, with the price for a single test at around USD 150 to USD 300.

More than 200 types and subtypes of cancer exist.

Standardized Current Procedural Terminology Codes (CPTs) entered into force in the U.S. in 2013. These CPT codes are used by the American Medical Association (AMA) for diagnostic services and other purposes to ensure a consistent structure of information regarding medical services and methods between health-care professionals, patients and insurance companies and for other administrative, financial and analytical purposes. It is generally accepted that the release of such codes indicates broad clinical applicability. With respect to cancer patients, it indicates the possibility of a more detailed assessment of the probability of cancer patients' survival. This measure also had the effect of attracting other players in the market to this segment that had previously been dominated by the U.S. company Veridex. Today, more than 50 companies offer a number of new methods for detecting, isolating or analyzing CTCs, and other advanced techniques and procedures have been developed for their isolation and characterization.

The market size for commercially available CTC-based cancer diagnostics was around USD 25 million in 2013. A study forecasts a fast average annual growth rate of 25% between now and 2018. As a result, the expected growth rate for this segment is even above the growth rates for diabetes tests (15%) and DNA / RNA tests (13%).

As the market leader with respect to innovation and technology in the segment of fully automatic analytical systems for partners in clinical diagnostics and biotechnology, STRATEC expects to play a role in this fast-growing market segment of in-vitro diagnostics thanks to liquid biopsy projects presently in development.

The objective of cancer research is to transform cancer – like HIV – from an all too often fatal illness into a chronic disease that can be managed with long-term treatment options.

Only 5% to 10% of all cases of cancer are caused by genetic factors.

STRATEC's Share

SUMMARY OF 2014 ON THE STOCK MARKETS

The key factor driving share prices in 2014 was once again the loose monetary policy on the part of central banks. In Germany, the glut of liquidity announced by the ECB President, the surprising cut in interest rates, and the weakness of the euro pushed the DAX to historic records. Germany's lead index topped the magical 10,000 point mark for the first time in its history in July 2014.

Negative factors, such as investors' concerns about the long-term impact and expiry of the massive bond purchase program in the US, unclear implications of developments in the Crimea crisis and Ukraine conflict, the drop in oil prices, extremist groups and the Ebola epidemic, led to a rollercoaster ride on the markets.

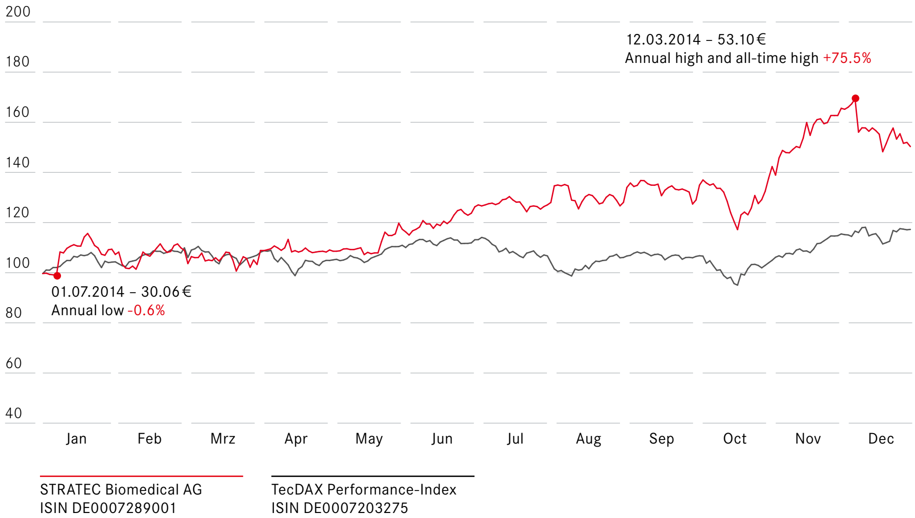
Despite great volatility, in 2014 as a whole the DAX rose by 2.7%, the MDAX by 2.2%, and the SDAX by 5.6%. At 17.5%, the annual performance of the TecDAX far outstripped these figures.

STRATEC'S SHARE PERFORMANCE IN 2014

STRATEC's share began the 2014 trading year at €30.25 (Xetra, closing price on December 30, 2013). It reached its annual low at €30.06 (Xetra, intraday) on the fourth day of trading already, and touched this figure once again on March 21, 2014. As the year progressed, STRATEC's share increasingly outperformed its comparative index, the TecDAX.

On August 1, 2014, STRATEC's share topped its all-time high of €40.00 dating from February 2013. With high trading volumes, the new all-time high reached this day amounted to €42.39 (Xetra, intraday). After two previous attempts, and following a sharp correction in share prices in the first half of October, the share then exceeded this new high on October 30, 2014. From October 16, 2014, the day on which the downward correction ended, through to December 3, 2014, STRATEC's share surged ahead, rising from €35.33 to its currently valid all-time high of €53.10 (both Xetra, intraday). STRATEC's share closed at a price of €45.75 on December 30, 2014. With share price growth of 51.2% in 2014, the share was thus one of the top-performing stocks in the TecDAX.

STRATEC's share price performance in 2014
(January 1, 2014 = 100%)



Key figures for STRATEC's share (status: December 31)	2014	2013	2012	2011	2010
Year-end price previous year (in €)	30.25	37.65	31.75	31.91	26.58
Annual low (in €)	30.06	25.30	28.02	24.80	22.11
Annual high (in €)	53.10	40.00	39.48	34.00	34.14
Year-end price (in €)	45.75	30.25	37.65	31.75	31.91
Performance (%)	+51.2	-19.6	+18.6	-0.5	+20.0
Dividend per share (in €)	0.70 [1]	0.60	0.56	0.55	0.50
Distribution total (€ million)	8.3 [1]	7.1	6.6	6.4	5.8
Dividend yield (%)	1.5 [1]	2.0	1.5	1.7	1.6
Share capital (€ million)	11.8	11.8	11.7	11.7	11.6
Number of shares issued (million)	11.8	11.8	11.7	11.7	11.6
Market capitalization (€ million)	540.0	356.0	441.9	370.7	369.2
Trading volumes (€ million)	131.1	109.8	126.6	132.2	127.1
Average daily trading volume (in €)	520,199	433,863	498,367	514,502	496,439
Average daily trading volume (number of shares)	13,200	13,275	15,201	17,232	17,643

[1] Proposal to Annual General Meeting on May 22, 2015

DIVIDEND

Since 2004, when a total dividend of €0.3 million was distributed for the 2003 financial year, the company has enabled its shareholders to participate in its success by consistently distributing a higher dividend each year. Given the Group's pleasing operating performance in 2014 and its strong future prospects, the Board of Management and Supervisory Board intend to propose the distribution of a dividend of €0.70 per share with dividend entitlement for approval by the Annual General Meeting on May 22, 2015 (previous year: €0.60). Subject to approval by shareholders, this would correspond to a distribution quota of 41.7 % of consolidated net income and to a distribution total of €8.3 million (previous year: €7.1 million). Based on the year-end closing price on December 30, 2014, the dividend yield would amount to 1.5% (previous year: 2.0%).

STOCK MARKET LISTING, TRADING VOLUMES, AND INDEX AFFILIATION

The company's shares are listed in the Regulated Market of the Frankfurt Stock Exchange (Xetra and Frankfurt marketplaces) and meet the transparency requirements of the Prime Standard. Furthermore, the shares are also traded on the regional stock exchanges in Stuttgart, Munich, Berlin-Bremen, and Düsseldorf.

Measured in terms of gross order book turnover, STRATEC shares worth €131.1 million changed hands on the aforementioned marketplaces in 2014 (previous year: €109.8 million). Of this total, the Xetra and Frankfurt marketplaces alone accounted for 83.8% (previous year: 90.7%).

Since November 2010, STRATEC's share has been listed in the TecDAX, a select index comprising 30 technology stocks at the German Stock Exchange. In 2014, STRATEC managed to further consolidate its position in the TecDAX. At the end of the year, STRATEC was ranked 23rd (previous year 26th) in terms of market capitalization and 37th (previous year: 33rd) 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 (in €)	11,795,445.00
Share capital (number of shares)	11,795,445
Initial listing	August 25, 1998
Marketplaces	Xetra; Frankfurt, and further regional stock exchanges in Germany
Designated sponsors	Commerzbank AG Oddo Seydler Bank AG
Average stock turnover per trading day in 2014	13,200 shares / € 520,199

SHARE CAPITAL

A total of 25,200 stock option rights were exercised in the 2014 financial year within the stock option programs introduced for managers and employees. The 25,200 new shares arising as a result increased the share capital by € 25,200.

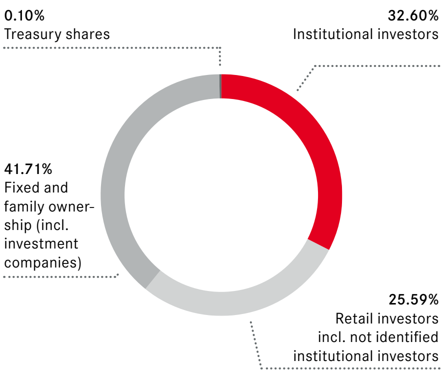
The share capital amounted to € 11,795,445 as of December 31, 2014 and was divided into 11,795,445 ordinary bearer shares.

SHAREHOLDER STRUCTURE

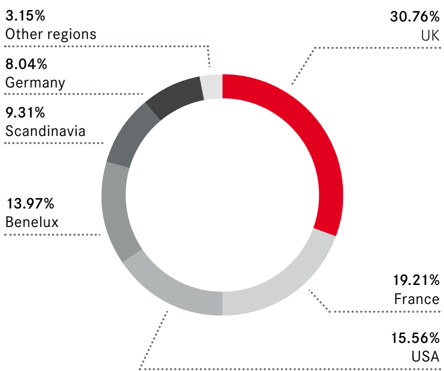
STRATEC's shares are in widespread ownership. The free float share (based on the German Stock Exchange definition) amounts to 61.11% and is spread across a large number of retail and institutional investors in Germany and abroad. Of the shares, 38.89% are in fixed ownership. Of these, 0.10% are treasury stock owned by the company itself and therefore do not have any voting or dividend rights.

41.71% of the shares are attributable to the company's founder Hermann Leistner, his family, and their investment companies.

Distribution of share ownership by investor group



Distribution of institutional investor share ownership by region



DIALOG WITH THE CAPITAL MARKET

STRATEC backs up its corporate strategy, which is aimed at achieving sustainable value 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, journalists, 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 homepage, interested parties can inform themselves of important dates regularly and with sufficient notice.

Furthermore, capital market participants are kept regularly informed of the company's strategic development and business performance with the publication of financial reports and of ad-hoc announcements and press releases.

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, Deutsche Bank, DZ Bank, HSBC Trinkaus & Burkhardt, Kepler Cheuvreux, Landesbank Baden-Württemberg, and Oddo Seydler Bank.

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

Group Management Report *

for the 2014 Financial Year of STRATEC Biomedical AG

* This management report contains certain forward-looking statements relating to the development of the STRATEC Group which are based on assumptions and estimates that are subject to uncertainties and risks and May thus lead to variances from the planned results. We assume that these statements are realistic but cannot exclude the possibility of potential variances arising.

A. Group fundamentals

1. GROUP BUSINESS MODEL

Areas of activity

STRATEC Biomedical AG is a globally active company that, since its foundation in Birkenfeld, Germany, in 1979, has developed from a provider of specialist automation solutions into a development, service and production partner to leading global providers of diagnostics and life science solutions.

The services offered by STRATEC Biomedical AG and its associates (hereinafter "STRATEC") range from designing and manufacturing fully automated analyzer solutions via sample preparation, quality management and approval services for one-stop solutions through to providing software solutions to control and interlink system solutions in laboratories:

STRATEC Instrumentation: STRATEC's automation solutions are subdivided on the basis of two different development approaches:

- Partner development: STRATEC is already involved in the analyzer system design process at a very early stage of the customer's planning. Depending on the technological application scope, the specifications for an instrument are determined jointly. This involves defining both key criteria, such as subsequent user-friendliness or appliance serviceability, and the precise process sequence and conditions for the actual test process. STRATEC is thus actively involved in all development steps from the first stage of analyzer system planning through to the integration of the customer-specific assay.

- Platform development: Drawing on its wealth of experience and the scope of internally developed state-of-the-art components available, STRATEC regularly develops platform systems that can be offered to customers as proprietary developments. As a general rule, such systems are then adapted in line with the customer's technological requirements and its corporate design. This approach correspondingly reduces development times and costs. Platform solutions are thus particularly suited to customers aiming to enter a market rapidly and without larger-scale development expenses or to customers only able to place smaller numbers of systems a year and thus unable to afford the more time-consuming and cost-intensive individual development process.

STRATEC offers a comprehensive spectrum of services to its partners in the field of instrumentation solutions. These range from design, via feasibility studies, technological development and documentation, through to the compilation of approval documentation and numerous other process steps which the customer would otherwise have to perform itself. Over and above the actual development status, STRATEC also offers additional services ranging from serial appliance production through to providing spare parts and services.

Alongside the core instrumentation solution business, customers and partners are also offered supplementary solutions:

STRATEC Data Management: As well as software solutions integrated into the instrumentation solution, STRATEC also offers its partners flexible software solutions which range from interlinking various systems in one laboratory to controlling work volumes between systems. By providing access to test results and their classifications, these solutions also help laboratory directors in reaching their decisions. They are developed both as standard solutions and as individually developed software adapted in line with the customer's requirements and corporate design. They are then referred to as middleware software.

STRATEC Molecular: STRATEC offers its partners and customers numerous specialist sample preparation solutions. Customers are offered OEM solutions capable of integration into their product ranges. Smaller and medium-sized laboratory operators in particular are also offered finished products either alone or together with instrumentation solutions. Sample preparation is a work step required in molecular diagnostics in particular prior to the execution of the actual test processes.

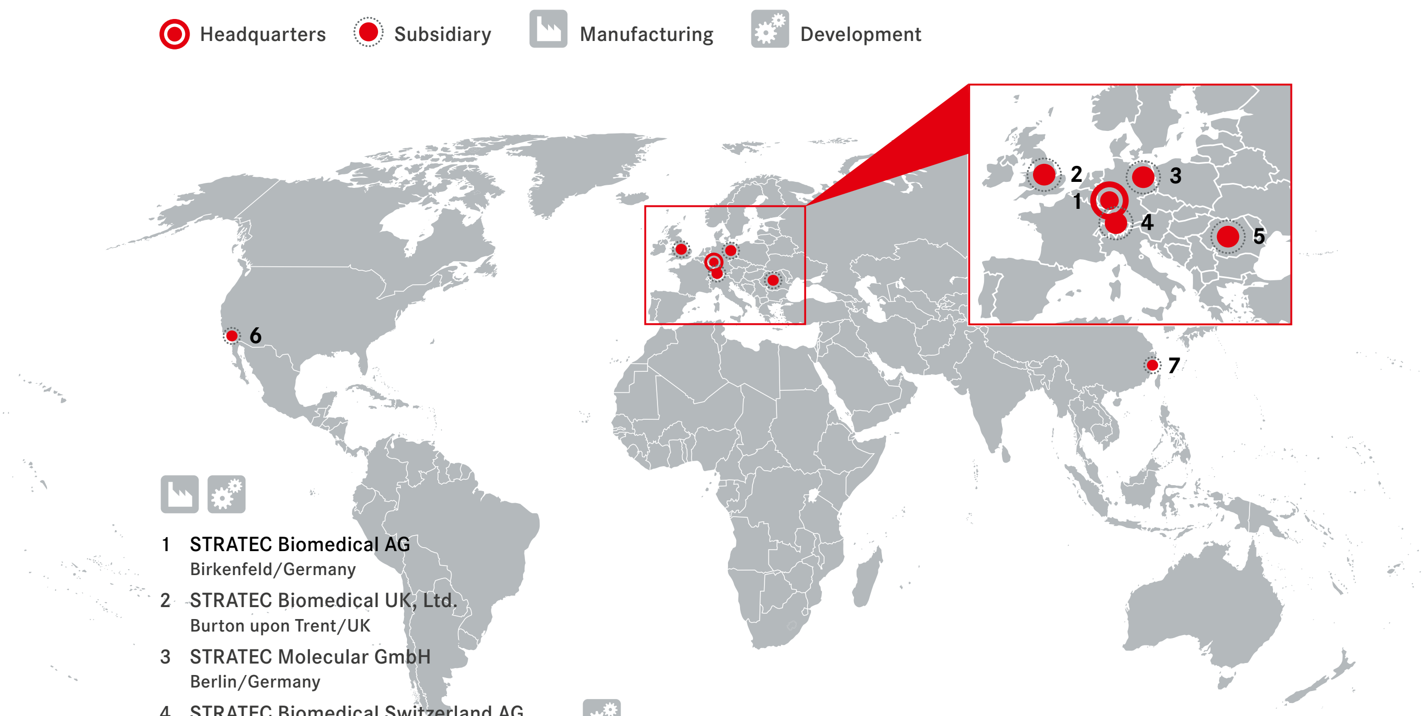
Customers and markets

Given its activity as a partner to global players, STRATEC is in the special situation of not having to maintain its own worldwide sales and service network.

Due to the presence of its partners and given the nature of its business model, STRATEC's products are found where its partners are present with their solutions. The company therefore cultivates close relationships with leading diagnostics and life science companies in various countries and regions where decision makers at the partners are present. Furthermore, STRATEC has established production and development sites at locations enabling it to perform its services for its worldwide partners with the greatest efficiency and best quality possible. Alongside the headquarters, which has grown over time in Birkenfeld, the company thus has further locations in Germany, Switzerland, the UK, Romania, China, and the US.

Sales volumes in the in-vitro diagnostics (IVD) instrumentation market are currently estimated at around seven billion US dollars a year. Some 65% to 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. Over the same period, the global share of system solutions placed by outsourcing partners such as STRATEC is already set to increase to 40% (IVD OEM market). Due to the high degree of sub-market segmentation, the market relevant to STRATEC has a volume of approximately €0.7 billion to €1.0 billion.

Key factors motivating companies to outsource growing shares of their instrumentation activities to OEM partners include the cost savings resulting from efficient and lean structures, the time savings in development due to the extensive technology pool available, and the high degree of planning reliability achieved by drawing on proven methods, established processes, platform technology, and in-depth expertise.



1 **STRATEC Biomedical AG**
Birkenfeld/Germany

2 **STRATEC Biomedical UK, Ltd.**
Burton upon Trent/UK

3 **STRATEC Molecular GmbH**
Berlin/Germany

4 **STRATEC Biomedical Switzerland AG**
Beringen/Switzerland

6 **STRATEC Biomedical USA, Inc.**
Newbury Park/CA/USA

5 **STRATEC Biomedical S.R.L.**
Cluj-Napoca/Romania

7 **STRATEC Biomedical (Taicang) Co., Ltd.**
Taicang/China

Group strategy

STRATEC's strategic objective is to generate sustainable, ecologically and socially responsible growth ahead of the sector average and, as an innovation leader, to make a valuable contribution towards further technological advances in the field of medical technology. This will ensure that STRATEC successfully establishes itself as a valuable and cherished partner for an even greater number of customers, employees, and shareholders.

To achieve this objective, STRATEC has in recent years developed consistently from a highly specialized niche provider into a responsible partner to global market leaders. It offers its customers all-round, innovative one-stop solutions whose implementation would otherwise require companies to maintain numerous highly qualified, in-house specialist teams. Some of STRATEC's potential customers and established partners have now completely outsourced these activities or are in the process of assigning individual stages to specialist providers. Together with its focus and innovative strength, STRATEC's ongoing development activities for numerous customers mean that it is always at the forefront of technological developments. This enables it not only to understand its customers' expectations but generally also to satisfy these with a marketable solution in the form of a finished product. Given ongoing technological advances, this is more difficult for diagnostics companies that do not specialize in instrument development and that only address new appliance generation development at the end of system lifecycles.

STRATEC aims to become further established as a leading partner for outsourcing solutions in high-growth segments within the in-vitro diagnostics market, such as molecular diagnostics or freely circulating tumor cells. Not only that, it aims to offer niche solutions, currently performed as additional services, as proprietary product solutions backed up by corresponding property rights. Furthermore, the company is monitoring further markets, in most cases highly regulated niche markets, and evaluating them for its potential expansion.

Not only that, the company still plans to work together with providers of new technologies to transform innovations from development status into market-penetrating products or additions to existing product portfolios. This way, it should be able to complement the value chain and, not least, to offer the results as OEM solutions to global players.

Group structure and management

Alongside ongoing adjustments to the company's organization and structures in line with its growth, the key objective of group management is to maintain STRATEC's track record of sustainable sales growth ahead of average growth rates in the in-vitro diagnostics industry while further improving the company's profitability and detecting any inappropriate developments in good time.

The "Instrumentation", "Data Management", and "Molecular" areas of activity form one component of the reporting system within the STRATEC Group. To account for the presence of these activities at various locations, the STRATEC Group has a matrix organization structure. Company management thus largely involves managing the legal units, with the respective measures being implemented at the individual locations by the local management. The most important key figures are compiled, reported and monitored on this basis. The focus here is just as much on the sales and margin performance of individual units as on the respective development, production and supply figures. Alongside this analysis of actual figures, a forecast system based on contractual agreements, current customer forecasts and past experience also serves to manage activities and enables the company to react to any potential inappropriate developments.

As the group management, the Board of Management of STRATEC Biomedical AG lays down the strategic framework for the STRATEC Group in agreement with the Supervisory Board. All business divisions are managed by setting annual sales and earnings targets ("management by objectives"). In agreement with the Board of Management, individual location managers decide under their own responsibility how the objectives can be met by setting strategic and operating targets. As well as via quantitative targets, the company's performance is also increasingly managed by way of qualitative targets.

Alongside quantitative reporting structures, monthly assessments of current project developments and risks are additionally reported by individual location managers and project directors to the respective heads of department or the Board of Management.

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, employees in senior or key positions, and sales employees. This variable compensation is largely dependent on the key figures achieved, especially operating earnings, but also on strategic objectives. This raises 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.

2. RESEARCH AND DEVELOPMENT

For companies driven by innovation, research and development are far more than a product development service for their customers. Alongside STRATEC's wealth of expertise built up over time, the company's research and development are a major competitive advantage over other companies that, due to different salary structures in so-called low-wage countries, might offer technologies developed in the past at lower cost. STRATEC's sustainable growth and reputation are based on the innovations resulting from a combination of the company's experience and the numerous talks its holds with customers concerning present and future challenges and requirements. In view of this, the company accords great value to in-depth expertise and the interaction of complex processes, and that not only when developing analyzer systems that act as interfaces between laboratory work processes and test processing. To develop successful system solutions for this market, all areas – from sample preparation through to test result evaluation with the assistance of complex software solutions – benefit from the knowledge and experience of various engineering and scientific disciplines. This need to specialize in technological developments in the field of medical technology is further intensified by specific regulatory requirements in the most important markets (US, Europe, the BRIC countries, Japan), which only allow limited latitude when documenting development results. STRATEC views this development as an opportunity to extend its head start in terms of innovation and expertise and thus to further differentiate itself from its competitors. The company will therefore continue to invest in research and development.

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 remain 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. This factor is accounted for above all in our software development and verification activities. This is one of the main reasons for the disproportionate growth in these areas within STRATEC's development division.

- **Development of new technologies**
  To boost our competitiveness and leading position as an independent system provider, STRATEC not only observes ongoing changes in our customers' needs in terms of technologies and processes, but also constantly analyzes innovations and developments in the relevant markets. The insights thereby gained are correspondingly factored into the development of new technologies. One key focus here is on gaining early experience with processes resulting from research, and in particular with technologies and processes in which we see potential for routine application in in-vitro diagnostics.

- **Development of platform technologies**
  A further focus of STRATEC's development activities involves further developing and enhancing platform technologies for relevant 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 research and the in-vitro diagnostics environment, and the tools and processes optimized for use in this area enable STRATEC to offer all-round solutions with highly attractive development periods and ensure that STRATEC retains control of key industrial property rights for all systems thereby developed. Not least as a result of these factors, the company's long-term cooperation with its partners and customers is ensured. Total expenses for personnel and material outlays for research and development activities at consolidated group companies amounted to €19.4 million in the 2014 financial year (previous year: €17.7 million).

B. Business report

1. ECONOMIC AND INDUSTRY FRAMEWORK

The macroeconomic framework generally affects STRATEC's business performance to a far lesser extent than planning and product lifecycles in the markets relevant to the company, such as the diagnostics industry. As healthcare system spending in very many countries, especially developing and emerging economies, is often very closely linked to their economic growth and development in gross national product, several key items of relevant data are presented below.

In western industrialized economies, which still account for a major share of STRATEC's customers' sales markets, the macroeconomic outlook is positive for 2015 as well, with the US and the UK slightly ahead with expected economic growth of almost 3%.

Sources of both political and economic uncertainty remain in Europe and the resultant economic implications cannot easily be assessed. As economic players, the countries more weakly placed in economic terms are of lesser significance for global markets. However, the destabilizing factors are difficult to evaluate and remain a source of uncertainty. Reform efforts in several European countries have led to an increasingly positive outlook. Having said this, other countries, including some heavyweight economies, are still falling short of expectations.

The combination of a low euro exchange rate and persistently low interest rates means that conditions for growth remain positive. Europe is expected to generate economic growth of 1.2% in 2015.

The more aggressive monetary policies adopted by the US and UK have led their economies to recover and unemployment figures to reduce. This is also benefiting export-based economies such as Germany. Furthermore, the relatively weak oil price is also promoting a positive consumer climate.

The global economy is expected to show growth of around 3% both in 2015 and in the years to the end of the decade. By 2016, emerging markets will already account for one third of global healthcare spending. These economies too will thus continue to gain in significance as lucrative markets for STRATEC's customers.

China, one of the key growth drivers in recent years, has lost a little of its momentum, but will still generate substantial growth in a medium to high single-digit percentage range. Given new reform hopes, India too is expected to see positive economic developments, with growth of almost 6% forecast for 2015.

Political unrest means that the economic framework remains difficult in countries such as Russia and Ukraine, as well as in Middle Eastern and North African countries.

Industry and market data: Based on different estimates, in-vitro diagnostics (IVD) will continue to show average global growth of around 4[1] to 5[2]% in the years until 2018 and 2020 respectively. Some regions, such as the BRIC states, are growing significantly faster, while other regions, such as Europe, are not expected to show any growth. Similar developments can be seen in the various IVD segments. While some areas in which STRATEC consciously does not operate, such as blood sugar self-testing, are expected to decline significantly, other segments are expected to show very strong growth in future as well. STRATEC plans to continue benefiting to a disproportionate extent from these growth rates by deliberately tracking down and developing projects in high-growth niches. The company currently has both customer projects and proprietary platform solutions in development for several of these sub-segments.

The US still represent a special case. While cost savings could have a slightly negative impact on the test volumes handled at laboratories, overall test volumes are nevertheless expected to rise due to the growing number of people with health insurance. On the one hand, the number of people insured has most recently risen slightly due to lower unemployment rates and is expected to remain stable until 2018. On the other hand the Affordable Care Act (Obamacare) is expected to substantially increase the number of people insured from around 217 million in 2015 to around 235 million[3], unless Obamacare is blocked or restricted by court decisions.

[1] Kalorama Information: The Worldwide Market for In Vitro Diagnostic Tests
[2] Allied Market Research / IVD Market
[3] Berenberg Bank: Med. Tech / Services

Even though the diagnostics, pharmaceuticals and healthcare 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 – whose lifecycles are thus simultaneously extended
- 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).

2. FORECAST AND ACTUAL BUSINESS PERFORMANCE

STRATEC AG can report substantial sales growth accompanied by rising profitability for the 2014 financial year. The company slightly exceeded the targets communicated in its financial forecast dated July 12, 2013, namely of generating sales growth of 8% to 12% based on the 2013 sales of €128.0 million and of increasing the EBIT margin. The forecast made in the previous year's group management report, namely of achieving rising sales and a slight increase in the EBIT margin, was achieved. Sales for 2014 grew by 13.2% to €144.9 million. This development was very clear throughout the first three quarters, each of which saw substantial year-on-year sales growth. Sales thus showed year-on-year growth of 13.5% in the first quarter, 16.4% in the second quarter, and 17.8% in the third quarter. Sales for the fourth quarter of 2014 increased by 6.6% compared with the unusually strong final quarter of 2013.

This positive performance was driven by strong demand in all key product areas. The growth share of system sales, i.e. with systems placed in the past 24 months, was low.

Not only that, the spare parts and services business also performed positively in 2014, a development reflected not only in sales, but also in the positive development in margins. Over the year as a whole, the spare parts and service business accounted for a 23.4% share of total sales – an increase of 210 base points compared with the previous year (2013: 21.3%).

Our customers implemented several smaller-scale market launches in 2014. Larger-scale market launches are scheduled for the coming years, for which several major milestones were successfully achieved in 2014.

In contrast to previous plans, construction work on the proprietary company premises in Romania did not yet begin in 2014 due to the building permit not yet being issued. Construction work is now due to begin at the earliest possible opportunity.

3. COMPANY SITUATION

3.1. Earnings performance

3.1.1. GROUP EARNINGS PERFORMANCE

in € thousands	2014	2013	Year-on-year change
Sales	144,860	127,950	+13.2%
Cost of sales	99,924	86,186	+15.9%
Gross margin	31.0%	32.6%	-160 bps
EBIT	24,052	19,493	+23.4%
EBIT margin	16.6%	15.2%	+140 bps
Earnings before taxes	24,054	19,333	+24.4%
Tax rate	17.8%	19.9%	-210 bps

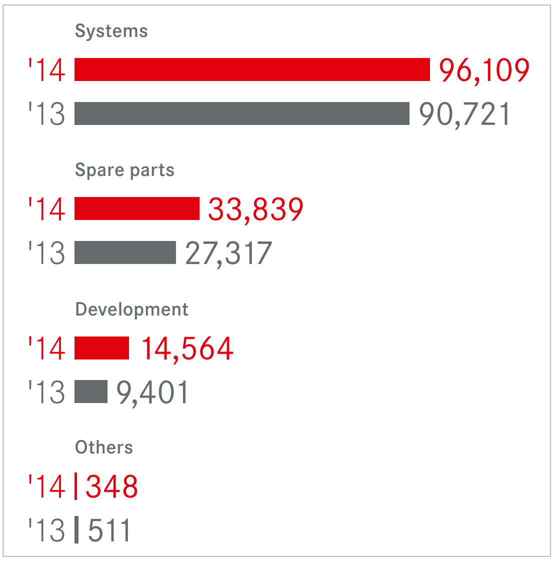
bps = base points

Sales and cost of sales

STRATEC increased its sales by 13.2% from €128.0 million in the previous year to €144.9 million in the 2014 financial year.

STRATEC's success was due to the success of our partners with end customers. This was driven not least by our objective of supplying innovative, high-quality products to make this success possible for our customers. A large share of the sales growth generated in the past financial year was attributable to the instrument business, as well as to a recovery in the spare parts and services business. The most notable rates of growth were achieved with molecular diagnostics and random access technologies. This development was consistent with the growth rates expected in this in-vitro diagnostics segment.

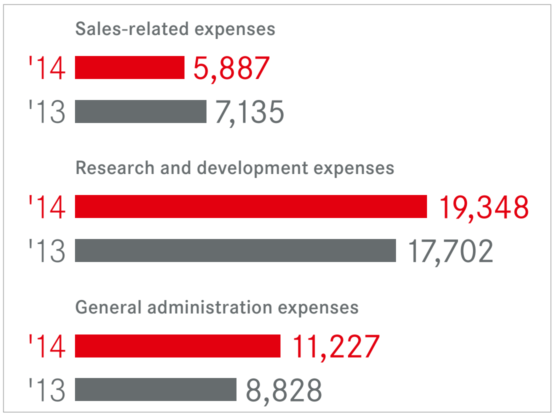
Distribution of sales (in € thousands)



While the total number of systems sold rose by 1.5%, the sales growth of 9.5% in the "Instrumentation" segment was significantly higher. This is mainly due to the shift seen in sales towards more complex and thus generally higher-priced systems. These particularly include those systems recently launched onto the market. This trend is set to continue for those systems currently in development.

Due in particular to write-downs of proprietary development projects, the gross margin fell to 31.0%, down from 32.6% in the previous year.

Development in expenses (in € thousands)



Sales-related expenses

The project support input required for systems already launched in previous years has reduced over the years. At the same time, the share of project support services paid for has increased. This factor impacted positively on the sales-related expenses, which showed a further substantial reduction from €7.1 million to €5.9 million in the financial year under report.

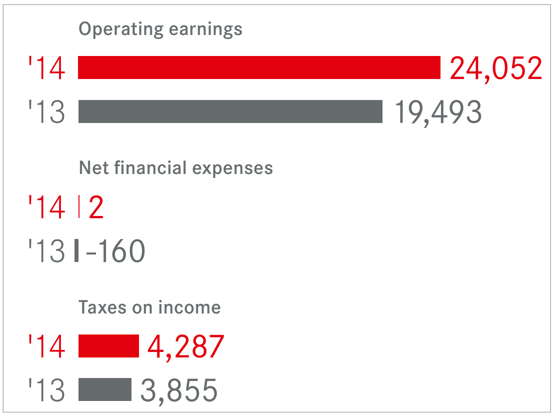
Research and development expenses

Gross development expenses in the development divisions grew from €17.7 million to €19.3 million. As a result of research and services performed to expand industrial property rights, this figure includes non-capitalized development expenses of €5.0 million (previous year: €5.0 million) that are to be viewed in connection with forthcoming product developments. This consistently high volume of expenses with highly qualified development personnel forms the basis for the company's further growth.

General administration expenses

The general administration expenses of €11.2 million (previous year: €8.8 million) include personnel and material expenses at head office administration departments. The increase in this item was due to the fact that the Board of Management temporarily consisted of four members in 2014, as well as to the subsequent departure of one member of the Board of Management and the resultant costs. Furthermore, auditing expenses also rose sharply compared with the previous year. Auditing expenses for the year under report include a share of the auditing services relating to the 2013 financial year, which witnessed more extensive auditing activity due to the conversion in the recognition of development cooperations.

Earnings and taxes (in € thousands)



Operating earnings

Driven largely by the improved margin achieved in connection with the product group mix, operating earnings (EBIT) improved from €19.5 million in the previous year to €24.1 million in the 2014 financial year.

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 €4.3 million in 2014, as against €3.9 million in the previous year. The tax rate for the financial year thus decreased from 19.9% to 17.8%. A higher tax charge is to be expected from the 2015 financial year, as a ten-year tax concession in Switzerland expired at the end of the 2014 financial year.

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.

Segment performance, including intercompany sales

in € thousands	2014	2013	Year-on-year change in %
Instrumentation			
Sales	151,166	133,338	+13.4
EBIT	25,492	21,944	+16.2
All other segments			
Sales	7,026	7,046	-0.0
EBIT	-90	-3,860	+97.7

Instrumentation segment

(Internal and external) sales grew by 13.4% from €133.3 million to €151.2 million. Sales growth in this segment was chiefly driven by the factors presented in 3.1.1.

EBIT in this segment amounted to €25.5 million, compared with €21.9 million in the previous year. The improvements in sales and earnings power forecast for 2014 in the previous year's group management report were achieved.

All other segments

At €7.0 million, sales were at the same level as in the previous year. The earnings situation improved substantially. The sales and earnings performance of this segment is expected to improve further. The disproportionate EBIT margin growth compared with the Group's overall growth forecast for 2014 in the previous year's group management report was achieved. The sharply disproportionate sales growth was not achieved.

Overall assessment

The forecasts included in the previous year's group management report with regard to sales and the EBIT margin were achieved and are consistent with management planning. The company's financing continues to ensure that its further growth and necessary investments can be financed from internal resources.

3.2. Financial position

3.2.1. CAPITAL STRUCTURE

Key figure in € thousands	Definition	12.31.2014	12.31.2013	Year-on-year change in %
Cash and cash equivalents	Cash holdings and bank credit balances	46,636	20,734	124.9
Net working capital	Current assets ./. cash and cash equivalents ./. current debt	27,787	36,030	-22.9
Working capital	Current assets ./. current debt	74,423	56,764	31.1
Cash flow per share	Cash flow / No. of shares (basic)	2.45	1.84	33.2

The inflow of funds from operating activities improved substantially compared with the previous year. This was driven by the significant improvement in consolidated net income, as well as by lower outflows of funds for taxes on income due to the conversion in the previous year of the accounting policies used to recognized development expenses. The year-on-year reduction in the outflow of funds for investing activities was due in particular to lower outflows of funds for investments in intangible assets.

Financing activities led to an outflow of funds totaling €8.0 million in 2014 (previous year: €5.8 million). This figure includes a further increase in the dividend distribution for the 2013 financial year to €7.1 million (previous year: €6.6 million) and outgoing payments of €1.6 million for the repayment of financial liabilities (previous year: €1.1 million). Moreover, the issuing of shares in connection with employee stock option programs resulted in inflows of €0.7 million from financing activities (previous year: €0.8 million).

Notwithstanding the dividend payment, shareholders' equity grew from €97.2 million to €112.1 million. As of December 31, 2014, the company's equity ratio amounted to a solid 81.3% (previous year: 82.5%). Current debt grew year-on-year by 24.1% from €12.6 million to €15.6 million. This increase was driven in particular by higher current provisions and higher other current liabilities. Non-current debt rose year-on-year by 25.7% from €8.0 million to €10.1 million. This increase was in turn due in particular to higher deferred tax liabilities. Following the assessment process for 2013, the implications for deferred taxes of the conversion in accounting methods used to recognize development cooperations were recognized in the 2014 consolidated financial statements. This correspondingly increased deferred tax liabilities.

3.2.2. INVESTMENTS

Due to increased conversion work at the company's real estate in the previous year and lower investments in tools and testing materials in the year under report, investments in property, plant and equipment amounted to €1.5 million (previous year: €2.6 million).

3.2.3. LIQUIDITY

The net total of all inflows and outflows in 2014 led to a currency-adjusted increase in cash and cash equivalents by €25.9 million to €46.6 million as of December 31, 2014. Furthermore, STRATEC has unutilized credit lines of €8.0 million.

3.3. Asset position

The significant rise in total assets in the 2014 financial year was driven by the increase in cash and cash equivalents. This was in turn mainly attributable to the rise in consolidated net income, the reduction in receivables and lower income tax payments than in the previous year. By contrast, the rise in total assets in the previous year was largely driven by the increase in trade receivables in November and December 2013.

4. NON-FINANCIAL PERFORMANCE INDICATORS

Employees

The workforce of the STRATEC Group has grown consistently for years now. Alongside the organizational and structural challenges this growth presents, it also offers opportunities for the company. On the one hand, there is the possibility of generating new expertise and benefiting from the experience of employees newly joining the company. On the other hand, it offers the company the opportunity to establish a dynamic, innovative environment as part of its corporate culture.

As of December 31, 2014, STRATEC had a total of 544 employees, as against 546 employees as of December 31, 2013. Fluctuations within the financial year were offset with personnel from temporary employment agencies. By enhancing efficiency, the company achieved a slight reduction in the number of employees in its production division. Here, the number of temporary employees reduced from 42 to 38.

The number of employees working in the research and development division as of December 31, 2014 decreased from 221 to 215. These employees thus accounted for a 44% share of STRATEC's permanent workforce as of December 31, 2014.

Employees at balance sheet date

	2014	2013	Year-on-year change in %
Total employees	544	546	-0.36
of which Germany (in %)	70.4	71.4	-100 bps
of which international locations (in %)	29.6	28.6	+100 bps
Of which female employees (in %)	23.5	23.8	-30 bps

Personnel expenses at the STRATEC Group rose overall by 8.0% in the year under report (previous year: 2.4%) to €37.2 million (previous year: €34.5 million). This increase was due both to pay increases, to increased wage and salary costs in the US and UK on account of exchange rate movements, and to costs incurred in connection with the departure of a member of the Board of Management in the 2014 financial year. In this respect, there were two changes in the composition of the Board of Management of STRATEC Biomedical AG. Dr. Claus Vielsack was appointed to the Board of Management with responsibility for product development as of February 15, 2014. Dr. Vielsack has worked for STRATEC since 1998 already and has held various senior positions in product development over this period.

Following many years of activity for the company, for which his colleagues on the Board of Management would like to take this opportunity of thanking him warmly once again, the activity of Bernd M. Steidle on the Board of Management (Director of Marketing and Sales) ended as of March 19, 2014.

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 for our customers in future as well.

STRATEC offers permanent positions and training posts in a wide variety of vocations. Our close links to universities, especially 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 partly finances an endowed professorship for the field of “Quality Management and Regulatory Affairs” in medical technology.

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.

Location optimization

STRATEC is continuing to optimize its global network to enable it to offer its customers the entire value chain within an efficient process organization structure.

A number of measures and precautions were thus decided in the 2014 financial year and are due to be gradually implemented:

At the company headquarters in Birkenfeld, Germany, talks are being held to discuss possible extensions around the existing company premises to continue to facilitate the medium-term growth planned at this location.

The location in Newbury Park, US, has been focusing since the fourth quarter of 2014 on development activities and prototype construction.

At the location in Cluj-Napoca, Romania, an application for a construction permit was submitted and the permit has now been issued. Construction work is due to begin at the earliest possible opportunity. This will enable STRATEC to maintain its growth with its workforce in proprietary premises.

STRATEC still expects its production activities at its Beringen location in Switzerland to grow further in the medium term. An extension to the existing premises is therefore planned. Furthermore, the foundation of a service company has created a basis for optimizing organizational processes between the companies and customers.

STRATEC's competence center for the development of middleware software in the UK will be moving to new premises in the course of the 2015 financial year. This should enhance processes and the working environment.

Sustainability and social commitment

Having viewed sustainability and social responsibility as components of its corporate strategy for many years already, in parallel with the publication of its 2014 Annual Report STRATEC now plans to introduce sustainability reporting on its website for the first time. This area is to be continually extended and will in future include key figures making STRATEC's activities transparent and measurable.

The company's activities underlining its social commitment are outlined below.

STRATEC deliberately promotes sports activities in various disciplines and team-building measures for its employees. The company covers the costs of participation fees for contests, for example, and provides sports jerseys for STRATEC teams.

Furthermore, the company offers targeted support to smaller-scale projects and organizations in the region. STRATEC supports the voluntary fire brigade with donations and also supports its employees as volunteers at the voluntary fire brigade and the Federal Agency for Technical Relief.

Alongside these projects in the region surrounding the company's headquarters, similar measures are also planned at other STRATEC locations. STRATEC also sees itself as a global player and is therefore meeting its resultant responsibility in selected projects around the world:

STRATEC has successfully supported donation-financed projects implemented by Doctors Without Borders (Médecins sans Frontières – MSF) and Plan International (Plan International e. V.). MSF offers assistance to people in need, victims of natural or manmade catastrophes and armed conflict. Plan International is an international children's charity that campaigns for children's rights in developing economies in Africa, Asia, and Latin America.

In cooperation with Plan International, STRATEC supported the following projects in 2014:

Protecting Kamalari girls in Nepal: here the girls are helped to escape exploitative working conditions and to lead self-determined lives. For this project, STRATEC organized an in-house donation campaign. The company then doubled and rounded up the amounts donated by employees.

Protecting children's lives – HIV / Aids prevention in Uganda: to protect children against HIV / Aids, around 80,000 children under five years of age and 25,000 pregnant women are due to take part in a PMTCT (prevention of mother to child transmission) program to reduce the risk of mother to child transmission. Local healthcare services are being boosted to provide children and their families with access to medical care. This provides young children in particular with access to life-saving treatment.

Construction of a nursery school in Rwanda: With STRATEC's support, one of eight planned new nursery schools for 45 children each has been built.

C. Events after the balance sheet date

The lifting of the exchange rate peg between the Swiss franc and the euro by the Swiss national bank has also impacted to a limited extent on the STRATEC Group. The appreciation in the Swiss franc will correspondingly increase cost structures, particularly personnel expenses, at the Beringen location in Switzerland. As STRATEC only procures and sells a small share of its goods and services in Swiss francs, the implications are largely limited to this factor. STRATEC has taken several measures to counter this cost item and is closely monitoring the development in the Swiss franc with regard to its further planning for the Swiss location.

All in all, despite the negative impact of this exchange rate movement STRATEC assesses the benefits of its Swiss location as overwhelmingly positive.

D. Outlook, opportunity and risk report

1. OUTLOOK

STRATEC aims to generate permanent, sustainable growth in all business divisions. We are building on innovative solutions enabling our customers to serve their markets with high-quality products. Alongside the activities within our group of companies, we are also relying on further growth in our target markets, especially in the field of in-vitro diagnostics and on the continuing positive trend towards outsourcing at our partners and potential customers.

STRATEC published its currently valid company forecast on July 12, 2013. This forecasts average annual growth of between 8% and 12% through to 2017 on the basis of 2013 sales (€127,950k). Growth rates May fluctuate in individual years and thus leave the target corridor on a single-year basis. The overall forecast through to 2017 should nevertheless remain intact. This forecast remains valid for the overall period.

For the current 2015 financial year, STRATEC expects to be able to generate slight sales growth accompanied by a slight increase in its EBIT margin. Due to expected planned market launches, the company expects to generate substantial sales growth once again in 2016.

Despite investments in further development projects, in our company in Romania, in the further expansion in our Swiss companies, and in expanding the company in China, rising earnings and optimizations in our working capital management mean that our free liquidity will remain more or less at the level seen at the end of 2014.

STRATEC's company forecast is based on budgets that account for the specific features of its 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 spare parts and services play a superordinate role here, as do the numbers of projects in development and negotiation. Alongside the core "Instrumentation" business, the company's growth will also be driven by its other business fields of "Data Management" and "Molecular". This forecast does not account for additional opportunities resulting from external growth.

2. OPPORTUNITY AND RISK REPORT

2.1. Risk management system

STRATEC's risk management system is based on three independent pillars that are continually adjusted and optimized in line with the company's growing structures. These are the internal control system (IKS), which is permanently being expanded, a compliance system with a structured training and reporting system, and an early warning risk identification system. The aim is to ensure that the STRATEC Group can react in good time to all kinds of influences. The IKS and compliance systems are presented in greater detail in Sections E and H.

Within the risk management system in place at the STRATEC Group, an early warning risk identification system has been established and implemented in the form of a risk handbook used to assess potential areas of risk. This 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 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.

Due to the company's business model and day-to-day work processes, the risks recorded in the risk report include those factors that could result from its ongoing business activities or due to the organizational framework and that can thus be recorded. Past experience shows that risks are often not foreseeable or cannot be recognized in advance, such as the water damages reported in the previous year. 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 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

Given STRATEC's business model, which is based on very long periods of cooperation with customers, it is exposed to some risks to a far lesser extent than customary at many other companies in the sector or other industries. As a general rule, customers' long-term planning for the development of an analyzer system takes place independently of macroeconomic cycles or economic crises. The planning periods for development range from around three to five years, while the lifecycle of a system launched onto the market lasts some twelve to 15 years. The following risks nevertheless arise in connection with the company's environment and customer relationships:

RISK OF DEPENDENCY ON KEY CUSTOMERS

One main 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 termination of a project by a customer May also lead to a loss of planned sales that cannot be made up for, or only in part. The STRATEC Group will continue to work with existing and new partners in the field of new technologies in order to generate sustainable growth in this area as well and further reduce any "cluster" risks.

RISK OF PATENT INFRINGEMENTS

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

SUPPLIER RISKS

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.

COMPETITIVE RISKS

Broadly speaking, STRATEC's competitors can currently be limited to two groups. On the one hand, there are development groups maintained by the diagnostics companies themselves. For a variety of reasons, many diagnostics companies have moved in recent years to outsource these development services to specialist companies such as STRATEC. This move is motivated, among other factors, by the lower costs generally achievable due to the shorter development times resulting from specialization and due to the technology pool available at a company whose everyday business involves offering this kind of solution to numerous customers. On the other hand, STRATEC's competitors also include companies focusing on the development of automation solutions in highly regulated markets. As this specialization requires highly in-depth expertise, the market entry period for potential competitors is relatively long. The number of competitors in both categories remains comparatively low. Based on the information available to STRATEC, the company has gained, rather than lost market share in recent years.

FOREIGN CURRENCY RISK

In the past, virtually all major development and supply contracts were settled in euros. This has changed in recent years in that some contracts are now also concluded in US dollars. STRATEC monitors exchange rate movements very closely and agrees hedge transactions to a limited extent. In 2014, the company temporarily hedged its US dollar holdings by purchasing put options. The production and procurement expenses denominated in Swiss francs are limited; due to the appreciation in the franc, however, they have impacted on cost structures within the STRATEC Group. Here too, the company is monitoring developments very closely. Upon the preparation of this Annual Report, however, no hedging transactions had yet been concluded for Swiss francs. Other than the US dollar and Swiss francs, the Group is not exposed to any notable foreign risks in any other foreign currencies.

PRODUCT LIABILITY RISK

STRATEC's analyzer systems are deployed in highly regulated markets. Erroneous diagnoses could have drastic implications for the individuals affected. This means that the suppliers and manufacturers of diagnostics products are exposed to liability risks, not all of which can be excluded even by complying with legal requirements and performing extensive quality checks. Although STRATEC would not be the primary addressee for potential liability claims, the company covers itself against liability risks by concluding suitable product liability insurance policies. The possibility of the existing insurance cover being insufficient for potential liability claims can nevertheless not be excluded.

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
- Risk that customers will be not place the expected numbers of units on the market and that this May result in potential write-downs of capitalized development expenses
- 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

Instrumentation and automation in the field of in-vitro diagnostics are highly regulated areas of activity that require extensive expertise to meet requirements and regulations in the respective countries. The test and process structures, which involve close interaction between specialisms as varied as mechanics, software, electronics and biochemical reactions, require the utmost precision and calibration. The corresponding quality assurance and process documentation steps are further foundations for functional development. Successfully combining all these qualities in a complex and reliable, but also user-friendly product, is currently only achieved by a small number of mostly highly specialized companies. As a result, the number of service providers able to cover all areas of the value chain from development through to serial production is very limited. On the other hand, the level of demand is continuing to increase, a development due not least to many diagnostics companies increasingly focusing on developing their reagents and thus not viewing instrumentation solutions as their core business. There are areas outside diagnostics as well where similarly specific qualities are called for and where similar underlying conditions apply. Research laboratories are particularly worthy of mention in this respect. Not only that, pharmaceuticals development processes also require precisely these conditions. As a result, STRATEC continues to benefit from above-average opportunities of participating in this development, and in particular from the trend towards outsourcing. The appearance of new areas of research that move over time from pure research to diagnostics processes and pharmaceuticals products will further increase the demand for laboratory automation solutions.

Alongside its current development and production orders, which involve developing systems using molecular diagnostics, chemi-luminescence, and immune-hematological methods, STRATEC is, as in the past, also pressing ahead with developing further system platforms. By analogy with the automobile industry, the company aims here to facilitate the resource-efficient implementation of future specific system development by working with platform technologies. In parallel, the company is pressing ahead with several development projects within the STRATEC Group in the field of circulating tumor cells. This rapidly growing field within diagnostics currently offers very many opportunities for cooperating in a wide variety of projects with partners from the fields of research and the pharmaceuticals industry.

Further milestones are pending for development projects in the forthcoming quarters and several new products are due to be launched onto the market by STRATEC's customers in the coming years. This will ensure that STRATEC's growth continues.

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

E. Internal control system and risk management system in respect of the financial reporting process

STRATEC has an internal control system (IKS) which contains audit processes in respect of its (group) financial reporting process and 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 further required to ensure 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:

- Regular process-integrated checks, such as defined agreement processes suitable to the size and structure of the Group, segregation of duties, dual control principle, access restrictions and payment guidelines, to name just a few examples
- Ensuring uniform accounting treatment by way of group-wide standards
- Inspection and analysis of local financial statements
- Execution of internal and external audits on the basis of checklists
- Recording of deficiencies and adoption of corrective measures
- Compiling of audit reports to the Board of Management
- Auditing of implementation of corrective measures.

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.

STRATEC Biomedical AG is financed virtually in full by the cash flows generated from its operating activities.

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.

As mentioned above (please see 2.2. Risks – currency risks), currency risks in procurement and sales markets are on the increase within the STRATEC Group. To counter this risk, the Group is currently making targeted use of 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 risks resulting from exchange rate movements, and thus the volumes of corresponding hedging transactions concluded, are expected to increase further. The transactions agreed in the 2014 financial year no longer existed as of December 31, 2014. Financial derivatives are generally deployed in cases where it is necessary to hedge risks in the operating business or currency holding risks. The conclusion of such transactions is governed by very strict standards laid down in the Code of Procedure for the Board of Management and was agreed with the Supervisory Board.

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. STRATEC did not conclude any interest rate derivatives in the 2014 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 and § 315 (2) No. 4 of the German Commercial Code (HGB), as well as on the recommendations of the German Corporate Governance Code in the version dated June 24, 2014.

1. 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 current compensation system for the Board of Management was most recently approved by a majority of shareholders at the Annual General Meeting on June 6, 2013 and 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 2014 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 2014 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 percentage increases in 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 strengthening the Group's organizational structures, optimizing sales structures, enhancing customer and employee satisfaction, and the further integration 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 2012 (and 2013 and 2014 respectively) is paid out in 2015 (and 2016 and 2017 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. Moreover, the employment contracts with members of the Board of Management have been supplemented 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.

2. INDIVIDUAL COMPENSATION OF BOARD OF MANAGEMENT REPORTED IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

To satisfy the reporting requirements of the German Commercial Code (HGB) and facilitate comparison with the previous year's report, the compensation paid to the Board of Management is presented below in its previous structure.

The individual members of the Board of Management received the compensation set out below for their activities on the Board of Management in the 2014 financial year.

in € thousands	Marcus Wolfinger		Dr. Robert Siegle		Dr. Claus Vielsack [1]		Bernd M. Steidle [2]		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Non-performance-related components										
Basic amount	192	192	174	162	123	0	35	142	524	496
Other [3]	16	16	10	9	6	0	7	16	39	41
Performance-related components										
MTI compensation claim [4]	158	147	95	88	0	0	39	80	292	315
Other performance-related components	227	193	176	148	138	0	31	106	572	447
Components with long-term incentive nature										
Share-based compensation [5]	73	65	36	49	36	0	0	49	145	163
Total	**666**	**613**	**491**	**456**	**303**	**0**	**112**	**393**	**1,572**	**1,462**

[1] Member of Board of Management since February 15, 2014.

[2] Member of Board of Management until March 19, 2014.

[3] The "Other" disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits (excluding contributions made to retirement pensions).

[4] The amount disclosed refers to the mid-term incentive agreement for 2012 (2011), which covers 2012, 2013 and 2014 (2011, 2012 and 2013) and is due for payment in 2015 (2014).

[5] The amount disclosed corresponds to the fair value upon issue of stock options issued in the 2014 (2013) 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 2014 financial year, Marcus Wolfinger was granted 20,000 stock options (previous year: 20,000) at an average exercise price of €31.87 (previous year: €28.09), Dr. Robert Siegle was granted 10,000 stock options (previous year: 15,000) at an average exercise price of €31.87 (previous year: €28.09) and, since his appointment to the Board of Management, Dr. Claus Vielsack was granted 10,000 stock options at an average exercise price of €31.87. Bernd M. Steidle was not granted any stock options in the period through to his departure from the Board of Management (previous year: 15,000; average exercise price: €28.09).

The individual members of the Board of Management did not exercise any stock options in the 2014 financial year. Following his departure from the Board of Management, Bernd M. Steidle exercised 17,500 stock options at an average exercise price of €29.37. In the previous year, the individual members of the Board of Management each exercised 7,500 stock options at an average exercise price of €27.11.

As of December 31, 2014, Marcus Wolfinger had 72,500 stock options outstanding (previous year: 52,500) at an average exercise price of €30.10 (previous year: €29.43) and a weighted remaining contract term of 62.8 months (previous year: 69.9). As of December 31, 2014, Dr. Robert Siegle had 57,500 stock options outstanding (previous year: 47,500) at an average exercise price of €29.97 (previous year: €29.57) and a weighted remaining contract term of 60.0 months (previous year: 68.8). As of December 31, 2014, Dr. Claus Vielsack had 10,000 stock options outstanding at an average exercise price of €31.87 and a weighted remaining contract term of 76.1 months. For Marcus Wolfinger and Dr. Robert Siegle, 20,000 stock options were exercisable at an average exercise price of €29.66 at the balance sheet date on December 31, 2014. In the previous years, no stock options were exercisable for any members of the Board of Management.

The following amounts were recognized as expenses in this respect in the 2014 financial year: €52k for Marcus Wolfinger (previous year: €45k), €41k for Dr. Robert Siegle (previous year: €43k), and, in the period since his appointment to the Board of Management, €7k for Dr. Claus Vielsack. An amount of €10k was recognized as expenses for Bernd M. Steidle for the period through to his departure from the Board of Management (previous year: €43k).

3. INDIVIDUAL COMPENSATION OF BOARD OF MANAGEMENT REPORTED IN ACCORDANCE WITH RECOMMENDATIONS OF GERMAN CORPORATE GOVERNANCE CODE

Presentation of allocations granted in 2014 financial year – The following tables presenting the allocations granted in the 2014 financial year are based on the recommendations made in the German Corporate Governance Code (DCGK) in its version dated June 24, 2014. The minimum and maximum amounts of compensation achievable have also been presented.

The individual members of the Board of Management were granted the following allocations for their activities on the Board of Management in the 2014 financial year.

Allocations granted in € thousands	**Marcus Wolfinger** Chairman since April 1, 2011				**Dr. Robert Siegle** Director of Finance and HR since February 1, 2011			
	2013	**2014**	**2014** (min)	**2014** (max)	**2013**	**2014**	**2014** (min)	**2014** (max)
Fixed compensation	192	192	192	192	162	174	174	174
Ancillary benefits [1]	16	16	16	16	9	10	10	10
Total	**208**	**208**	**208**	**208**	**171**	**184**	**184**	**184**
One-year variable compensation [2]	193	227	0	227	148	176	0	176
Multiyear variable compensation [3]	260	259	0	378	202	153	0	291
MTI 2013 (term 2013 to 2015)	*195*	*0*	*0*	*0*	*153*	*0*	*0*	*0*
MTI 2014 (term 2014 to 2016)	*0*	*186*	*0*	*186*	*0*	*117*	*0*	*117*
Stock option program	*65*	*73*	*0*	*192*	*49*	*36*	*0*	*174*
Total	**661**	**694**	**208**	**813**	**521**	**513**	**184**	**651**
Pension expenses [4]	44	43	43	43	42	42	42	42
Total compensation (DCGK)	**705**	**737**	**251**	**856**	**563**	**555**	**226**	**693**

[1] The "Ancillary benefits" disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits (excluding contributions made to retirement pensions).

[2] One-year variable compensation includes the target and extended components based on the respective financial year (short-term incentive).

[3] Multiyear variable compensation includes both the allocations granted by the Supervisory Board in the respective financial year for mid-term incentives (MTI) and the allocations granted for long-term incentives with the maximum total target values theoretically achievable. For the maximum values, the cap on total multiyear variable compensation in place on the payment date, amounting to 1.5 times fixed compensation plus ancillary benefits and pension commitments, was not accounted for.

[4] Pension expenses include service cost pursuant to IAS 19, excluding interest expenses, as well as contributions paid to external pension providers in connection with retirement pension schemes.

Allocations granted in € thousands	**Dr. Claus Vielsack** Director of Product Development since February 15, 2014				**Bernd M. Steidle** Director of Marketing and Sales until March 19, 2014			
	2013	**2014**	**2014** (min)	**2014** (max)	**2013**	**2014**	**2014** (min)	**2014** (max)
Fixed compensation	0	123	123	123	142	35	35	35
Ancillary benefits [1]	0	6	6	6	16	7	7	7
Total	**0**	**129**	**129**	**129**	**158**	**42**	**42**	**42**
One-year variable compensation [2]	0	138	0	138	106	31	0	31
Multiyear variable compensation [3]	0	153	0	240	166	0	0	35
MTI 2013 (term 2013 to 2015)	*0*	*0*	*0*	*0*	*117*	*0*	*0*	*0*
MTI 2014 (term 2014 to 2016)	*0*	*117*	*0*	*117*	*0*	*0*	*0*	*0*
Stock option program	*0*	*36*	*0*	*123*	*49*	*0*	*0*	*35*
Total	**0**	**420**	**129**	**507**	**430**	**73**	**42**	**108**
Pension expenses [4]	0	0	0	0	113	28	28	28
Total compensation (DCGK)	**0**	**420**	**129**	**507**	**543**	**101**	**70**	**136**

[1] The “Ancillary benefits” disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits (excluding contributions made to retirement pensions).

[2] One-year variable compensation includes the target and extended components based on the respective financial year (short-term incentive).

[3] Multiyear variable compensation includes both the allocations granted by the Supervisory Board in the respective financial year for mid-term incentives (MTI) and the allocations granted for long-term incentives with the maximum total target values theoretically achievable. For the maximum values, the cap on total multiyear variable compensation in place on the payment date, amounting to 1.5 times fixed compensation plus ancillary benefits and pension commitments, was not accounted for.

[4] Pension expenses include service cost pursuant to IAS 19, excluding interest expenses, as well as contributions paid to external pension providers in connection with retirement pension schemes.

Presentation of the allocations paid in the 2014 financial year – The following table presents the compensation paid in or for the 2014 financial year. This consists of fixed compensation, ancillary benefits, one-year, mid-term and long-term variable compensation, broken down into the respective compensation years, and pension expenses. Unlike the above table, this table includes the actual value of multiyear compensation granted in previous years and actually paid in the 2014 financial year.

The individual members of the Board of Management received the following payments for their activities on the Board of Management in the 2014 financial year.

Allocations paid[1] in € thousands	**Marcus Wolfinger** Chairman since April 1, 2011		**Dr. Robert Siegle** Director of Finance and HR since February 1, 2011	
	2013	**2014**	**2013**	**2014**
Fixed compensation	192	192	162	174
Ancillary benefits[2]	16	16	9	10
Total	**208**	**208**	**171**	**184**
One-year variable compensation[3]	193	227	148	176
Multiyear variable compensation[4]	175	158	110	95
MTI 2011 (term 2011 to 2013)	*147*	*0*	*88*	*0*
MTI 2012 (term 2012 to 2014)	*0*	*158*	*0*	*95*
Stock option program	*28*	*0*	*22*	*0*
Total	**576**	**593**	**429**	**455**
Pension expenses[5]	44	43	42	42
Total compensation (DCGK)	**620**	**636**	**471**	**497**

Allocations paid[1] in € thousands	**Dr. Claus Vielsack** Director of Product Development since February 15, 2014		**Bernd M. Steidle** Director of Marketing and Sales until March 19, 2014	
	2013	**2014**	**2013**	**2014**
Fixed compensation	0	123	142	35
Ancillary benefits[2]	0	6	16	7
Total	**0**	**129**	**158**	**42**
One-year variable compensation[3]	0	138	106	31
Multiyear variable compensation[4]	0	0	102	39
MTI 2011 (term 2011 to 2013)	*0*	*0*	*80*	*0*
MTI 2012 (term 2012 to 2014)	*0*	*0*	*0*	*39*
Stock option program	*0*	*0*	*22*	*0*
Total	**0**	**267**	**366**	**112**
Pension expenses[5]	0	0	113	28
Total compensation (DCGK)	**0**	**267**	**479**	**140**

[1] The date on which the benefits are paid May differ from the date of payment stipulated by German tax law.

[2] The "Ancillary benefits" disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits (excluding contributions made to retirement pensions).

[3] One-year variable compensation includes the payment for the bonus in line with the financial year stated.

[4] Multiyear variable compensation includes the benefits paid in the financial year stated for the mid-term and / or long-term incentives now ended based on actual target achievement. The amount stated for the stock option program corresponds to the amount determined in accordance with German tax law at the time stipulated by such.

[5] Pension expenses include service cost pursuant to IAS 19, excluding interest expenses, as well as contributions paid to external pension providers in connection with retirement pension schemes.

4. 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 2014 financial year, the company recognized expenses of €44k for Marcus Wolfinger (previous year: €45k), €42k for Dr. Robert Siegle (previous year: €42k), and €0k for Dr. Claus Vielsack in connection with the benefits thereby committed. Expenses of €28k were recognized for Bernd Steidle for the period through to his departure from the Board of Management (previous year: €113k). The present values of the capital claims acquired in connection with the benefits thereby committed as of December 31, 2014 amounted to €368k for Marcus Wolfinger (previous year: €274k), €162k for Dr. Robert Siegle (previous year: €121k), and €0k for Dr. Claus Vielsack. 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 €316k for Marcus Wolfinger (previous year: €293k), €253k for Dr. Robert Siegle (previous year: €210k), and €140k for Dr. Claus Vielsack. 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.

5. 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.

Departure of Bernd M. Steidle from the Board of Management – STRATEC AG announced on March 19, 2014 that Bernd M. Steidle would be ending his activities on the Board of Management and his operating activities at the company with immediate effect. In connection with the premature termination of his activity on the Board of Management, Bernd M. Steidle was provided with an undertaking that his compensation would be paid through to the regular termination date of his employment contract. The retrospective prohibition on competition to which STRATEC AG is entitled was waived. An amount of €954k was recognized as expenses or provisions in the 2014 financial year for the claims to which Bernd M. Steidle is entitled. The compensation granted in connection with premature termination amounted to €220k in the 2014 financial year. The present value of the capital claims acquired in connection with the benefits thereby committed as of December 31, 2014 amounted to €454k (previous year: €360k). Due in particular to future financing amounts, the actual benefits will turn out higher than presented here.

6. 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.

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.

Individual Supervisory Board compensation

The individual members of the Supervisory Board received the following compensation for their Supervisory Board activities in the 2014 financial year.

in € thousands	Fred K. Brückner		Wolfgang Wehmeyer		Prof. Dr. Stefanie Remmele [1]		Prof. Dr. Hugo Hämmerle [2]		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Fixed compensation	50	50	38	38	15	0	12	25	115	113
Meeting allowance	5	4	5	4	2	0	1	4	13	11
Total	**55**	**54**	**43**	**42**	**17**	**0**	**13**	**29**	**128**	**124**

[1] Supervisory Board member since June 18, 2014
[2] Supervisory Board member until June 18, 2014

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 and is updated at set intervals to account for the latest risk analysis.

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 receive training in compliance-related matters and are unreservedly committed to the Corporate Compliance Policy and to acting responsibly in line with the 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 and the company 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
- Regular training of employees and information material on the intranet
- 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 11,795,445 ordinary shares with a nominal value of €1.00 each (previous year: 11,770,245 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 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).

The Articles of Association May be amended by the Annual General Meeting on the basis of simple majority of the share capital present upon adoption of the resolution, unless a larger majority is mandatory under legal requirements. The Supervisory Board May make amendments only affecting the specific wording.

The Board of Management has been authorized until April 13, 2016 by the Annual General Meeting pursuant to § 4 (4.5) of the Articles of Association and subject to approval by the Supervisory Board to increase the company's share capital by issuing new shares with a nominal value of €1.00 each in return for non-cash or cash contributions on one or more occasions by a maximum total of up to €5,500,000.00 (Authorized Capital). Shareholders must generally 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, 2014. Conditional Capitals 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.

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 10% of current share capital. Together with the treasury stock already acquired and still possessed by the company, the treasury stock acquired under this resolution may not account for more than 10% of the share capital. The treasury stock is acquired via the stock exchange or by way of a public purchase offer addressed to shareholders. The treasury stock should be used for one or several of the purposes provided for in Agenda Item 6 at the Annual General Meeting on May 21, 2010, some of which also permit the exclusion of subscription rights.

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 we have received pursuant to § 21 of the German Securities Trading Act (WpHG), no shareholder directly holds more than 10% of the voting rights in the company. Bettina Siegle, Tanja van Dinter, Ralf Leistner, Hermann Leistner, Doris Leistner, Herdor GmbH & Co. KG and Herdor Beteiligungs GmbH (all in Germany) have notified us that they each hold more than 25% of the voting rights in the company due to attribution of the respective voting rights.

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 (AktG), in the Investors section of its homepage (www.stratec.com).

Birkenfeld, March 31, 2015

STRATEC Biomedical AG

The Board of Management

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

Consolidated Financial Statements

for the 2014 Financial Year of STRATEC Biomedical AG

CONSOLIDATED BALANCE SHEET

as of December 31, 2014 of STRATEC Biomedical AG

Assets in € thousands	Note	12.31.2014	12.31.2013
Non-current assets			
Intangible assets	(1)		
Goodwill		4,785	4,427
Other intangible assets		25,477	25,761
		30,262	**30,188**
Property, plant and equipment	(2)	**15,954**	**17,013**
Financial assets			
Investments in associates	(3)	263	392
Deferred taxes	(12)	**1,260**	**867**
		47,739	**48,460**
Current assets			
Inventories	(4)		
Raw materials and supplies		8,065	8,391
Unfinished products, unfinished services		6,591	7,758
Finished products and merchandise		3,410	1,942
		18,066	**18,091**
Receivables and other assets			
Trade receivables	(5)	18,961	23,372
Future receivables from construction contracts	(6)	1,644	1,312
Receivables from associates	(7)	23	65
Income tax receivables	(12)	2,635	3,523
Other receivables and other assets	(8)	1,167	1,585
		24,430	**29,857**
Other financial assets	(9)	**877**	**646**
Cash and cash equivalents	(26)	**46,636**	**20,734**
		90,009	**69,328**
Total assets		**137,748**	**117,788**

Shareholders' equity and debt in € thousands	Note	12.31.2014	12.31.2013
Shareholders' equity	(10)		
Share capital		**11,795**	**11,770**
Capital reserve		**18,129**	**17,219**
Revenue reserves		**80,478**	**67,766**
Other equity		**1,649**	**424**
		112,051	**97,179**
Debt			
Non-current debt			
Non-current financial liabilities	(13)	4,483	6,643
Provisions for pensions	(11)	61	14
Deferred taxes	(12)	5,565	1,389
		10,110	**8,045**
Current debt			
Current financial liabilities	(13)	2,449	1,895
Trade payables	(14)	2,814	4,402
Liabilities to associates	(14)	41	211
Other current liabilities	(15)	7,140	4,520
Current provisions	(16)	1,731	679
Income tax liabilities	(16)	1,410	858
		15,586	**12,564**
Total shareholders' equity and debt		**137,748**	**117,788**

Consolidated Statement of Comprehensive Income

for the Period from January 1 to December 31, 2014 of STRATEC Biomedical AG

in € thousands	Note	2014	2013
Sales	(17)	144,860	127,950
Cost of sales	(18)	-99,924	-86,186
Gross profit		**44,936**	**41,764**
Research and development expenses	(19)	-19,348	-17,702
of which capitalized		14,332	12,655
		-5,016	**-5,047**
Sales-related expenses	(20)	-5,887	-7,135
General administration expenses	(21)	-11,227	-8,828
Other operating expenses	(22)	-2,930	-2,566
Other operating income	(22)	4,176	1,305
Earnings before interest and taxes (EBIT)		**24,052**	**19,493**
Financial income		227	152
Financial expenses		-218	-239
Other financial income/expenses		-7	-73
Net financial expenses	(23)	**2**	**-160**
Earnings before taxes (EBT)		**24,054**	**19,333**
Taxes on income	(12)		
a) Current tax expenses		-431	-2,793
b) Deferred tax expenses		-3,856	-1,062
Consolidated net income		**19,768**	**15,478**
Items that may not be subsequently reclassified to profit or loss			
Remeasurements of defined benefit pension plans		-49	14
Items that may be subsequently reclassified to profit or loss			
Currency translation differences from translation of foreign operations		1,274	-379
Other comprehensive income		**1,225**	**-365**
Comprehensive income		**20,993**	**15,113**
Earnings per share in €	(24)	**1,68**	**1,32**
No. of shares used as basis		11,769,624	11,746,342
Diluted earnings per share in €	(24)	**1,67**	**1,31**
No. of shares used as basis (diluted)		11,834,452	11,777,609

Consolidated Cash Flow Statement

for the Period from January 1 to December 31, 2014 of STRATEC Biomedical AG

in € thousands	Note	2014	2013
I. Operations			
Consolidated net income (after taxes)		19,768	15,478
Depreciation and amortization		8,196	6,568
Current income tax expenses	(12)	431	2,793
Income taxes paid less income taxes received		999	-3,278
Financial income	(23)	-227	-152
Financial expenses	(23)	218	239
Interest paid		-187	-221
Interest received		151	83
Other non-cash expenses		624	1,035
Other non-cash income		-1,056	-918
Change in net pension provisions through profit or loss	(11)	-2	1
Cash flow		**28,915**	**21,628**
Change in deferred taxes through profit or loss	(12)	3,856	1,062
- Profit / + loss on disposals of non-current assets		71	-12
- Increase / + reduction in inventories, trade receivables and other assets		4,807	1,373
+ Increase / - reduction in trade payables and other liabilities		2,103	-214
Inflow of funds from operating activities		**39,752**	**23,837**
II. Investments			
Incoming payments from disposals of non-current assets			
Property, plant and equipment		176	27
Outgoing payments for investments in non-current assets			
Intangible assets		-5,215	-7,518
Property, plant and equipment		-1,474	-2,575
Financial assets		-82	-100
Incoming / outgoing payments from granting / repayment of financial liabilities		-222	0
Outgoing payments for acquisitions of consolidated companies		0	-126
Outflow of funds for investing activities		**-6,818**	**-10,292**
III. Financing			
Incoming payments from taking up of financial liabilities		0	1,000
Outgoing payments for repayment of financial liabilities		-1,649	-1,068
Incoming payments from issue of shares for employee stock option programs		692	803
Dividend payments		-7,055	-6,566
Outflow of funds for financing activities		**-8,012**	**-5,831**
IV. Cash-effective change in cash and cash equivalents (subtotal of I - III)		**24,921**	**7,714**
Cash and cash equivalents at start of period		20,734	13,209
Change in scope of consolidation		0	84
Impact of exchange rate movements		981	-273
Cash and cash equivalents at end of period	(26)	**46,636**	**20,734**

Consolidated Statement of Changes in Equity

for the Period from January 1 to December 31, 2014 of STRATEC Biomedical AG

in € thousands	Note	Share capital	Capital reserve
December 31, 2012		**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**
Equity transactions with owners			
Dividend payment			
Issue of subscription shares from stock option programs, less costs of capital issue after taxes		25	659
Allocations due to stock option plans			**250**
Comprehensive income in 2014			
December 31, 2014	(10)	**11,795**	**18,129**

	Revenue reserves		Other equity			
	Accumulated net income	Free net income	Treasury stock	Pension plans	Currency translation	Group equity
	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
	-7,055					-7,055
						684
						250
	19,768			-49	1,274	20,993
	61,086	19,392	-212	-67	1,928	112,051

Notes to the Consolidated Financial Statements

for the 2014 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 March 31, 2015 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 8, 2015. The consolidated financial statements and group management report as of December 31, 2014 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, 2014 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 € thousands. Unless otherwise stated, the amounts reported in the notes to the consolidated financial statements are denominated in € thousands.

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 2014 financial year:

Standard	Title	Effective date [1]	EU endorsement
New and amended standards and interpretations			
IAS 27	New version: Consolidated and Separate Financial Statements	01.01.2014	12.11.2012
IAS 28	New version: Investments in Associates and Joint Ventures	01.01.2014	12.11.2012
IAS 32	Amendments: Offsetting Financial Assets and Financial Liabilities	01.01.2014	12.13.2012
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
IFRS 10, IFRS 12 and IAS 27	Amendments: Investment Entities	01.01.2014	11.20.2013
IAS 36 [2]	Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	01.01.2014	12.19.2013
IAS 39	Amendments: Novations of Derivatives and Continuation of Hedge Accounting	01.01.2014	12.19.2013
IFRIC 21	Levies	01.01.2014	06.13.2014

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

[2] STRATEC AG made voluntary premature application of the amendments to IAS 36 in the 2013 financial year.

The application of these standards and interpretations in the 2014 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 requirements have nevertheless resulted in extended disclosures in the notes to the consolidated financial statements.

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	Title	Effective date [1]	EU endorsement
New and amended standards and interpretations			
IFRS 9	Financial Instruments: Revision and Replacement of All Existing Standards (Classification and Measurement)	01.01.2018	Expected in 2nd half of 2015
Sundry	Annual Improvements to IFRS, 2010-2012 cycle, published in December 2013	07.01.2014	12.17.2014
IFRS 14	Regulatory Deferral Accounts	01.01.2016	Still outstanding
IAS 16 and IAS 38	Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	01.01.2016	Expected in Q3 2015
IAS 16 and IAS 41	Amendments: Agriculture: Bearer Plants	01.01.2016	Expected in Q3 2015
IFRS 15	Revenue from Contracts with Customers	01.01.2017	Expected in Q2 2015
IFRS 10, IFRS 12 and IAS 28	Amendments: Investment Entities: Applying the Consolidation Exception	01.01.2016	Expected in Q4 2015

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

Standard	Title	Effective date [1]	EU endorsement
New and amended standards and interpretations			
IAS 1	Amendments: Disclosure Initiative	01.01.2016	Expected in Q4 2015
IFRS 10 and IAS 28	Amendments: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	01.01.2016 (may still be postponed)	Still outstanding
IAS 27	Amendments: Equity Method in Separate Financial Statements	01.01.2016	Expected in Q3 2015
IFRS 11	Amendments: Acquisition of an Interest in a Joint Operation	01.01.2016	Expected in Q3 2015

[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 or of the relevant amendments.

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)

The IASB published IFRS 9, a standard intended to replace IAS 39, in July 2014. IFRS 9 includes requirements governing the classification, recognition and measurement (including impairment) of financial instruments. Furthermore, IFRS 9 includes regulations on general hedge accounting. IFRS 9 will necessitate additional note disclosures that will also involve an amendment to IFRS 7. The investigation of the implications of applying IFRS 9 for the consolidated financial statements has not yet been completed. Given the complexity of the requirements, it is currently not possible to issue any reliable assessment of the implications.

IFRS 15 (REVENUE FROM CONTRACTS WITH CUSTOMERS)

Unlike the requirements currently effective, the new standard provides for a uniform, principle-based five-stage model applicable to all contracts with customers. Under IFRS 15, the amount expected as consideration for the transfer of goods or services to customers must be recognized as revenue. The respective date or period is no longer based on the transfer of risks and rewards, but rather on the transfer to the customer of control over the goods or services. For multiple element arrangements, IFRS 15 explicitly stipulates that the transaction price must be allocated to the individual performance obligations thereby identified in proportion to their relative standalone selling prices. The new standard also includes new requirements governing the costs of performing and acquiring a contract and guidelines as to when such costs must be capitalized. Furthermore, the standard calls for new, more extensive note disclosures. STRATEC expects that these extensive amendments may significantly influence its consolidated financial statements. However, the implications of applying IFRS 15 can only be reliably assessed following the completion of detailed analysis.

AMENDMENTS TO IAS 16 AND IAS 38 (CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION)

The requirements of IAS 16 have been amended to clarify that depreciation and amortization based on revenues resulting from an activity involving the use of an asset is not acceptable. This is because the revenues represent the generation of expected economic benefits rather than the consumption of such.

The requirements of IAS 38 have been amended to include a rebuttable presumption that revenue-based methods of depreciation and amortization are not acceptable for the same reasons as in IAS 16. The IASB nevertheless notes that a limited number of circumstances may pertain in which this presumption may be rebutted:

- The intangible asset is expressed as a measure of revenue (the factor determining the intangible asset is the achievement of a specified revenue threshold); and
- It is shown that the revenue and the consumption of economic benefits are highly correlated (the consumption of the intangible asset is directly linked with the revenues generated from using the asset).

Guidelines have been included in both standards to explain that expected future reductions in the disposal price may indicate greater consumption of the asset's future economic benefit. The investigation of the implications of these amendments for the consolidated financial statements has not yet been completed.

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

In accordance with the requirements of IFRS 10 (Consolidated Financial Statements), the consolidated financial statements of STRATEC AG (parent company) basically include all companies controlled by STRATEC AG (subsidiaries).

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.

The first-time application of IFRS 10 (Consolidated Financial Statements) in the 2014 financial year did not lead to any changes in the composition of the scope of consolidation.

As in the previous year, in addition to STRATEC AG the consolidated financial statements as of December 31, 2014 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, US, and
- STRATEC Biomedical S.R.L, Cluj-Napoca, Romania

As in the previous year, the level of shareholding and voting rights held as of December 31, 2014 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, US	USD 15,000	100.0	USD -8,596 (2013: USD -7,480)
Sanguin International Inc., Hamden, CT, US	USD 1,000	100.0	USD 15,749 (2013: USD -32,690)
STRATEC Biomedical (Taicang) Co. Ltd., Taicang, China	CNY 814,940	100.0	CNY -215,469 (2013: CNY -51,917)
STRATEC Services AG, Beringen, Switzerland	CHF 100,000	100.0	CHF -4,650 (2013: - CHF)

[1] The earnings figures reported are based on the annual financial statements prepared in accordance with respective national accounting requirements as of December 31, 2014 and December 31, 2013 respectively.

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 arising in annual earnings 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 €/	2014	2013	2014	2013
GBP **UK**	0.78	0.83	0.81	0.85
USD **US**	1.21	1.38	1.33	1.33
CHF **Switzerland**	1.20	1.23	1.22	1.23
RON **Romania**	4.48	4.47	4.44	4.42

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 "Recognition of sales, cost of sales, research and development expenses" in this section.

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, 2014 (2013) 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. As in the previous year, the detailed budget period covers three 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: 1.0%) 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 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		
2014	1.0	10.96
2013	1.0	10.31
Workflow software		
2014	1.0	14.96
2013	1.0	9.91
Nucleic acid purification		
2014	1.0	16.40
2013	1.0	14.59
Contact-free measurement and capacity calculation methods		
2014	1.0	19.64
2013	1.0	12.40

Of the goodwill recognized, € 745k 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 € 2,552k from the acquisition of STRATEC Biomedical USA, Inc. in the 2010 financial year. For impairment testing purposes, the goodwill has been allo-cated 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 € thousands	Laboratory automation		Workflow software	
	2014	2013	2014	2013
Carrying amount of goodwill	4,574	4,233	109	101
Carrying amount of CGU, including goodwill	72,805	70,729	1,966	2,306

In line with IAS 36 (Impairment of Assets), the company performed the annual impairment test for these goodwill items as of December 31, 2014 and December 31, 2013 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 17.9% (previous year: 7.6%) and a budgeted average EBIT margin of 13.6% (previous year: 17.0%). This assumption reflects previous management experience. In perpetuity, a growth rate of 1.0% has been assumed (previous year: 1.0%).

“Workflow software“: Average sales growth of 32.1% has been assumed (previous year: 16.5%). The EBIT margin has been budgeted at an aver-age of around 5.0% (previous year: 7.3%). 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: 1.0%).

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 € 103k, 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 2014 (previous year: € 93k). 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 and the option rights resulting from the existing development cooperation with Quanterix Corporation, US. 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, and 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. STRATEC AG did not allocate any financial assets to the "available-for-sale" category in the 2014 financial year.

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 development cooperations, reference is made to the information in “Recognition of sales, cost of sales, research and development expenses” in this section.

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 discount rate and the expected return on plan assets 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. Remeasurements have been recognized 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, as well as on past empirical values, which are adapted on the basis of the implications of currently observable information and data, thus supplementing the implications of the historic values by reference to this current information and data.

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

The key principles underlying the **recognition of sales** and the recognition of **cost of sales** and **research and development expenses** given the business model at STRATEC AG are as follows:

When recognizing **development expenses**, a distinction is made between **proprietary development projects** and **development cooperations**.

Development expenses for **proprietary development projects** are generally recognized as expenses in the period in which they are 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 are tested for impairment at least once a year in line with IAS 36 in cases where they are not yet ready for their intended use. Impairment losses are recognized when the carrying amount of the capitalized assets exceeds the recoverable amount.

For **development cooperations**, 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.

Where a **binding agreement** of this nature already exists upon conclusion of the development agreement, sales for these orders 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 recognized. Here too, the respective contracts are tested for loss-free measurement (impairment) as a minimum as of each balance sheet date. This 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 payments received is amortized in the subsequent appliance manufacturing stage within sales over the agreed minimum purchase volume.

Where **no binding agreement** of this nature already exists upon conclusion of the development agreement, amounts not covered by agreed payments gradually arise for these orders as the relevant development work progresses. 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 agreed payments are recognized either as **unfinished services pursuant to IAS 2** (Inventories) or as **trade receivables**. The **recognition of sales during the development stage** is 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 the 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.

The **recognition of sales in the appliance manufacturing stage** is treated as a "sale of goods" pursuant to the requirements of IAS 18.14 et seq. This approach is adopted irrespective of whether or not the preceding development stage constitutes a construction contract pursuant to IAS 11.

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 € 2,312k were capitalized for proprietary development projects in the 2014 financial year (previous year: € 2,279k). 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 "Recognition of sales, cost of sales, research and development expenses" in this section. 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 about “Recognition of sales, cost of sales, research and development expenses” in this section.

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: € 4,785k; previous year: € 4,427k) 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: € 25,477k; previous year: € 25,761k). 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: € 1,213k; previous year: € 1,367k). 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 consolidated 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: € 1,588k; previous year: € 679k), the management takes due account of historic values from the past, which are adapted on the basis of the implications of currently observable information and data, thus supplementing the implications of the historic values by reference to this current information and data. The insights gained in the current financial year led to a recognizable increase in the provision for guarantee and warranty obligations. Actual expenses in future financial years may deviate from the estimated figures.

6. Recognition of deferred taxes for temporary differences and tax loss carryovers 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. The carrying amounts of the deferred tax assets and liabilities recognized and not recognized in the consolidated financial statements, as well as their arising and changes in the 2014 financial year compared with the previous year have been explained in detail in Section C. “Disclosures on the consolidated balance sheet (12) Taxes on income”.

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 2014 financial year:

in € thousands	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
Acquisition and manufacturing costs Balance at 12.31.2013	**4,427**	**7,236**	**431**	**30,224**	**3,600**	**45,918**
Change in scope of consolidation	0	0	0	0	0	**0**
Additions	0	0	0	5,060	155	**5,215**
Disposals	0	0	0	2,687	0	**2,687**
Currency differences	358	472	0	146	44	**1,020**
Balance at 12.31.2014	**4,785**	**7,708**	**431**	**32,743**	**3,799**	**49,466**

in € thousands	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
Accumulated amortization and impairments Balance at 12.31.2013	**0**	**6,554**	**196**	**5,919**	**3,061**	**15,730**
Change in scope of consolidation	0	0	0	0	0	**0**
Additions	0	291	49	4,851	324	**5,515**
Disposals	0	0	0	2,562	0	**2,562**
Currency differences	0	469	0	12	40	**521**
Balance at 12.31.2014	**0**	**7,314**	**245**	**8,220**	**3,425**	**19,204**
Carrying amounts at 12.31.2014	**4,785**	**394**	**186**	**24,523**	**374**	**30,262**
Carrying amounts at 12.31.2013	**4,427**	**682**	**235**	**24,305**	**539**	**30,189**

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 € thousands	12.31.2014	12.31.2013
Workflow software (STRATEC Biomedical UK, Ltd.)	0	90
RNA / DNA purification (STRATEC Molecular GmbH)	394	592
Contact-free measurement and capacity calculation methods (STRATEC Biomedical USA, Inc.)	0	0
Total	**394**	**682**

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 (€ 6,517k; previous year: € 6,415k) and development expenses capitalized for development cooperations (€ 18,007k; previous year: € 17,890k). Reference is made to the information in Section B. “Recognition of sales, cost of sales, research and development expenses”.

The other rights and values item includes software and licenses (€ 374k; previous year: € 539k).

In the 2014 financial year, impairment losses of € 1,358k were recognized on internally generated intangible assets in connection with proprietary development projects. These are attributable to the Instrumentation segment. The business model of STRATEC AG, which due to cooperations customary to the sector also involves multiple party arrangements, means that the events and circumstances leading to this impairment cannot be outlined without further background information. This assumed, the events and circumstances leading to the impairment in this case were as follows: For a platform-based appliance planned for Party A, Party B, which is not in any contractual relationship with STRATEC AG, should have supplied research results representing a major component of the planned system solution to Party A. Based on the information available to STRATEC AG, a substantial delay arose in the provision of these research results by Party B to Party A, as a result of which STRATEC AG received initial indications in the 3rd quarter of 2014 that the project most probably cannot be continued in its existing form. As a result of these circumstances, and to ensure an optimal allocation of resources between specific development work based on contracts with customers and the development of system platforms, the management of STRATEC AG decided to continue development work on this platform, if applicable, at a later date.

In the 2013 financial year, impairments losses of € 935k were recognized for contact-free measurement and capacity calculation methods.

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.

Individual intangible assets with a carrying amount of more than € 1.0 million at the balance sheet date on December 31, 2014 and thus, alongside goodwill, of material significance for the consolidated financial statements of STRATEC AG comprise the following items: development cooperation A with a carrying amount of € 7,657k – amortization has not yet begun as the project is still in the development stage; development cooperation B with a carrying amount of € 4,233k – amortization has not yet begun as the project is still in the development stage; development cooperation C with a carrying amount of € 2,990k – expected remaining amortization period of 5.0 years; development cooperation D with a carrying amount of € 1,764k – expected remaining amortization period of 5.0 years.

Intangible assets developed as follows in the 2013 financial year:

in € thousands	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 € thousands	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
Accumulated amortization 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**

(2) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows in the 2014 financial year:

in € thousands	Land, lease-hold 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 12.31.2013	**13,912**	**944**	**18,001**	**6**	**32,863**
Change in scope of consolidation	0	0	0	0	**0**
Additions	27	129	1,007	312	**1,474**
Disposals	0	26	1,601	0	**1,627**
Reclassifications	0	0	25	-25	**0**
Currency differences	99	41	164	1	**304**
Balance at 12.31.2014	**14,038**	**1,088**	**17,596**	**294**	**33,016**

in € thousands	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 12.31.2013	**2,829**	**505**	**12,518**	**0**	**15,852**
Change in scope of consolidation	0	0	0	0	**0**
Additions	402	118	1,936	0	**2,456**
Disposals	0	26	1,354	0	**1,380**
Currency differences	15	19	100	0	**134**
Balance at 12.31.2014	**3,246**	**616**	**13,200**	**0**	**17,062**
Carrying amounts at 12.31.2014	**10,792**	**472**	**4,396**	**294**	**15,954**
Carrying amounts at 12.31.2013	**11,083**	**439**	**5,484**	**6**	**17,012**

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 2014 financial year.

As in the previous year, it was not necessary to recognize any impairment losses in the 2014 financial year.

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

in € thousands	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	-83	6	**-169**
Balance at 12.31.2013	**13,912**	**944**	**18,001**	**6**	**32,864**

in € thousands	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**	**5,484**	**6**	**17,012**
Carrying amounts at 12.31.2012	**10,737**	**383**	**5,750**	**238**	**17,108**

(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 € thousands	2014	2013
Carrying amount at 01.01.	392	363
Addition	82	100
Impairments	-225	0
Change in scope of consolidation	0	-64
Currency differences	14	-7
Carrying amount at 12.31.	**263**	**392**

The addition relates to the foundation of STRATEC Services AG, Beringen, Switzerland. The impairments were recognized on the carrying amount of the investment in Sanguin International Inc., Hamden, US. The measurement of the shares held in Sanguin International Inc., involve fair value measurements using Level 3 input factors pursuant to IFRS 13 (Fair Value Measurement).

(4) INVENTORIES

Raw materials and supplies

Write-ups of € 28k were recognized through profit or loss for raw materials and supplies in the year under report (previous year: impairment losses of € 225k). The resultant earnings items arose on account of stock movements.

Unfinished products / unfinished services

These items are structured as follows:

in € thousands	12.31.2014	12.31.2013
Unfinished products	5,378	6,391
Unfinished services	1,213	1,367
Total	**6,591**	**7,758**

Information about the accounting treatment of development cooperations can be found in Section B. "Recognition of sales, cost of sales, research and development expenses".

Finished products and merchandise

These items are structured as follows:

in € thousands	12.31.2014	12.31.2013
Finished products	2,969	1,921
Merchandise	441	21
Total	**3,410**	**1,942**

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 (€ 18,961k; previous year: € 23,372k), an amount of € 17,759k (previous year: € 22,190k) is 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 € thousands	2014	2013
Accumulated allowances at 01.01.	420	269
Expenses in period under report	218	162
Utilized	0	0
Currency translation	55	-11
Accumulated allowances at 12.31.	**693**	**420**

The gross amount of receivables for which individual allowances had been recognized at the balance sheet date amounted to € 613k (previous year: € 541k).

No expenses were recognized through profit or loss in the 2014 financial year for the complete write-down of trade receivables fully retired (previous year: € 3k). No write-backs were required on volumes written down either in the financial year under report or in the previous year.

The time band structure of trade receivables has been presented in the following table:

			of which: not impaired at balance sheet date, but overdue within the following time bands			
in € thousands	Carrying amount	of which: neither impaired nor overdue at balance sheet date	up to 30 days	between 30 and 60 days	between 60 and 90 days	more than 90 days
12.31.2014	18,961	15,566	2,398	346	259	393
12.31.2013	23,372	17,513	5,281	360	85	133

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 Section A. “Recognition of sales, cost of sales, research and development expenses”.

Sales from construction contracts totaling € 3,715k have been recognized in the consolidated statement of comprehensive income for the 2014 financial year (previous year: € 1,797k).

The future receivables from construction contracts recognized as of December 31, 2014 and as of the previous year’s balance sheet date were neither impaired nor overdue. An amount of € 1,644k is due within one year (previous year: € 1,312k).

(7) RECEIVABLES FROM ASSOCIATES

These receivables are structured as follows:

Company providing service	Company receiving service	12.31.2014 in T€	12.31.2013 in T€
STRATEC AG	STRATEC Biomedical Inc.	4	58
STRATEC AG	STRATEC Biomedical (Taicang) Co. Ltd.	11	0
STRATEC Biomedical UK, Ltd.	Sanguin International Inc.	8	7
Total		**23**	**65**

The loan receivable due from STRATEC Biomedical Inc. € 0k; previous year: € 54k) bears interest at 3% p. a. The loan receivable due from STRATEC Biomedical Inc. was written down by a further 50% in the financial year under report (2012 financial year: 50%). 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 € thousands	12.31.2014	12.31.2013
Other tax receivables	529	704
Deferred expenses	496	616
Receivables from employees	31	36
Sundry	111	229
Total	**1,167**	**1,585**

A write-down of € 33k has been recognized in the "Sundry" item for a supplier with a debit balance. Apart from this, other receivables and other assets are neither impaired nor overdue. An amount of € 1,140k is due within one year (previous year: € 1,557k).

(9) OTHER FINANCIAL ASSETS

This balance sheet item includes shares in listed companies and the positive fair values of option rights, which amount to € 608k (previous year: € 325k).

Shares in listed companies have been measured at their closing prices on the Frankfurt Stock Exchange at the balance sheet date. The expenses of € 7k resulting from measurement as of the balance sheet date (previous year: € 14k) have been recognized through profit or loss in the consolidated statement of comprehensive income. As in the previous year, no securities were acquired in the 2014 financial year. Securities were sold at a disposal price of € 8k in the financial year under report. The loss of € 37k resulting from this sale was recognized through profit or loss under other operating expenses in the consolidated statement of comprehensive income.

The option rights relate to the existing development cooperation with Quanterix Corporation, US. In the 2014 financial year, STRATEC AG was granted a further total of 350,000 option rights to shares in Quanterix Corporation in return for the achievement of milestones (previous year: 650,000). The value of the 1,300,000 option rights has been determined by STRATEC AG by reference to documents available to it on the basis of a calculation performed by a renowned company. The company's calculation of the fair value of the option rights was performed as of the balance sheet date on December 31, 2014. The calculation has determined the total equity value of Quanterix Corporation, US, using a market approach and an income approach. Both approaches resulted in approximately the same figure. Quanterix Corporation, US, is a company that is not traded on an "active market". At Quanterix Corporation, US, 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, US, the management of STRATEC AG has accounted for the existing liquidity preferences by way of a discount of almost 38% (previous year: almost 50%) over and above the 13% discount (previous year: 21%) already imposed to account of the lack of marketability of the shares. The discounts thereby recognized are particularly subject to discretionary decisions.

The change in the fair value of the option rights resulted in income of € 165k in the 2014 financial year (previous year: € 82k), 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 38%, internally generated intangible assets would have been € 441k lower, while sales for the financial year under report and other operating income would have been € 141k and € 224k higher respectively.

(10) SHAREHOLDERS' EQUITY

The individual components of shareholders' equity and their development in 2014 and 2013 have been presented in the consolidated statement of changes in equity.

Share capital

The share capital of STRATEC AG amounted to € 11,795k at the balance sheet date (previous year: € 11,770k). The share capital is divided into 11,795,445 ordinary shares (previous year: 11,770,245 ordinary shares) with a nominal value of € 1.00 each. The increase in the share capital by 25,200 ordinary shares are due to a conditional capital increase (previous year: 32,500 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, 2014 (previous year: € 5,500k).

Conditional capital

§ 4 (4.6) Paragraph 1 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 € 145,350.00 as of December 31, 2014.

§ 4 (4.6) Paragraph 2 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, 2014.

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, 2014.

Total conditional capital thus amounted to € 1,845,350.00 as of December 31, 2014 (previous year: € 1,872k).

Stock option programs

The company had two stock option programs as of December 31, 2014 (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 mainly been based on the following key parameters (with expected volatility derived from historic volatility figures):

Granted in	2014	2013	2012	2011	2010	2009
Option rights granted (number of shares)	56,100	92,600	96,100	58,100	17,100	117,800
Weighted exercise price (in €)	33.04	29.75	31.39	27.47	27.88	13.48
Expected share price volatility in %	26.40 to 34.67	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
Expected dividend yield in %	1.50	1.50	1.50	1.50	1.50	1.50
Risk-free interest rate in %	0.72 to 1.56	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
Assumed turnover of personnel entitled to subscribe in %	5.0	5.0	5.0	5.0	5.0	5.0 to 16.5
Fair value of option rights granted in financial year (in € thousands)	202	307	258	165	44	226

The weighted average share price has been accounted for at € 34.29 in the fair value calculation (previous year: € 29.85).

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.

The following options schedule provides an overview of the development in stock option rights in the 2013 to 2014 financial years:

	Number of option rights	Weighted exercise price
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**
During the 2014 financial year		
granted	56,100	33.04
exercised	25,200	27.46
lapsed	0	n. a.
forfeited	1,000	n. a.
Outstanding on 12.31.2014	**270,500**	**30.62**
Exercisable on 12.31.2014	**79,250**	**29.49**

Of the stock options granted in the year under report, a total of 40,000 were allocated to members of the Board of Management of STRATEC AG (previous year: 50,000), and 16,100 to employees at STRATEC AG (previous year: 42,600). The average exercise prices amounted to € 31.87 for members of the Board of Management (previous year: € 28.09) and € 35.96 for employees (previous year: € 31.71).

In the year under report, no stock options (previous year: 22,500; average exercise price: € 27.11 per share) were exercised by members of the Board of Management. A total of 17,500 stock options were exercised in the year under report (previous year: 0) by former members of the Board of Management of STRATEC AG at an average exercise price of € 29.37 per share. Employees of STRATEC AG exercised 7,700 stock options (previous year: 10,000) at an average exercise price of € 23.11 per share (previous year: € 19.38).

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 € 250k in the 2014 financial year (previous year: € 200k). 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 79,250 stock option rights exercisable as of December 31, 2014 (previous year: 14,800) entitle their bearers to acquire a total of up to 79,250 shares (previous year: 14,800) at a total exercise price of € 2,337k (previous year: € 354k).

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 € 42.85 (previous year: € 31.20).

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:

2014

Range in €	Number of Stock options	Weighted exercise price in €	Weighted remaining contractual term in months
20.01 – 25.00	3,300	20.38	21.3
25.01 – 30.00	95,600	28.01	58.1
30.01 – 35.00	162,750	31.83	63.5
35.01 – 40.00	4,600	39.34	74.2
40.01 – 45.00	4,250	41.45	83.2
Total	**270,500**	**30.62**	**61.6**

2013

Range in €	Number of Stock options	Weighted exercise price in €	Weighted remaining contractual term in months
15.01 – 20.00	2,800	17.37	21.3
20.01 – 25.00	4,300	20.38	33.5
25.01 – 30.00	108,000	27.94	68.1
30.01 – 35.00	123,700	31.74	70.0
35.01 – 40.00	1,800	38.35	74.1
Total	**240,600**	**29.71**	**67.9**

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 € thousands	12.31.2014	12.31.2013
Free revenue reserves	19,392	19,392
Accumulated net income	61,086	48,374
Total	**80,478**	**67,766**

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

in € thousands	
Accumulated net income at 12.31.2013	48,374
Consolidated net income in 2014	19,768
Distribution (dividend for 2013)	-7,055
Accumulated net income at 12.31.2014	**61,086**

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 € 1,929k reported as of the balance sheet date (previous year: € 654k) 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 2014. 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, 2014. 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 2014 financial year, a dividend of € 0.60 (previous year: € 0.56) was paid per share with dividend entitlement for the 2013 financial year, corresponding to a total distribution of € 7,055k (previous year: € 6,566k).

With the approval of the Supervisory Board, the Board of Management proposes that, of the net income of € 41,704k calculated for STRATEC AG in line with the German Commercial Code, an amount of € 8,248,255.40, equivalent to € 0.70 per share with dividend entitlement, should be distributed, and that the remaining amount of € 33,455k 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.

As in the previous year, upon preparing the annual financial statements of STRATEC AG in line with the German Commercial Code (HGB) as of December 31, 2014, the Board of Management and Supervisory Board did not allocate any amount from the net income for 2014 to the free revenue reserves.

(11) PROVISIONS FOR PENSIONS

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 € 2,711k in the financial year under report (previous year: € 2,525k). This total includes employer contributions of € 1,682k to the German state pension system (previous year: € 1,568k).

Furthermore, 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 consolidated 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:

	12.31.2014	12.31.2013
Discount factor	2.21%	3.68%
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 € thousands	2014	2013
Defined benefit obligations (DBO) as of 01.01.	**162**	**163**
Current service cost	10	11
Compounding of pension obligations	6	5
Remeasurements of pension obligations		
Actuarial gains (-) / losses (+) due to changes in		
financial assumptions	50	-17
demographic assumptions	0	0
experience-based adjustments	-2	-1
Defined benefit obligations (DBO) as of 12.31.	**226**	**162**

in € thousands	2014	2013
Fair value of plan assets as of 01.01.	**148**	**135**
Employer contributions to plan assets	12	12
Interest income on plan assets	6	4
Remeasurement of plan assets		
Income from plan assets (excluding interest income)	-1	-4
Other	0	0
Fair value of plan assets as of 12.31.	**165**	**148**

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 € thousands	12.31.2014	12.31.2013
Present value of pension obligations	226	162
Fair value of plan assets	165	148
Financing status = net obligation	**61**	**14**

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

in € thousands	2014	2013
Net obligation as of 01.01.	**14**	**28**
Share of pension expenses recognized in income statement	10	12
Amounts recognized in OCI	49	-14
Employer contributions to plan assets	-12	-12
Net obligation as of 12.31.	**61**	**14**

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 € thousands	2014	2013
Current service cost	10	11
Compounding of pension obligations	6	5
Interest income on plan assets	-6	-4
Share of pension expenses recognized in income statement	**10**	**12**

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 € thousands	2014	2013
Remeasurement of net obligation:		
Income from plan assets (excluding interest income)	1	4
Actuarial gains (-) / losses (+) due to changes in		
financial assumptions	50	-17
demographic assumptions	0	0
experience adjustments	-2	-1
Amounts recognized in OCI	**49**	**-14**

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 € 8k (previous year: € 13k) or risen by € 20k (previous year: € 15k) respectively.

The average duration of the pension obligation amounted to 17 years at the end of the period under report (previous year: 18 years).

Plan asset endowments by STRATEC of € 12k (previous year: € 12k) are expected for the following 2015 and 2016 financial years.

Furthermore, STRATEC AG also has congruently reinsured pension fund models. Consistent with an approach frequently adopted in practice, these are considered on the basis of "economic interpretation" as defined contribution plans, as the refinancing risk borne by the employer is generally negligible. STRATEC AG has also adopted this approach for its accounting. The fair value of the insurance contracts amounted to € 757k as of December 31, 2014 (previous year: € 594k). If the reinsured pension fund models had been classified as defined obligation plans, then pursuant to IAS 19.115 the present value of the obligations can be assumed to be at the same level. STRATEC AG paid contributions of € 164k in the 2014 financial year (previous year: € 164k). As in the previous year, these contributions were all made for retirement pensions of members of the Board of Management of STRATEC AG.

(12) TAXES ON INCOME

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

in € thousands	2014	2013
Income taxes paid or owed		
Germany	-1,211	1,853
International	1,642	940
	431	**2,793**
Deferred taxes		
Germany	3,827	1,103
International	29	-41
	3,856	**1,062**
Income tax expenses	**4,287**	**3,855**

Deferred taxes are recognized in balance sheet items as follows:

	12.31.2014		12.31.2013	
in € thousands	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	830	6,871	1,296	1,879
Property, plant and equipment	0	27	0	35
Financial assets	0	70	0	76
Inventories	82	93	28	44
Receivables and other assets	439	684	272	216
Pension provisions	14	0	1	0
Other liabilities and provisions	63	36	12	80
Loss carryovers	2,245	0	249	0
Consolidation items	126	323	160	210
Subtotal	**3,799**	**8,104**	**2,018**	**2,540**
Netting	-2,539	-2,539	-1,151	-1,151
Amount recognized in consolidated balance sheet	**1,260**	**5,565**	**867**	**1,389**

Of the deferred tax expenses of € 3,856k recognized in the consolidated statement of comprehensive income (previous year: € 1,062k), € 1,858k (previous year: € 420k) is attributable to temporary valuation differences, € 2k (previous year: € 2k) to the costs of capital increases, and € 1,996k (previous year: € 640k) to the recognition through profit or loss of deferred tax assets on tax loss carryovers.

The sharp year-on-year increase in deferred tax assets recognized on tax loss carryovers is due to the change in accounting policies in the previous year, which meant that the resultant income tax losses asserted in the context of the corporate income tax and trade tax returns for the 2013 assessment period were only included in group accounting for the 2014 financial year. In parallel with this, deferred tax liabilities recognized on intangible assets also rose sharply. As a result, current taxes on income in Germany in the 2014 financial year show a surplus of taxes received over taxes paid.

In the 2014 financial year, deferred tax assets on loss carryovers were recognized for STRATEC AG (€ 1,938k; previous year: € 0k) and for two (previous year: two) subsidiaries (€ 307k; previous year: € 249k). At STRATEC Biomedical USA, Inc., deferred tax assets on tax loss carryovers amounting to € 451k were written down (previous year: € 310k). 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 € 4,287k reported for the 2014 financial year (previous year: € 3,855k) deviate by € 2,336k (previous year: € 1,465k) from the tax expenses of € 6,623k (previous year: € 5,320k) expected to result from application of the overall tax rate for STRATEC AG (27.5%; previous year: 27.5%) to the Group's earnings before taxes.

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

in € thousands	2014	2013
Expected tax expenses (-) / income (+)	-6,623	-5,320
Deviations in German and foreign tax rates	3,541	1,842
Impact of increase in foreign tax rates	-300	0
Tax-exempt income (+) / expenses (-) from the disposal of shareholdings, securities price gains / losses, and dividends	-312	-4
Expenses not deductible for tax purposes less tax settlements	-46	-30
Personnel expenses IFRS (stock options)	-69	-55
Tax back payments / refunds for previous years and non-period tax expenses / income	-16	25
Write-down of deferred tax assets on tax loss carryovers	-451	-310
Sundry	-11	-3
Reported tax expenses (-) / income (+)	**-4,287**	**-3,855**

(13) FINANCIAL LIABILITIES

The Group has financial liabilities of € 6,932k due to banks (previous year: € 8,537k). Of financial liabilities, € 2,079k (previous year: € 2,117k) are denominated in Swiss francs.

As of December 31, 2014, the Group had total credit lines of € 8,032k at its disposal (previous year: € 17,731k). Of this total, an amount of € 8,032k (previous year: € 15,731k) was unutilized and thus available for borrowing.

Financial liabilities have the following maturities:

Maturity	12.31.2014 in € thousands
2015	2,449
2016	1,234
2017	851
2018	713
2019	125
2020 and later	1,560
Total	**6,932**

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

The company land in Switzerland is encumbered with land charges of € 2,911k (previous year: € 2,851k) 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 2014. As in the previous year, these items are due for payment within one year.

Liabilities to associates, amounting to € 41k (previous year: € 211k), were due to STRATEC Biomedical (Taicang) Co. Ltd. (€ 41k; previous year: € 11k) and in the previous year to Sanguin International Inc. (€ 200k). All of these liabilities relate to the ongoing exchange of services and goods (previous year: ongoing exchange of services and goods € 11k; granting of loans: € 200k). 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 € thousands	12.31.2014	12.31.2013
Wage and salary liabilities	3,022	2,314
Other tax liabilities	432	639
Social security liabilities	226	223
Prepayments received on orders	2,371	320
Supervisory Board compensation	111	95
Other liabilities	978	929
Total	**7,140**	**4,520**

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 (€ 943k; previous year: € 1,107k), employee working time credits (€ 412k; previous year: € 428k), and profit participations (€ 1,295k; previous year: € 745k).

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 € 1,282k (previous year: € 87k) relates to development cooperations. Reference is made to Section B. “Recognition of sales, cost of sales, research and development expenses”.

Other liabilities chiefly relate to liabilities of € 473k for accounting and financial reporting (previous year: € 481k).

(16) CURRENT PROVISIONS AND CURRENT INCOME TAX LIABILITIES

Current provisions relate to provisions for guarantees and warrantees (€ 1,587k; previous year: € 679k) and for an onerous rental agreement (€ 144k; previous year: € 0k). These items developed as follows:

in € thousands	12.31.2014	12.31.2013
01.01.	679	608
Currency translation	27	-5
Utilized	-683	-601
Reversed	0	0
Added	1,708	677
12.31.	**1,731**	**679**

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 (€ 1,410k; previous year: € 857k) relate to current income tax obligations.

D. DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(17) SALES

Sales mainly relate to:

in € thousands	2014	2013
1. Product range	96,109	90,721
2. Maintenance and spare parts	33,839	27,317
3. Development and other services	14,564	9,401
4. Sundry	348	511
Total	**144,860**	**127,950**

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

in € thousands	2014	2013
1. Germany	16,160	24,155
2. European Union	57,901	54,110
3. Sundry	70,799	49,685
Total	**144,860**	**127,950**

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

in € thousands	2014	2013
Italy	7,911	8,570
France	5,451	5,591
Brazil	1,152	1,474
Belgium	17,978	19,371
US	22,069	17,187
China	1,517	2,314
UK	13,644	8,312

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 three customers (€ 40.4 million; € 34.1 million; € 27.4 million). In the previous year, the STRATEC Group generated more than 10% of its total sales with each of five customers (€ 32.9 million; € 25.4 million; € 21.5 million; € 16.2 million; € 13.6 million). They in all cases include sales for several analyzer system lines, development activities, and services and consumables. The sales generated with these customers are mainly allocable to the Instrumentation segment.

(18) COST OF SALES

Cost of sales, amounting to € 99,924k (previous year: € 86,186k), 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 € 5,016k (previous year: € 5,047k) and mainly involved cost of materials and personnel expenses. The calculation of the gross development expenses recognized in the statement of comprehensive income has been modified and the comparative figures adjusted.

(20) SALES-RELATED EXPENSES

Sales-related expenses amounted to € 5,887k (previous year: € 7,135k) 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 € 11,227k (previous year: € 8,828k), 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 € 4,176k (previous year: € 1,305k) and other operating expenses of € 2,930k (previous year: € 2,566k) 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) FINANCIAL INCOME

Financial income is structured as follows:

in € thousands	2014	2013
Interest income on cash and cash equivalents	145	66
Interest income on receivables from associates	4	3
Interest income from compounding of receivables	67	68
Other interest income	11	15
Total	**227**	**152**

Financial expenses are structured as follows:

in € thousands	2014	2013
Interest expenses on loan liabilities to banks	182	216
Interest expenses on liabilities to associates	6	5
Interest expenses for compounding of pension provisions	6	5
Interest expenses for compounding of liabilities and provisions	24	12
Other interest expenses	0	1
Total	**218**	**239**

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

in € thousands	2014	2013
Gains / losses on financial assets measured at fair value through profit or loss:		
Gains / losses on retirement	0	-59
Gains / losses on measurement at balance sheet date	-7	-14
Other financial income / expenses	**-7**	**-73**

(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 11,769,624 (previous year: 11,746,342).

Pursuant to IAS 33 (Earnings per Share), the consolidated net income of € 19,768k (previous year: € 15,478k) 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, 2014, both basic earnings per share (€ 1.68; previous year: € 1.32) and diluted earnings per share (€ 1.67; previous year: € 1.31) 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 11,834,452 (previous year: 11,777,609).

(25) ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Cost of materials

The functional divisions include the following cost of materials:

in € thousands	2014	2013
Costs of raw materials and supplies	70,462	64,931
Costs of purchased services	2,351	1,950
Total	**72,813**	**66,881**

Personnel expenses

The functional divisions include the following personnel expenses:

in € thousands	2014	2013
Wages and salaries	32,145	29,943
Social security contributions and pension and welfare expenses	5,067	4,519
Total	**37,212**	**34,462**

Wages and salaries include expenses of € 1,791k (previous year: € 1,993k) 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	2014	2013
Employees	486	477
Trainees	12	13
Employees in permanent employment	**498**	**490**
Temporary employees	42	47
Total	**540**	**537**

Of permanent employees, 334 (previous year: 330) were in Germany, and 152 (previous year: 147) abroad. Of temporary employees, 39 (previous year: 45) were in Germany, and 3 (previous year: 2) abroad.

Operating leases

Expenses of € 954k (previous year: € 999k) 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:

Fee for in € thousands	2014	2013
a) Auditing	476	255
b) Other certification services	0	2
c) Tax advisory services	0	30
d) Other services	8	9
Total auditor’s fee	**484**	**296**

The total fee for 2014 includes an amount of € 255k for auditing services relating to the 2013 financial year.

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.

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:

Expenses in € thousands	**2014**	**2013**
Currency translation losses from measurement of cash and cash equivalents at balance sheet date	20	393
Personnel expenses in connection with the granting of stock option rights	250	200
Exchange rate differences for foreign currency receivables / liabilities	15	21
Increase in impairment of inventories	0	226
Expenses for fair value measurement of securities held for trading	7	14
Allocations to impairments of receivables	242	181
Write-down of loan to STRATEC Biomedical Inc.	53	0
Loss from sale of securities	37	0
Total	**624**	**1,035**

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

Income in € thousands	**2014**	**2013**
Currency translation gains from measurement of cash and cash equivalents at balance sheet date	421	5
Exchange rate differences for foreign currency receivables / liabilities	250	1
Reduction in impairments of receivables	29	0
Fair value measurement of options in connection with development cooperations	165	302
Income from reversal of other provisions and liabilities	159	586
Reversal of impairments of receivables	25	17
Sundry	7	7
Total	**1,056**	**918**

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 € 6,818k was expended on investing activities (previous year: € 10,292k). Of this sum, € 6,690k was channeled into the acquisition of property, plant and equipment and intangible assets (previous year: € 10,093k).

Inflow / outflow of funds from financing activities

Financing activities led to an outflow of funds of € 8,012k (previous year: € 5,831k). Net repayments of loans amounted to € 1,649k (previous year: € 1,068k). Dividend payments accounted for an outflow of € 7,055k (previous year: € 6,566k).

(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, 2014, cash and cash equivalents amounted to € 46,636k (previous year: € 20,734k).

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 2014

in € thousands	Instrumentation	All other segments	Reconciliation	Total
Sales	151,166	7,026	-13,332	**144,860**
of which inter-segmental	563	1,449		
Depreciation, amortization, and impairment	7,655	282	259	**8,196**
EBIT	25,492	-90	-1,350	**24,052**
Assets	149,251	6,991	-18,494	**137,748**

The accounting policies applied to the reporting segments 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, € 36,797k are located in the country of origin of STRATEC AG and € 6,303k in other countries.

Further disclosures on company level have been presented in Section D. "Disclosures on the consolidated statement of comprehensive income – (17) Sales".

Segment data by operating segment for 2013

in € thousands	Instrumentation	All other segments	Reconciliation	Total
Sales	133,338	7,046	-12,434	**127,950**
of which inter-segmental	806	1,210		
Depreciation, amortization, and impairment	6,070	155	343	**6,568**
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".

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 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.

		Measurement standard				
			Fair value			
Financial assets in € thousands	Carrying amount 12.31.2014 (12.31.2013)	Amortized cost	through profit or loss	in equity	Not covered by IFRS 7	Fair value 12.31.2014 (12.31.2013)
Investments in associates	263 (392)	263 (392)				263 (392)
Trade receivables	18,961 (23,372)	18,961 (23,372)				18,961 (23,372)
Future receivables from construction contracts	1,644 (1,312)	1,644 (1,312)				1,644 (1,312)
Receivables from associates	23 (65)	23 (65)				23 (65)
Other receivables and other assets	1,167 (1,585)	143 (265)			1,024 (1,320)	1,167 (1,585)
Other financial assets	877 (646)		877 (646)			877 (646)
Cash and cash equivalents	46,636 (20,734)	46,636 (20,734)				46,636 (20,734)
Total	**69,571** **(48,106)**	**67,670** **(46,140)**	**877** **(646)**	**0** **(0)**	**1,024** **(1,320)**	**69,571** **(48,106)**

		Measurement standard				
			Fair value			
Financial liabilities in € thousands	Carrying amount 12.31.2014 (12.31.2013)	Amortized cost	through profit or loss	in equity	Not covered by IFRS 7	Fair value 12.31.2014 (12.31.2013)
Financial liabilities	6,932 (8,537)	6,932 (8,537)				7,972 (9,390)
Trade payables	2,814 (4,402)	2,814 (4,402)				2,814 (4,402)
Liabilities to associates	41 (211)	41 (211)				41 (211)
Other current liabilities	7,140 (4,520)	4,023 (3,285)			3,117 (1,235)	7,140 (4,520)
Total	**16,927** **(17,670)**	**13,810** **(16,435)**	**0** **(0)**	**0** **(0)**	**3,117** **(1,235)**	**17,967** **(18,523)**

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 cat-egories were as follows:

2014 (2013) in € thousands	From interest and dividends	From subsequent measurement Fair value	Currency translation	Discount-ing / com-pounding	Impairment	From disposals	Net result 2014 (2013)
Loans and receivables	11 (8)		247 (-20)	67 (68)	-270 (-164)	0 (-3)	55 (-111)
Financial assets held for trading	4 (10)	158 (68)				-37 (-59)	125 (19)
Cash and cash equivalents	145 (66)		401 (-388)				546 (-322)
Financial liabilities measured at amortized cost	-188 (-221)		-1 (0)	-30 (-12)		166 (593)	-63 (360)
Total	**-28** **(-137)**	**158** **(68)**	**637** **(-408)**	**37** **(56)**	**-270** **(-164)**	**129** **(531)**	**663** **(-54)**

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 € 223k (previous year: € 152k). Total interest expenses on financial liabilities not measured at fair value through profit or loss amounts to € 218k (previous year: € 234k). The net result of € -7k on financial instruments measured at fair value has been recognized under other financial income / expenses (previous year: € -14k). 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 € 421k (previous year: € 5k) recognized through profit or loss under other operating income. Currency expenses of € 20k (previous year: € 393k) 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 € thousands	Carrying amount 12.31.2014	Cash flows 2015		Cash flows 2016		Cash flows 2017-2018		Cash flows 2019 et seq.	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities	6,932	123	2,449	75	1,234	80	1,564	33	1,685
Trade payables	2,814	0	2,814	0	0	0	0	0	0
Liabilities to associates	41	0	41	0	0	0	0	0	0
Other financial liabilities	7,140	0	7,140	0	0	0	0	0	0
Total	**16,928**	**123**	**12,444**	**75**	**1,234**	**80**	**1,564**	**33**	**1,685**

in € thousands	Carrying amount 12.31.2013	Cash flows 2014		Cash flows 2015		Cash flows 2016 – 2017		Cash flows 2018 et seq.	
		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**

Loans with remaining terms of up to five years charge interest at a weighted average of 2.59% (previous year: 2.63%). Loans with remaining terms of more than five years charge interest at a weighted average of 0.67% (previous year: 0.75%).

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 man-agement 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.

Financial instruments 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), and Romanian lei (RON) into the group reporting currency (€).

With regard to the disclosures required by IFRS 7.31-42 concerning the type and scope of risks resulting from financial instruments, to avoid redundancies STRATEC AG makes partial use of IFRS 7.B6 by making the disclosures thereby required in its group management report. Reference is made to the following sections of that report: Section D “Outlook, opportunity and risk report; 2.2 Risks; Foreign currency risk” and Section F “Risk reporting in respect of the use of financial instruments”.

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 € thousands	12.31.2014			12.31.2013		
	GBP	CHF	USD	GBP	CHF	USD
Cash and cash equivalents	100	1,783	14,171	214	638	13,365
Trade receivables and other receivables	10	500	2,270	429	680	2,825
Receivables from associates less liabilities to associates	0	0	12	-13	0	54
Financial liabilities	0	-2,079	0	0	-1,725	0
Trade payables	-35	-166	-294	-19	-637	-234
Other liabilities and provisions	-226	-1,215	-393	-143	-970	-255
Net risk exposure	**-151**	**-1,177**	**15,766**	**468**	**-2,014**	**15,755**

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:

	12.31.2014			12.31.2013		
in € thousands	GBP	CHF	USD	GBP	CHF	USD
Change in currency by +10% Change in consolidated net income	14	107	-1,393	-43	183	-1,423
Change in currency by -10% Change in consolidated net income	-17	-131	1,703	52	-224	1,751

In the 2014 financial year, the translation of transactions with third parties and within inter-company relationships led to the recognition through profit or loss of income from currency translation totaling € 3,273k (previous year: € 613k) and expenses for currency translation totaling € 600k (previous year: € 1,174k). 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. This item has therefore not been accounted for in the follow-ing 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 € thousands	2014	2013
Interest-bearing financial assets	20	21
of which with floating interest rates	0	0
of which with fixed interest rates	20	21
Interest-charging financial liabilities	4,483	6,643
of which with floating interest rates	1,248	1,221
of which with fixed interest rates	3,235	5,422

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 € thousands	Carrying amount 12.31.2014	Cash flows 2015		Cash flows 2016-2017		Cash flows 2017 ff.	
		Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities with floating interest rates (3-month LIBOR)							
Actual	1,248	11	0	11	0	11	1,248
+ 100 base points	1,248	21	0	21	0	21	1,248

The increase in the cash flow for interest payments presented here simultaneously corre-sponds 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 2013 financial year and at the end of the 2014 financial year, no “downward” sensitivity analysis has been presented.

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

in € thousands	Carrying amount 12.31.2013	Cashflows 2014		Cashflows 2015		Cashflows 2016 ff.	
		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

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 € 88k (previous year: € 53k) 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. To maintain or adjust its capital structure, the STRATEC Group may adjust the level of dividends paid to its shareholders, repay capital to its shareholders, issue new shares or sell assets to reduce debts.

The main key figures referred to by the management are shareholders' equity and the equity ratio. Shareholders' equity amounted to € 112.1 million as of December 31, 2014, as against € 97.2 million at the equivalent date in the previous year. The equity ratio amounted to 81.3% at December 31, 2014 (previous year: 82.5%). The medium-term target corridor 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 2014 financial year, STRATEC AG generated interest income of € 4k from a loan granted to STRATEC Biomedical Inc., Hamden (previous year: € 3k). This loan receivable was written down by a further 50% in the 2014 financial year.

In the 2014 financial year, STRATEC AG generated revenues of € 4k from transactions with STRATEC Biomedical (Taicang) Co. Ltd. and purchased services of € 396k (previous year: € 31k) from this company.

In the 2014 financial year, STRATEC Biomedical USA, Inc. paid interest expenses of € 6k (previous year: € 5k) for a loan received from Sanguin International Inc.

In the 2014 financial year, STRATEC Biomedical Switzerland AG performed services of € 4k (previous year: € 0k) for STRATEC Services AG.

Due to the presumption regulation set out in IAS 28.5, the company's founder Hermann Leistner, his family, and their investment company count as related parties pursuant to IAS 24 (hereinafter "the Leistner family"). In Hermann Leistner's capacity as a member of the Administrative Board and advisor of STRATEC Biomedical Switzerland AG, the Leistner family received compensation of CHF 133k via Hermann Leistner in the financial year under report (previous year: CHF 220k). 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 via the Leistner family. In the financial year under report, STRATEC AG generated revenues of € 5k from transactions with DITABIS Digital Biomedical Imaging Systems AG (previous year: € 28k). In the financial year under report, STRATEC AG generated revenues of € 8k from transactions with LITRON GmbH (previous year: € 6k) and purchased services of € 2k (previous year: € 0k) from this company.

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

Dr. Robert Siegle, Birkenfeld (Director of Finance and Human Resources)
Attorney

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

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

The Chairman of the Board of Management, Marcus Wolfinger, is authorized to solely represent the company. Dr. Robert Siegle has been a member of the management of STRATEC Molecular GmbH since December 2012 and a member of the Administrative Board of STRATEC Biomedical Switzerland AG since March 2014. Dr. Robert Siegle was a member of the Board of STRATEC Biomedical UK, Ltd. until July 2014.

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 € 1,572k for their activity on the Board of Management in the 2014 financial year (previous year: € 1,462k).

A total of 40,000 stock options (previous year: 50,000) with an average exercise price of €31.87 (previous year: €28.09) and an arithmetical total value of € 145k (previous year: € 163k) were issued to members of the Board of Management in the 2014 financial year. As in the previous year, no stock options were issued to former members of the Board of Management in the 2014 financial year.

Former members of the Board of Management received total compensation of €220k in the 2014 financial year (previous year: €0k).

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. Stefanie Remmele, Landshut (since June 18, 2014)
Professor of Medical Technology at the University of Applied Sciences in Landshut

Prof. Dr. Hugo Hämmerle, Weil der Stadt (until June 18, 2014)
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, Wolfgang Wehmeyer, and Prof. Dr. Stefanie Remmele 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 €128k in the 2014 financial year for their activities on the Supervisory Board (previous year: €124k). The specific structure of overall compensation was as follows:

in € thousands	2014	2013
Fixed compensation	115	113
Meeting allowance	13	11
Total	**128**	**124**

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 €50,468k (previous year: €37,110k).

Undiscounted future minimum leasing and rental payments in connection with operating leases amounted to €2,270k as of the balance sheet date (previous year: €2,515k). Of this sum, €1,848k related to the rental agreement for the company building used by STRATEC Biomedical USA, Inc. (previous year: €1,923k).

The corresponding payment obligations mature as follows:

Due in	in € thousands	**Due in**	in € thousands
2015	46,498	2014	35,050
of which for operating leases	645		752
2016	5,027	2015	3,205
of which for operating leases	418		392
2017	370	2016	335
of which for operating leases	364		335
2018	339	2017	296
of which for operating leases	339		296
2019 and later	504	2018 and later	740
of which for operating leases	504		740
Total	**52,738**	**Total**	**39,626**

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

EVENTS AFTER THE BALANCE SHEET DATE

Lifting of minimum CHF / € exchange rate by Swiss national bank

On January 15, 2015, the Swiss national bank communicated the lifting of the minimum CHF / € exchange rate. In the wake of this announcement, the Swiss franc appreciated sharply, particularly against the euro. Compared with the USD, a currency also relevant to STRATEC, this appreciation relativized once again by early March. Should the parity between the Swiss franc and the euro continue to apply at the end of 2015 as well, this appreciation in the Swiss franc will significantly increase the accumulated translation differences recognized in equity in STRATEC's consolidated financial statements on account of the subsidiary whose financial statements are denominated in Swiss francs. The implications for the operating business, and in particular for sales and individual functional divisions in the consolidated income statement and for cash flows currently cannot be conclusively assessed.

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 5, 2014 and has been made permanently available to shareholders in the Investors section of the company's homepage (www.stratec.com).

Birkenfeld, March 31, 2015

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, March 31, 2015

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, 2014. 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 8, 2015

WirtschaftsTreuhand GmbH
Chartered Accountants
Tax Consultants

(Prof. Dr. Heni)
Wirtschaftsprüfer

(Richter)
Wirtschaftsprüfer

Board of Directors

BOARD OF MANAGEMENT

Marcus Wolfinger

- Aged 47, 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 47, Attorney, Birkenfeld, Germany
- Member of the Board of Management of STRATEC Biomedical AG
- Responsible for Finances and Human Resources
- 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 (until July 2014)
    STRATEC Molecular GmbH, Berlin, Germany
    STRATEC Biomedical Switzerland AG, Beringen, Switzerland (from March 2014)
  - External memberships: None

Dr. Claus Vielsack (from February 15, 2014)

- Aged 47, 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 62, 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 72, 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 56, 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. Stefanie Remmele (from June 18, 2014)

- Aged 37, Landshut, Germany
- Member of the Supervisory Board of STRATEC Biomedical AG
- Graduate in electrical engineering, Professor for medical engineering at the Hochschule Landshut, Germany – University of Applied Sciences
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - None

Prof. Dr. Hugo Hämmerle (until June 18, 2014)

- Aged 63, 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 14, 2015	2014 Consolidated / Annual Financial Statements
April 29, 2015	Interim Report as of March 31, 2015
May 22, 2015	Annual General Meeting, Pforzheim, Germany
July 29, 2015	Interim Report as of June 30, 2015
October 28, 2015	Interim Report as of September 30, 2015

Furthermore, based on current planning, STRATEC will also be taking part in the following capital market conferences in 2015:

May 2015	Deutsche Bank – 40th Annual Health Care Conference, Boston, USA Berenberg Diagnostics Conference, London, UK UBS Pan European small & midcap Conference, London, UK Berenberg European Conference, Tarrytown, USA
June 2015	Jefferies 2015 Global Healthcare Conference, New York City, USA
September 2015	Commerzbank Sector Conference, Frankfurt / Main, Germany 12th Annual Goldman Sachs European Medtech and Healthcare Services Conference, London, UK Berenberg Bank & Goldman Sachs German Corporate Conference, Munich, Germany
November 2015	HSBC Healthcare Day 2015, Frankfurt / Main, Germany German Equity Forum, Frankfurt / Main, Germany
December 2015	Berenberg Bank European Conference, Pennyhill Park, UK

Subject to amendment

Imprint

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