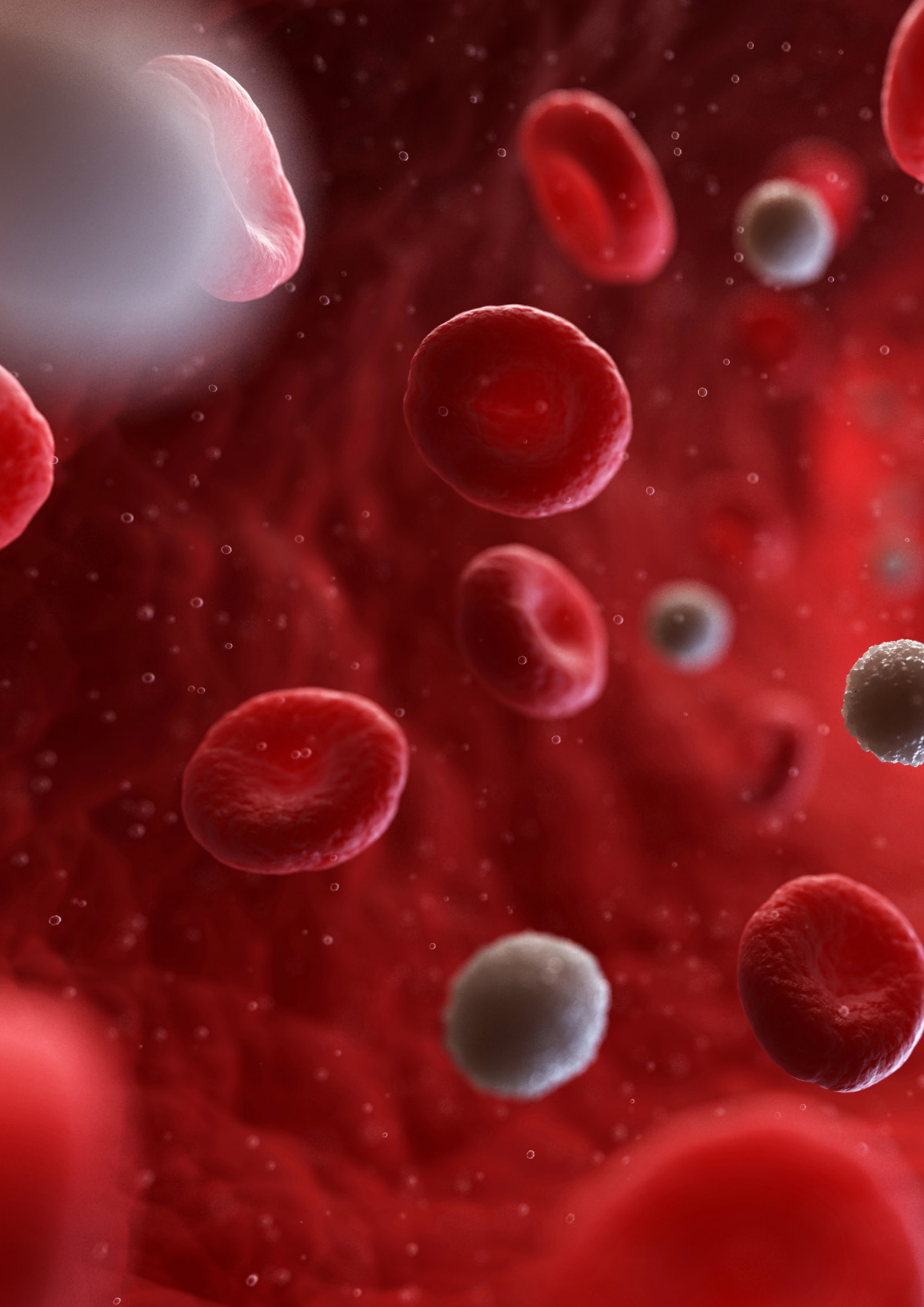
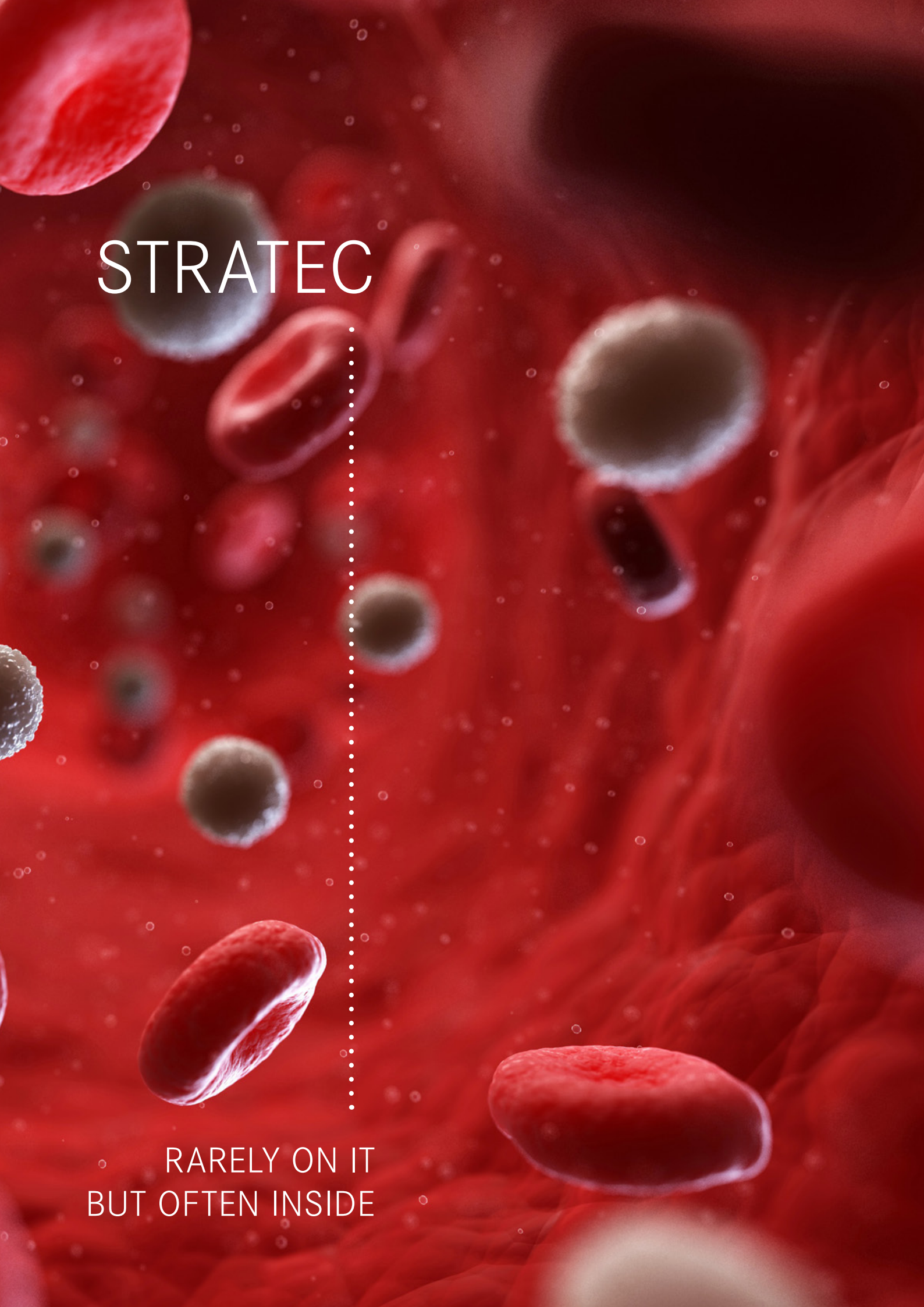
stratec

RESULTS MATTER.

Annual Report 2015




STRATEC
RARELY ON IT
BUT OFTEN INSIDE

STRATEC GROUP AT A GLANCE

GROUP KEY FIGURES

Sales, earnings, and dividend

	2015	2014	Change
Sales (in € thousand)	146,886	144,860	+1.4%
R&D expenses (in € thousand)	8,336	5,016	+66.2%
R&D expenses as % of sales	5.7	3.5	+220 bps
EBIT (in € thousand)	26,875	24,052	+11.7%
EBIT as % of sales	18.3	16.6	+170 bps
Consolidated net income (in € thousand)	22,084	19,768	+11.7%
Basic earnings per share (in €)	1.87	1.68	+11.3%
Diluted earnings per share (in €)	1.85	1.67	+10.8%
Dividend per share (in €)	0.75[1]	0.70	+7.1%

[1] Subject to approval by the Annual General Meeting on June 9, 2016

Balance sheet

	12.31.2015	12.31.2014	Change
Shareholders' equity (in € thousand)	130,280	112,051	+16.3%
Total assets (in € thousand)	158,939	137,748	+15.4%
Equity ratio (in %)	82.0	81.3	+70 bps

QUARTERLY OVERVIEW 2015

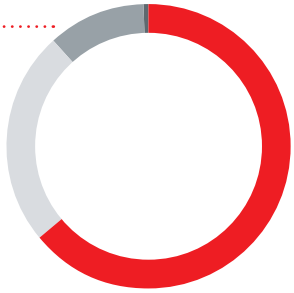
Sales and earnings

	1st quarter (01.01. – 03.31.)	2nd quarter (04.01. – 06.30.)	3rd quarter (07.01. – 09.30.)	4th quarter (10.01. – 12.31.)
Sales (in € thousand)	34,547	35,465	37,188	39,686
R&D expenses (in € thousand)	1,556	1,808	2,234	2,738
R&D expenses as % of sales	4.5	5.1	6.0	6.9
EBIT (in € thousand)	5,840	6,146	7,249	7,640
EBIT as % of sales	16.9	17.3	19.5	19.3
Consolidated net income (in € thousand)	4,739	5,068	6,109	6,168
Basic earnings per share (in €)	0.40	0.43	0.52	0.52
Diluted earnings per share (in €)	0.40	0.43	0.51	0.51

Sales by operating division in 2015

Development and services
11% (€ 16,399k)

Other activities
1% (€ 635k)



Service parts
24% (€ 35,623k)

Product range
64% (€ 94,229k)

Sales
100% (€ 146,886k)

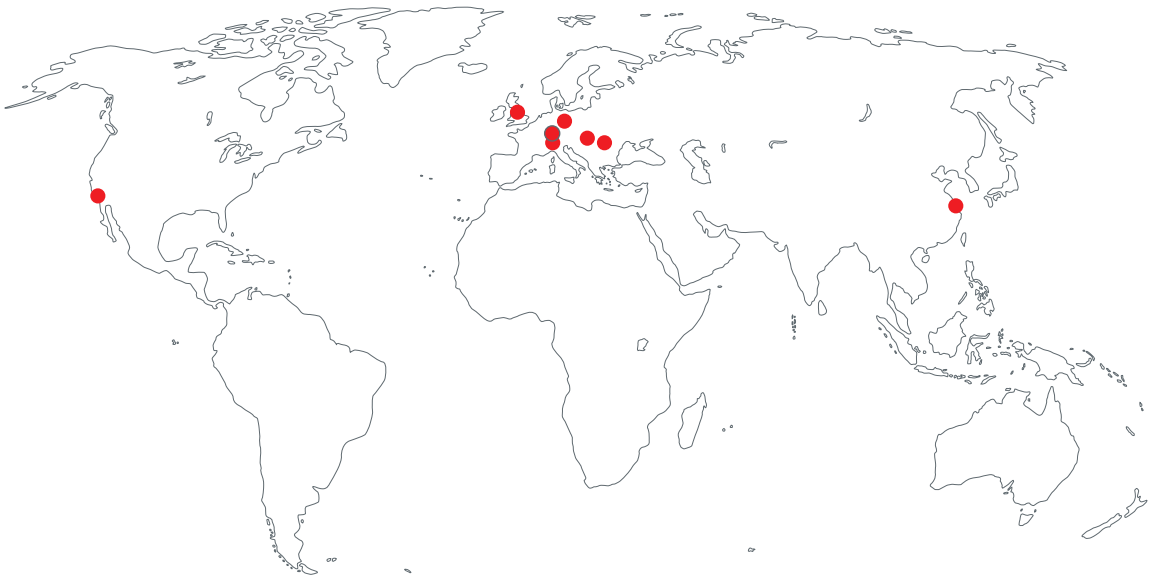
Analyzer systems in 2015

Analyzer systems supplied: 2,395

Global installation base: >13,000 [2]

[2] determined by STRATEC

Locations of the STRATEC group



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.

CONTENTS

LETTER FROM THE BOARD OF MANAGEMENT

Dear shareholders,

Dear partners and friends of STRATEC,

After a successful financial year in 2015, we are focusing on achieving additional milestones for the development of the company in 2016. This includes a range of objectives, from developing two new platform system solutions to expanding our offerings through the acquisition of additional companies. We have already taken steps to implement this strategy with the acquisition of Diatron, our system provider specialized in hematology, in March 2015. Diatron significantly expands the range offered to our partners and customers. Prior to this acquisition, we announced an update to our medium-term plan which provides for an anticipated average annual sales growth of about 6% for the next two years. In light of Diatron and other potential acquisitions, we will likely announce the new financial forecast with the publication of the half-yearly financial report in July 2016.

In the 2015 financial year, STRATEC increased sales by 1.4% to € 146.9 million and achieved an EBIT margin of 18.3%, up significantly compared to the prior year. Our earnings per share increased from € 1.68 in the previous year to € 1.87 in 2015.

In 2015 our workforce increased from 544 to 583 employees, not counting the addition of Diatron. With roughly 250 employees working in research and development, our workforce reflects our company's positive expectations and forward-thinking activities. We would like to extend a warm welcome to the almost 200 new employees from Diatron, with whom we would like to continue our history of growth.

The Board of Management and Supervisory Board have proposed a dividend of € 0.75 per share, 5 cents higher than the previous year, to the Annual General Meeting for the 2015 financial year. As a high-growth company, we would like to offer our shareholders attractive returns, especially in times of low capital market interest rates. This represents the twelfth consecutive increase in our dividend payment and reflects the positive development achieved in the past 2015 financial year as well as our expectations for the coming years.

We continue to work with a rich development pipeline through newly acquired and existing development projects, as well as our own platform developments. In addition to this, we are in negotiations for promising new projects. In our selection of these projects, we place equal emphasis on opportunity and risk allocation as well as further diversification.

We are also implementing growth opportunities at STRATEC locations. In Switzerland and Romania, new capacity and expansion opportunities have been created through construction activity begun in 2015. At our location in the United Kingdom, further growth was recently made possible by moving to a larger building. The acquisition of Diatron lets us further optimize opportunities that arise and our production and

Marcus Wolfinger [48]
Chairman of the Board of Management

development capacities. In addition, we are currently reviewing and arranging for the possibility of further expansion at our headquarters in Birkenfeld. Approximately 65% of our employees are housed here. It is an ideal environment for both experienced specialist teams as well as young, well-educated employees. Our workforce regularly inspires us with their newfound knowledge and their ability to be continually improving and optimizing our solutions and services.

In this annual report, we would like to continue the tradition of offering interesting insights into one of our markets and possible areas of application for STRATEC technologies. Using the example of a diagnostic laboratory, we will highlight which tests and methods can be carried out using our systems. As described in the report, diagnostics is an exciting area within Healthcare and in which we continue to engage in research and development and anticipate continual growth.

We would like to thank all of our partners, customers, employees, and shareholders for the productive and successful collaboration.

We are excited about the future development of our business and continue to work with zest and motivation to drive STRATEC's business forward. We thank you for your interest and the trust you are placing in us.

Birkenfeld, April 2016

The Board of Management of

STRATEC Biomedical AG

Dr. Robert Siegle [48]
Member of the Board of Management,
Finances and Human Resources

Marcus Wolfinger Dr. Robert Siegle Dr. Claus Vielsack

Dr. Claus Vielsack [48]
Member of the Board of Management,
Product Development

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the 2015 financial year, the Supervisory Board of STRATEC Biomedical AG addressed the company's situation and its prospects in great detail. It worked together with the Board of Management on a basis of trust, advised the Board of Management, and exercised its own supervisory function. The Supervisory Board performed the duties required by law, the Articles of Association, and its Code of Procedure at all times in full awareness of its responsibility. With only a few exceptions, it also complied with the recommendations of the German Corporate Governance Code. The Supervisory Board was directly involved in all decisions or measures of fundamental significance, particularly those involving 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 in the Code of Procedure in force 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.

Key focuses of discussion in Supervisory Board
The Supervisory Board held a total of nine meetings in the 2015 financial year. Four of these meetings were held as conference calls. All Supervisory Board members participated in all meetings.

One focal point of the Supervisory Board meeting held on February 2, 2015 was the discussion and agreement of the Group's further strategic development. In addition, the Supervisory Board dealt with the compensation of members of the Board of Management for 2014, assessed the achievement of the mid-term incentive compensation agreements with the members of the Board of Management, and determined individual bonus targets for the 2015 financial year.

In its conference call on March 8, 2015, the Supervisory Board addressed the extension of the consulting agreement with Hermann Leistner and his renewed appointment to the Administrative Board of STRATEC Biomedical Switzerland and approved these points.

At its meetings on April 8, 2015, July 24, 2015, October 14, 2015, and December 15, 2015, 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, information about M&A activities, 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 8, 2015 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 2014 financial year. It discussed and approved the draft resolutions to be proposed to the Annual General Meeting on May 22, 2015, including the proposed appropriation of profit for the 2014 financial year. At this meeting, the corporate governance declaration and corporate governance report of the Board of Management and Supervisory Board were also approved and subsequently published on the company's website.

The meeting on July 24, 2015 attached particular priority to the status report on the location extension in Beringen, Switzerland, and the associated construction project.

Following the entry into force of the German Act on the Equal Participation of Women and Men in Private-Sector and Public-Sector Management Positions, in its conference call on September 2, 2015 the Supervisory Board decided to set the target share of women on the three-person Supervisory Board at 30% by June 30, 2017. Furthermore, the Supervisory Board set the target share of women on the three-person Board of Management at 0% by June 30, 2017. The appointments and employment contracts with members of the Board of Management all have terms extending beyond the target date. As there are currently no plans to enlarge the Board of Management, the setting of a target other than that chosen was not deemed expedient.

At its meeting on October 14, 2015, the Supervisory Board was informed in detail about the organization and structure of internal supplier management.

In a conference call held on November 25, 2015, 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 2015 in connection with existing stock option programs.

At its meeting on December 15, 2015, the Supervisory Board addressed the German Corporate Governance Code in its version dated May 5, 2015. 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. This is permanently available to shareholders at the company's website. Furthermore, the Supervisory Board updated its own Rules of Procedure.

Formation of Supervisory Board committees

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

Conflicts of interest

No conflicts of interest requiring immediate disclosure to the Supervisory Board arose among members of the Board of Management or Supervisory Board.

Composition of Supervisory Board and Board of Management/ personnel-related decisions

At its meeting on April 8, 2015, the Supervisory Board decided to extend the appointment of Dr. Siegle as a member of the Board of Management for a further five years following his first term in office and thus through to December 31, 2020.

Furthermore, the Supervisory Board agreed to extend the appointment of Mr. Wolfinger as a member and as Chairman of the Board of Management, which was due to expire on June 15, 2016, by a further five years and thus through to June 15, 2021. The resolution to extend the term in office was adopted in a Supervisory Board meeting held by conference call on June 18, 2015.

With these personnel decisions, the Supervisory Board has acknowledged the outstanding performance of Mr. Wolfinger and Dr. Siegle and is facilitating continuity in the successful Board of Management team.

There were no changes in the composition either of the Supervisory Board or of the Board of Management in the 2015 financial year.

Audit of annual and consolidated financial statements

At its meeting on April 4, 2016, 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, 2015, as well as with the management report of STRATEC Biomedical AG and the STRATEC Group for the 2015 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, Ebner Stolz GmbH & Co. KG 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 STRATEC Biomedical AG and the STRATEC 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 4, 2016 and outlined the key audit findings.

The audit of the annual financial statements of STRATEC Biomedical AG, the consolidated financial statements, and the management report of STRATEC Biomedical AG and the STRATEC 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 management report, as well as the consolidated financial statements and group management report on April 11, 2016. 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 €0.75 per share with dividend entitlement, in detail with the Board of Management and approved this proposal.

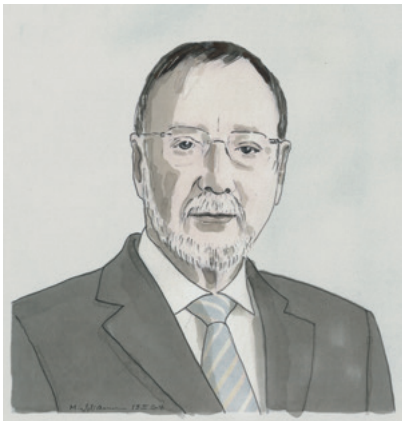
Thanks

The Supervisory Board would like to thank the Board of Management for the work performed together on a basis of trust and voice its respect for all employees for their successful achievements in the 2015 financial year.

Birkenfeld, April 11, 2016

On behalf of the Supervisory Board

Fred K. Brückner
Chairman



Fred K. Brückner [73]
Chairman of the Supervisory Board

Prof. Dr. Stefanie Remmele [38]
Member of the Supervisory Board

Wolfgang Wehmeyer [57]
Deputy Chairman of the Supervisory Board

RESULTS MATTER.

The market for In-vitro diagnostics (IVD)

STRATEC is an innovation leader in the areas of Immunodiagnostics, Molecular Diagnostics and Immunohematology. In each of these segments STRATEC develops systems which are considered as "State of the Art".

In-vitro diagnostics

STRATEC has been an innovation leader in select areas of research and in-vitro diagnostics for many years now. These activities chiefly involve designing and manufacturing analyzer systems and offering associated products and services.

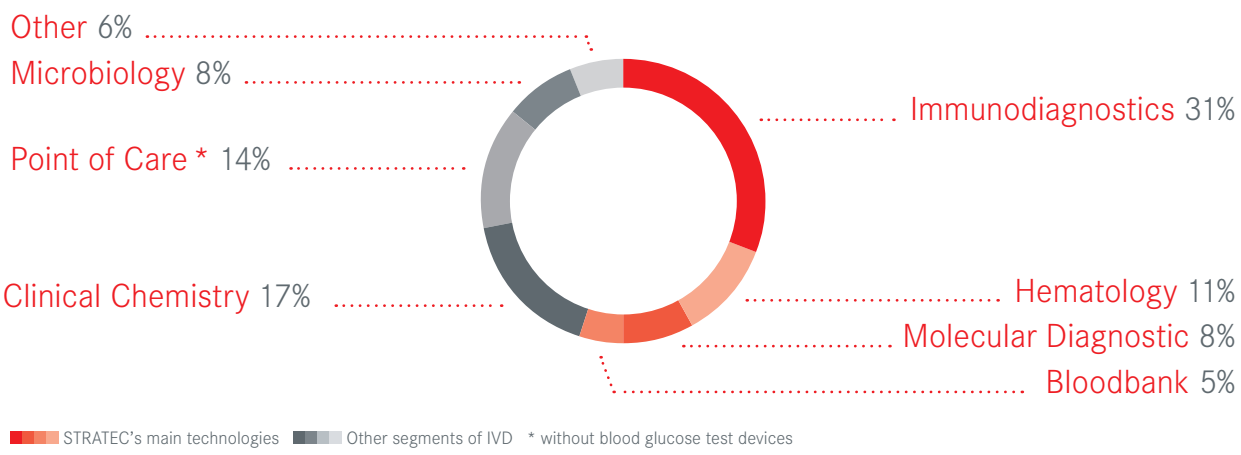
One key focus of STRATEC's activities is found in various segments of in-vitro diagnostics, also known as laboratory diagnostics (in-vitro = in a glass). This type of diagnostics is distinct from image-based procedures, such as x-rays or MRI screenings, which offer insights into the body and are therefore referred to as in-vivo diagnostics. Both approaches work with systems and methods subject to strict approval procedures by the relevant authorities.

The in-vitro diagnostics (IVD) market relevant to STRATEC can be divided into several segments based on the various technologies and applications involved. In-vitro applications are used millions of times each day to diagnose diseases, to monitor the success of treatments, or to assess people's overall health and fitness. As a general rule, the sooner a disease is detected, the better it can be treated. In 2015, the in-vitro diagnostics market was worth around USD 50 billion(excluding glucose meters).

IVD market

The individual IVD segments are presented and explained below. STRATEC focuses in particular on the high-growth segments of immunodiagnostics, molecular diagnostics, and immunohematology. In cooperation with its partners, STRATEC has successfully developed systems that have been established as state-of-the-art solutions in these market segments. Given the recent acquisition of Diatron, these key competencies are set to be extended to include hematology, thus significantly boosting STRATEC's offerings to its partners.

Global IVD market / market share by product segment

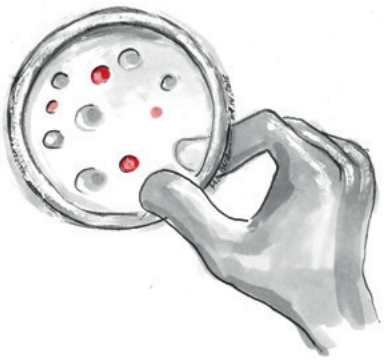


[1] There are different ways to define the segments of the IVD market. The diagram above shows Bloodbank as a separate segment within this market. Other definitions including the one on page 36 show Bloodbank applications as part of Immunoassays and Molecular Diagnostics.

IVD segments

MICROBIOLOGY

The microbiological investigation of samples, typically blood or urine, is one method to detect pathogens, such as bacteria, viruses, fungal infections, or parasites. Alongside targeted searches for specific pathogens, this type of investigation offers the opportunity to see which pathogens are present in the sample. This approach is particularly useful when it is unclear whether any pathogens are in the sample or, if so, which ones.



To this end, the sample is first applied to a culture medium. The culture medium is tailored to the microorganism's needs, so that the presence of the microorganism can be verified after a certain incubation period under optimal growth conditions (temperature, oxygen content, etc.). If there is a pathogen in the sample, this becomes evident as a colony forms on the culture medium. The diagnosis, when the presence of the pathogen is detected, still takes place in most cases through the manual process of examining the development of the pathogen on the culture. The spread of the pathogen and its development of resistance can be observed through investigations at regular intervals. This information can help in finding the most effective treatment possible.

In addition to its application in diagnosis, microbiological investigations are also often used in the food and cosmetics industries.

The microbiology segment accounts for about 8% of all IVD sales. An annual growth of approximately 5% is anticipated for this segment until 2018.

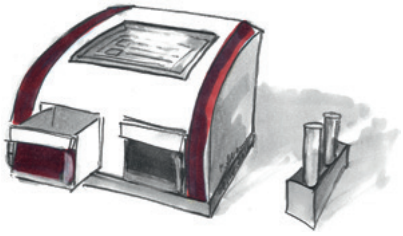
CLINICAL CHEMISTRY

In clinical chemistry, complex, multistep chemical processes are used to find certain substances in a sample and measure their percentage. Results are primarily measured that make it possible to determine the physical condition of the patient as well as specific organ functions. The sample material that is analyzed is often blood samples, in which parameters such as the concentration of sodium, calcium, iron, cholesterol, or glucose are determined.

At 17%, clinical chemistry accounts for a large portion of IVD. This is a segment in which stable sales with minimal growth are expected in the coming years. This is primarily due to the fact that the parameters that are measured are often the first thing a doctor tests in order to determine a patient's health.

POINT OF CARE

The point of care segment, unlike the areas described above, does not comprise a specific application but rather analyzer systems of a certain size or with a certain performance area (= number of tests per hour) that can be used for a variety of tests. This allocation is typical in the industry.



The point of care sector pertains to diagnostic tests that are carried out outside of the classic lab setting, in a decentralized manner, or more specifically "where the patient is". This includes doctor's offices, clinics, or even health centers in developing countries. Point of care systems can be used to measure various parameters, such as drug tests, pregnancy tests, cholesterol tests, cardiologic parameters, blood clotting, and more. The quick availability of results presents a major advantage over testing in a lab. There is no need to transport the sample to a specialized lab, and the processes or priorities of a centralized lab do not have to be taken into consideration. Point of care devices are therefore being used increasingly, especially when measuring parameters that are time-sensitive. These results can be measured using immunoassay or molecular methods, for example, depending on the system and necessity.

The market share of point of care devices accounts for about 14% of the overall market for IVD excluding the segment of blood glucose metering devices. Annual growth of about 4% on average is anticipated for this segment until 2018.

HEMATOLOGY

In the hematology area, the consistency of blood and possible blood disorders are studied. To do so, red and white blood cells as well as platelets are analyzed and their count in the sample is tallied. The results from this type of blood work help not only to determine blood disorders, they also make it possible to diagnose possible physical dysfunctions, and they provide insight into potential disorders of other organs. Potential blood disorders that can be diagnosed through hematological screenings include leukemia, anemia, and autoimmune disorders.

Hematological screenings account for about 11% of all IVD applications. Stable sales with low growth are expected in the coming years in this segment.

IMMUNODIAGNOSTICS

Immunodiagnostics comprise tests and methods that use immunoassays in analyses. Immunoassays employ antibodies to confirm the presence of the substance being analyzed in a sample. Immunoassays used in medical applications are based on an antigen-antibody reaction. An immunoassay is generally a liquid that contains specific antibodies. These can only bind with the substance being tested for, following the lock-and-key model; thus immunoassays work to prove the presence of infection.

If a person is infected with a virus, then the body generally reacts by forming specific proteins, which are known as antibodies. These antibodies defend against the "intruder". namely the virus, by binding with it to make it innocuous and mark it for destruction by defense cells. Immunodiagnostics seeks to find and "capture" these antibodies in the sample in order to prove the presence of an infection. If, for example, the test determines an infection of hepatitis, then it uses an immunoassay to try to find the corresponding antibodies formed as a reaction to the hepatitis virus in the blood sample. If the antibodies being sought are present in the sample, a reaction will take place. Depending on the assay, this could be a color or light reaction that is triggered by enzymes in the assay. There are a variety of ways to trigger this reaction. The reaction is a clue or evidence that the patient has been infected with the virus. In the case listed here, the patient would be infected with the hepatitis virus and will have formed antibodies against it. If the antibodies were not present in the sample, no reaction would have been triggered.

Qualitative methods that result in a "positive" or "negative" diagnosis are not the only thing that can be accomplished using immunoassays. In addition, quantitative measurements can also be carried out in which the concentration or amount of a substance in the sample is measured.

Immunodiagnostics are a common method for analyzing infectious diseases that are triggered by viruses, fungi, or bacteria. They are also used to record parameters that provide insight into the patient's health, for example the measurement of TSH values, which show thyroid function. Immunoassays are also regularly used for monitoring food or water quality.

At 31%, immunodiagnostics make up the largest area of IVD applications. An annual average growth rate (2013–2018) of roughly 4% is anticipated.

MOLECULAR DIAGNOSTICS

Molecular Diagnostics comprise tests and methods that can show the presence of or a susceptibility to a specific illness by screening the genetic material DNA or RNA. These tests play an important role in diagnosing and treating illnesses as they can provide early indication of the patient's health. The high sensitivity of molecular diagnostics makes this field particularly notable. Even the tiniest amounts of DNA or RNA can be detected in samples, making it possible to detect an illness considerably earlier than with other traditional methods. This can be the deciding factor in the success of treatment, in particular given information about certain possible resistances.

An infection is the entering of microorganisms such as viruses or bacteria in the human body, which can cause the affected person to become ill. These pathogens have their own genetic material, which is different from that of humans. This is where molecular diagnostics come in. In order to find out if the patient has been infected with a specific virus, the sample is screened for the virus's DNA or RNA. Using a polymerase chain reaction (PCR), the DNA sequences that are typical for that pathogen are amplified so that a signal can be more easily verified through the larger amount of DNA. Molecular Diagnostics thus make it possible to make an early and very specific diagnosis by directly proving the presence of the pathogen's DNA or RNA. Another function is called sequencing. This refers to reading a sequence of DNA or even a whole genome. This function delivers detailed information about genetic code and compares "normal" gene sequences with changed (mutated) ones. For example, it can provide insight into whether the pathogen is resistant to certain types of medication.

These types of molecular diagnostic applications are increasingly being used in oncology. Mutations in a person's genetic material can be detected that enable a cancer diagnosis.

To this end, tumor DNA can analyzed, either through tumor tissue samples or via a liquid biopsy, which examines circulating tumor DNA that can be found in a blood sample. It's usually enough in this first step to prove the presence of specific tumor markers and biomarkers.

Molecular Diagnostics are used in a variety of ways today. In a number of applications, they replace invasive methods, making it significantly more pleasant for the patient as well. With a share of 8%, this IVD segment is still relatively small. The anticipated continual annual growth rates until 2018 of about 8% do, however, make it evident that the importance of molecular diagnostics is increasing within in-vitro diagnostics.

BLOODBANK APPLICATIONS

The definition of the bloodbank segment varies in the industry. STRATEC includes in this segment all screenings that are decisive for a blood transfusion together in this segment. An important area here is that of immunohematology, which comprises all screenings that ensure whether a blood product will be compatible with the recipient before a transfusion. To do so, on the one hand the blood type is determined. On the other hand, an antibody screening test is used to determine the Rh factor and compatibility. Immunohematology uses immunoassays to determine blood types and Rh factors. In bloodbanks, molecular tests are also used to diagnose infections.

Screenings in bloodbanks account for about 5% of all IVD applications. The areas each have different growth rates. Molecular tests in bloodbanks are anticipated to grow by about 6% per year through 2018. Immunohematology, conversely, is expected to grow by about 2% in that same period.

The journey of a blood sample

1

Doctor examines patient

Blood collection

Transfer of blood sample to laboratory

2

IMMUNODIAGNOSTICS

3

MOLECULAR DIAGNOSTICS

4

IMMUNOHEMATOLOGY
IN THE BLOODBANK

5

Results

Medical Director

Transfer of results

More details about the individual segments can be found on the following pages.

The journey of a blood sample

Blood collection and preparation for the laboratory 1

BLOOD ANALYSIS – A WORLWIDE STANDARD

In many countries, visiting the doctor still involves numerous challenges. Despite this, the share of the world's population with access to basic medical care is rising constantly. Blood tests are standard procedures when people visit the doctor. The testing processes , an ever greater share of which are being transferred to automated platforms with electronic transmission of the results, are very similar in most advanced countries. With the examples below, the processes involved in a normal blood test in the world's largest diagnostics market – the USA – will be presented with reference to how things are done at a US-based full-service laboratory.

BLOOD COLLECTION

There are many reasons why a blood sample might be taken for diagnostic purposes. Of these, pregnancy is among the most common. When evaluating a pregnancy, the clinician requires information to assess the health of the patient and to exclude various risks. For a healthy pregnancy, the doctor would commonly test for the blood group of the pregnant woman, the presence of a prior or current Rubella infection, and the presence of a genetic abnormality in the fetus such as cystic fibrosis or Down's syndrome (Trisomy 21).

THE BLOOD ANALYSIS

The doctor decides blood tests should be done and determines the parameters to be tested.

To accomplish this, the doctor would select the relevant tests to be performed from a list of codes in his computer office medical system. Such systems are becoming more commonplace, but manual requisitions with test systems are also used. This selection is converted together with the patient information into a barcode that is fixed onto the sample taken and sent together to the laboratory.

PREPARATION FOR THE LABORATORY

Once the sample arrives at the laboratory, it is first recorded into the laboratory's medical system electronically which generates a barcode. The relevant information is printed onto a label that is also fixed onto the sample. Depending on the test required, the sample is then taken by a laboratory employee to the laboratory department where the assays are performed either on an automated platform or manually. Usually, insurers prefer diagnostics tests to be performed in such a way that the price for the test is reasonable when compared with the precision of the results, the duration of processing, and thus the availability of the results. This means that laboratories do not always use the fastest possible method in cases where the availability of the results is not time-critical. However, all tests are performed as expediently as possible to render the appropriate patient care.

To investigate the clinical scenarios mentioned above, the diagnostics applications used as a matter of routine millions of times every day around the world are presented below.

The patient has blood drawn.

Blood sample with label, which contains all the important information.

Handing over of the blood sample to the laboratory

Virus
Viruses are infectious particles that require a host cell to reproduce. A virus is made up of a string of the genetic material DNA or RNA and a protein capsid. It does not have its own metabolism. In order to reproduce, viruses dock onto a suitable host cell and infect it. This forces the cell to use the genetic material of the virus in order to produce new virus cells. In this way, more viruses are produced, which then attack additional cells.

Immunodiagnostics 2

THE IMMUNOASSAY PROCESS

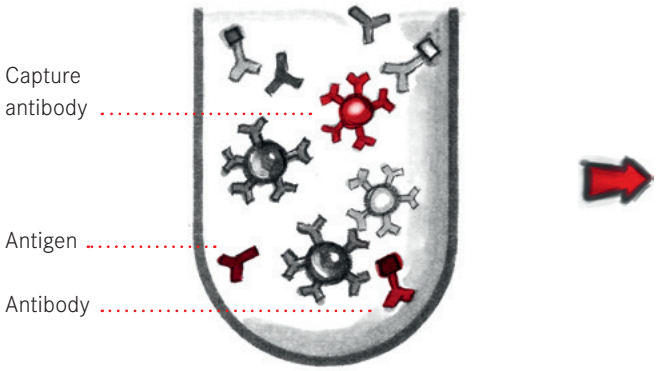
To test a blood sample for a past or present rubella infection, most laboratories use an immunoassay process. The first step involved separating into its liquid (serum or plasma which is liquid rendered from uncoagulated blood) and cellular / solid components by using a centrifuge.

For this test, serum is used. The sample is then placed on the instrument which automatically performs all of the steps involved in the testing process. Next the reagent is added to the sample. Reagents are materials that – when combined with specific other materials – trigger a reaction that is specific and measurable. Reagents are integral to the testing process. There are many different kinds of immunoassays that work with different detection methods. An assessment of a reaction may take place by measuring color emission or light emission.

"SANDWICH TEST"

One example is the "sandwich test". Here, the reagent contains two specific antibodies – a "capture antibody" serving to dock onto the antigen and an antibody capable of emitting a signal by way of an enzyme. Once the reagent has been added, the "capture antibody" docks onto the desired antigen. The second artificial antibody also docks on, thus creating an antibody-antigen complex. This is followed by a washing process in which all unbound particles are rinsed out. The artificial "capture antibody" in this example is connected to a tiny magnetic ball, which is attracted by a magnet with the resultant antibody-antigen complex remaining in the reagent tube.

"SANDWICH TEST" – A METHOD OF IMMUNODIAGNOSTICS



Reagent is added to the sample.

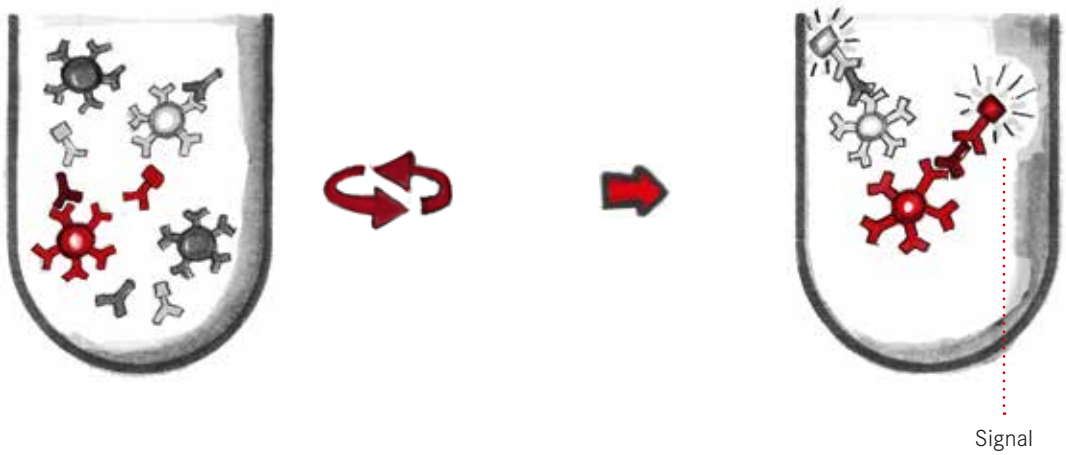
The light signal emitted by the enzyme is detected by a photometer; the signal is automatically read by the system and electronically reported as the test result. The levels of the detectable product determine the presence or absence of an infection.

A SELECTION OF IMMUNOASSAY SYSTEMS SUCCESSFULLY LAUNCHED BY STRATEC AND THEIR PARTNERS

- LIAISON® XL, DiaSorin
- ADVIA Centaur® CP, SIEMENS

Immunoassay systems are used to complete approximately 1.2 million automated tests each day worldwide. The systems developed by STRATEC primarily work according to what is known as the "random access principle". That means that samples and reagents can be added to the process cycle at any time, which is particularly advantageous when testing a variety of different parameters. In contrast to this, in systems that function according to the "batch processing principle", samples and reagents can only be loaded to the system in batches.

STRATEC has been successfully developing systems for immunodiagnostics since the mid-80s.



Antibody binds the antigen being tested for.

After the washing process, only antibody-antigen complexes remain in the test tube.

Molecular Diagnostics 3

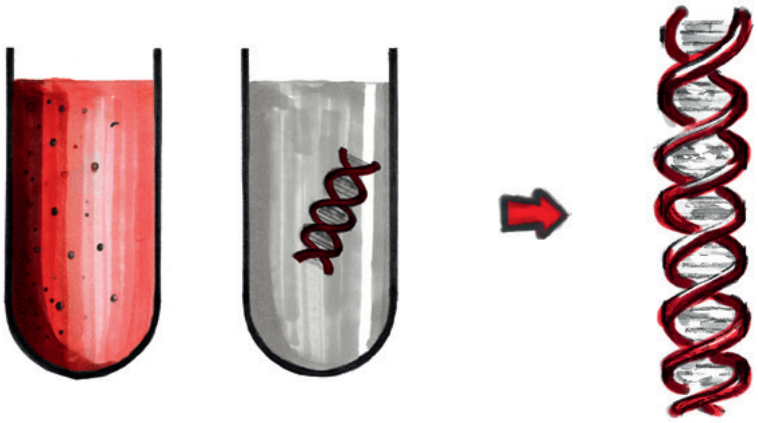
Deoxyribonucleic acid (DNA)
DNA is a nucleic acid molecule. It stores genetic material, making it the molecule of life, in essence. The sequence of the nucleotides determines the genetic information. The chemical and molecular structure of the DNA is identical for all living beings. For humans, DNA is made up of a chain of more than 300 bases and is found in the cell's nucleus.

MOLECULAR TEST PROCESS

To determine the presence of Down's syndrome (Trisomy 21) or Cystic Fibrosis, detection of genetic mutation in the fetus are commonly employed. These tests require a blood sample from the mother which contains small amounts of her baby's DNA. Here too, the process starts with the purification step. In this case, the DNA of the fetus is isolated in the blood sample. To do this, various steps and washing processes are performed.

The isolated DNA is mostly only available in very small volumes. This is then multiplied to enable it to be measured. The most widespread multiplication method in use is the polymerase chain reaction. This involves copying the DNA fragments millions of times over to enable them to be subsequently analyzed. This DNA analysis, known as sequencing, can best be pictured as reading the DNA. Sequencing is an automated process and the results are evaluated electronically. In our example, sequencing would show whether there are any indications of the presence of trisomy 21. The same method is applies to diseases as HIV and HPV providing reliable diagnoses for treatment.

MOLECULAR TEST PROCESS



The DNA of the fetus is isolated during the purification process.

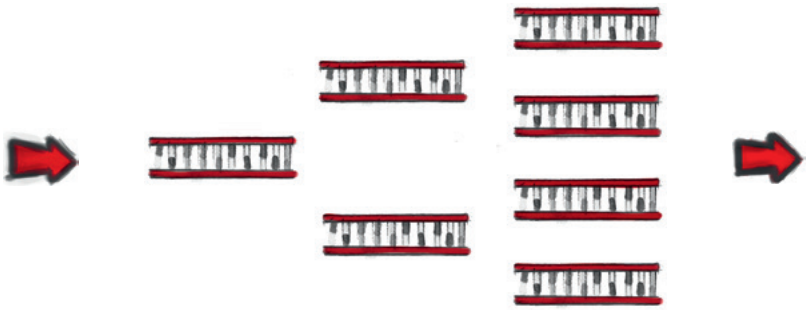
The DNA of the fetus is available and can be examined closely.

A SELECTION OF MOLECULAR DIAGNOSTIC SYSTEMS SUCCESSFULLY LAUNCHED BY STRATEC AND THEIR PARTNERS

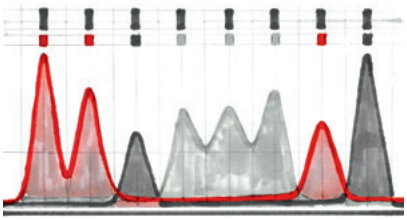
- Panther™, Hologic
- ELITe STAR, ELITech Group

The average throughput of these molecular systems developed by STRATEC is about 200 to 500 tests per lab shift. With these systems, either PCR technology or one of the proprietary technologies developed by partners is used to amplify the DNA. The molecular systems also work according to the random access principle.

The "Panther" system was one of the first completely automated molecular random access systems worldwide when it was first introduced to the market.



The DNA of the fetus is amplified using PCR.



Sequencing provides insight into the presence of trisomy 21.

Immunohematology in the bloodbank 4

IMMUNOHEMATOLOGY PROCESS

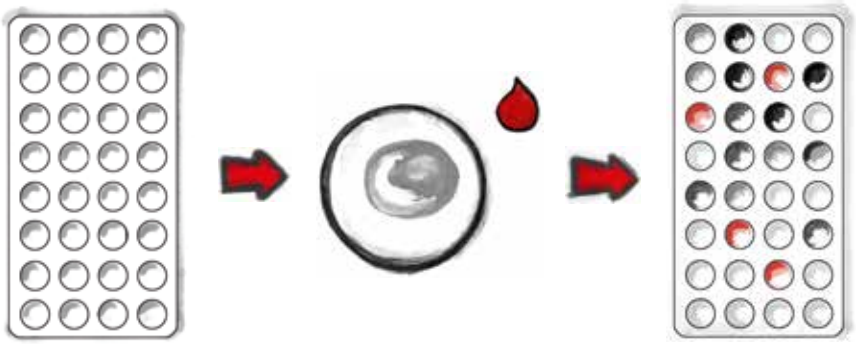
Blood groups are determined by performing an immunohematology test which can be manually performed or more commonly performed on an instrument. Either method involves separating the blood into its cellular and liquid components. Afterwards the samples are applied onto microtiter plates – plastic plates with small depressions (see illustration). Next, a test serum is added to each portion. One contains anti-A antibodies and the next contains anti-B antibodies. The blood group can now be derived by observing which blood test serum mixture agglutinates and which does not. For blood group A, for example, the blood that has come into contact with anti-A and test serums agglutinates. For blood group B, agglutination occurs when the blood comes into contact with anti-B antibodies. If it is blood group 0, then no agglutination takes place. The blood group is determined using a complex procedure that also involves cross-checks. Here too, the blood is divided into three portions. This time, however, test erythrocytes, i.e. red blood cells from blood groups A, B and 0, are added to the patient's plasma. Here as well, clumping patterns arise depending on which antibodies are in circulation in the blood of the person being tested. To exclude any possibility of error, this double test is performed with various reagents and the results issued either manually or by the analyzer system and are re-checked by qualified employees in line with the dual control principle.

A SELECTION OF IMMUNOHEMATOLOGY SYSTEMS SUCCESSFULLY LAUNCHED BY STRATEC AND THEIR PARTNERS

- NEO, Immucor
- TANGO™ Infinity, Bio-Rad

Analyzer systems for immunohematology are used in bloodbanks, in particular. The notable characteristic of immunohematological systems from STRATEC is a centrifuge built into the system that enables the blood group to be determined more quickly and accurately. The "NEO" system is used especially in bloodbanks with high throughput levels and was one of the first completely automated system for immunohematology with an integrated centrifuge when it was first introduced to the market. The "Tango Infinity" system is primarily used in hospitals.

DETERMINATION OF BLOOD GROUP



The blood sample is applied to a Microtiter plate.

Test serums are added to the individual samples.

Agglutination shows which blood group the patient has.

Results Matter 5

The results are then reported back to the doctor who submitted the blood sample. This happens on the same day depending on the available infrastructure, which may range from electronic transmission into the patient management system from the laboratory medical system or through a fax of the laboratory generated report, delivery via the laboratory's courier network, or by phone call directly to the physician's office. Depending on the parameters being tested and regulatory requirements, the results are available to the patient after the physician has had time to review them.

When a result is markedly abnormal, i. e. when it deviates significantly it may tested again to confirm the result. Should the repeat test confirm the abnormal result, then it is included in a list of unusual results and is communicated immediately to the ordering physician. .This can be done from a menu of tests whose abnormal results must be reported as well as from a list of tests determined by the clinical to be critical to his / her practice and for which he / she require immediate notification. This is done by telephone call to the physician. Large-scale laboratories have teams exclusively dedicated to making these calls. Each laboratory is managed by a medical director with appropriate medical training who is responsible for the results. In special cases, he or she is involved in the discussion of the results with the ordering physician.

Depending on the type and size of the laboratory, numerous further diagnostics applications are performed on different analyzer systems. In some countries, the codes designating diseases or medical conditions are also used to track disease prevalence by national health authorities or for billing purposes by insurers.

Rh factor
The Rh system is highly important for blood transfusions. A distinction is made between Rh-positive (Rh+) and Rh-negative (Rh-). Individuals who are Rh-positive have special proteins on their red blood cells; Rh-negative individuals do not. Rh-positive donor blood should not be given to Rh-negative individuals as this can often cause antibodies to be formed, which would cause an undesired reaction known as a hemolytic transfusion reaction. For Rh-negative women who are pregnant with an Rh-negative fetus, this can cause damage to the unborn child. For this reason, it is essential for the Rh factor to be determined in order to carry out the required steps for treatment.

Results are available for the Medical Director as soon as the test has been completed.

In case of an abnormal result, the laboratory will inform the Doctor directly.

Depending on the Doctor's infrastructure the results are transferred either electronically, via mail or via fax.

ANNUAL REPORT 2015

OF STRATEC BIOMEDICAL AG

STRATEC'S SHARE

DIFFICULT CAPITAL MARKET CLIMATE

The past 2015 financial year was a period of exciting and varied developments on the stock markets.

The bull market seen in the first months of the year was driven by the announcement by the European Central Bank that it would be loosening monetary policy in order to see off the risk of deflation.

In the summer months, capital market participants once again learned the hard way that the stock exchange is no one-way street. Doubts as to the robustness of the global economy triggered by concerns about the Chinese economy placed great pressure on stock markets in Asia, the US, and Europe.

From September, the German stock market indices recovered once again. Even though loose monetary policy had helped drive stock markets upwards throughout the trading year, at the beginning of December the European Central Bank failed to meet all of the high expectations placed by capital market players in a further extension in the bond purchase program, a development that led stock market prices to drop off once more in December.

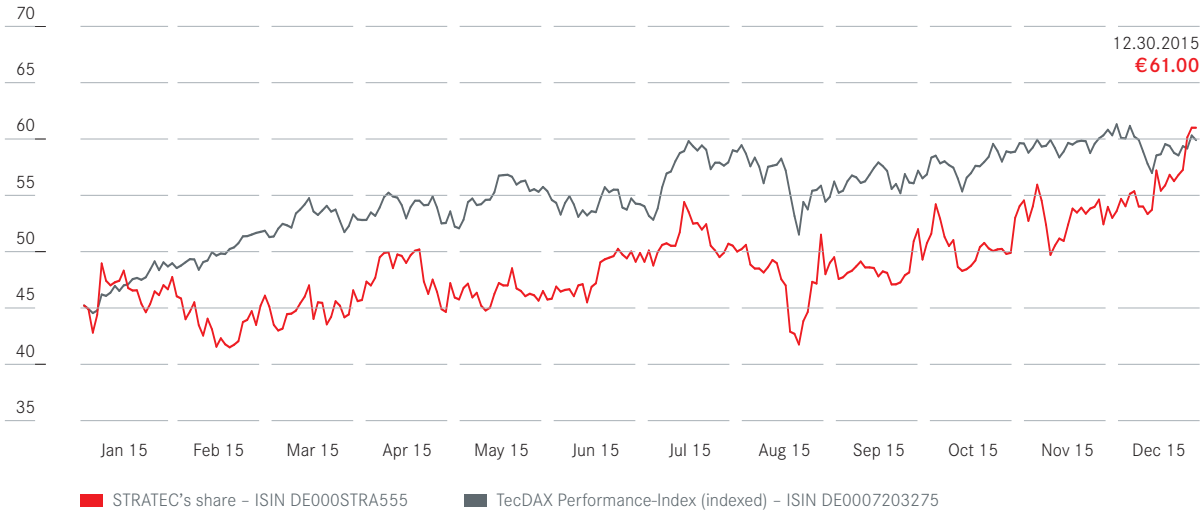
Geopolitical trouble spots, such as Russia and Syria, created additional unrest on the capital markets in 2015. In particular, the fight against global terror assumed a more dominant role in the second half of the year.

Accompanied by a wide range of fluctuation, the DAX, Germany's lead index, rose by 9.6% over the year as a whole. The German technology index, the TecDAX, performed far more positively, rising over the year by 33.5%.

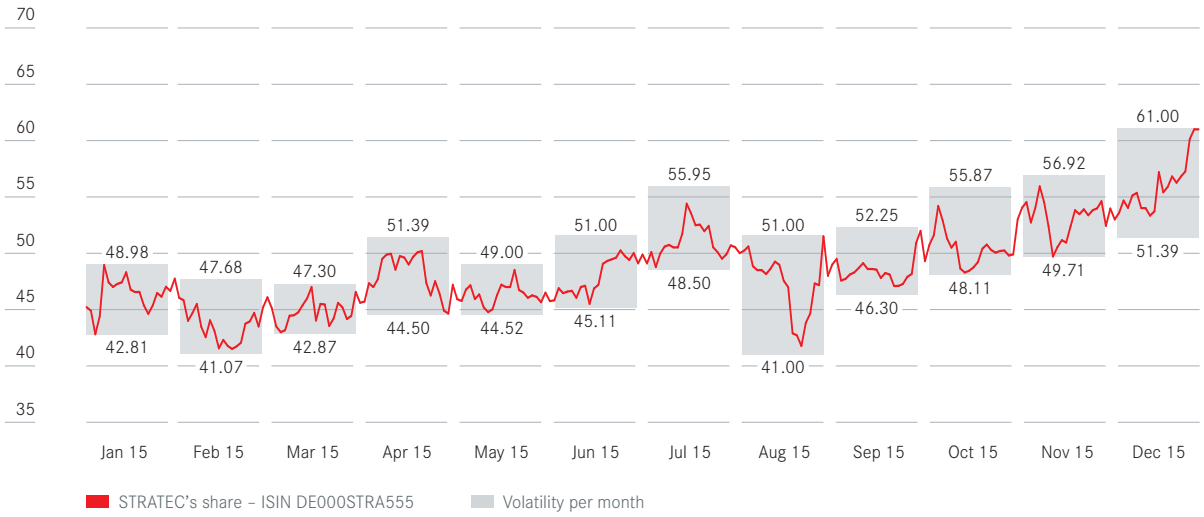
STRATEC'S SHARES POST NEW ALL-TIME HIGHS

STRATEC's share began the 2015 trading year at a price of € 45.75 (Xetra, year-end price on December 30, 2014) and initially moved in the opposite direction to its rising comparative index, the TecDAX. In mid-February, the share price then set out on an upward journey and by July had passed its previous all-time high of € 53.10 (Extra, intraday) last seen in December 2014. In the subsequent sharp correction in stock prices triggered by growing concerns about the Chinese economy, STRATEC's share price fell in just six weeks by 26.6% to its annual low of € 41.00 (Xetra, intraday). Following a rapid, marked recovery, the share price rose consistently. By October, it surpassed the all-time high seen in July and went on to reach several new all-time highs (in November and December). On December 29, 2015, STRATEC's share reached yet another all-time high at € 61.00 (Xetra, intraday) and closed at this level one day later. Over the year as a whole, the company's share price grew by 33.3% and thus posted an almost identical annual performance as the TecDAX.

STRATEC's share – dynamic performance in 2015 (in €)



STRATEC's share price – highs and lows in 2015 (in €)



Trading data for STRATEC's share (status: December 31)

	2015	2014	2013	2012	2011
Year-end price previous year (€)	45.75	30.25	37.65	31.75	31.91
Annual low (€)	41.00	30.06	25.30	28.02	24.80
Annual high (€)	61.00	53.10	40.00	39.48	34.00
Year-end price (€)	61.00	45.75	30.25	37.65	31.75
Performance (%)	+33.3	+51.2	-19.6	+18.6	-0.5
Market capitalization (€ million)	723.0	540.0	356.0	441.9	370.7
Trading volumes (€ million)	141.0	131.1	109.8	126.6	132.2
Average daily trading volume (€)	555,065	520,199	433,863	498,367	514,502
Average daily trading volume (number of shares)	11,687	13,200	13,275	15,201	17,232

INCREASE IN MARKET CAPITALIZATION INSUFFICIENT TO IMPROVE TECDAX RANKING

The company's market capitalization developed in parallel with its share price and came to € 723 million at the end of the year, € 183 million up on the end of 2014. Notwithstanding this increase, STRATEC was ranked 27th in the TecDAX market capitalization ranking compiled by Deutsche Börse as of December 31, 2015 and thus fell four positions compared with the previous year.

Stock market trading volumes showed very pleasing developments in 2015. Measured in terms of simple order book turnover, STRATEC shares worth € 141.0 million changed hands on the Xetra and Frankfurt marketplaces in 2015 (previous year: € 131.1 million). These two marketplaces accounted for 84.9% of trading volumes (previous year: 83.8%). As of December 31, 2015, STRATEC was ranked 36th in the Deutsche Börse TecDAX trading volumes ranking and thus advanced one position compared with the previous year.

Over-the-counter (OTC) trading is playing an increasingly significant role compared with trading on established markets. STRATEC shares worth around € 50 million were traded on so-called multilateral trading systems such as Chi-X Europe, Turquoise, BATS Trading, or Sigma X, in 2015.

ANNUAL GENERAL MEETING WITH EXTENSIVE AGENDA

On May 22, 2015, the Board of Management and Supervisory Board welcomed more than 250 shareholders, voting proxies, and guests to the company's Annual General Meeting held at CongressCentrum Pforzheim. Of the company's share capital, 72.85% was represented at the Annual General Meeting (previous year: 63.56%). This represents the highest level of attendance in the past five years.

Items submitted to shareholders for resolution included the appropriation of net profit, the approval of the actions of the Board of Management and Supervisory Board, the election of the auditor, the conversion from bearer to registered shares, the rescindment of existing and creation of new authorized capital, the rescindment of existing and creation of new conditional capital, the authorization to acquire and sell treasury stock, and various amendments to the company's Articles of Association.

All eleven of the agenda items submitted for resolution were approved by shareholders with the necessary majority in each case. After around three hours, the meeting chairman closed the Annual General Meeting.

Further information about the Annual General Meeting, such as detailed voting results, can be found at www.stratec.com/agm.

Key figures for STRATEC's share (status: December 31)

	2015	2014	2013	2012	2011
Number of shares issued (million)	11.9	11.8	11.8	11.7	11.7
Number of shares with dividend entitlement (million)	11.9	11.8	11.8	11.7	11.7
Cash dividend per share (€)	0.75[1]	0.70	0.60	0.56	0.55
Distribution total (€ million)	8.9[1]	8.3	7.1	6.6	6.4
Dividend yield (%)	1.2[1]	1.5	2.0	1.5	1.7

[1] Subject to approval by the Annual General Meeting on June 9, 2016

STRATEC SHARE REVAMPED

Consistent with the resolution adopted by the Annual General Meeting on May 22, 2015, after the close of trading on August 28, 2015 STRATEC converted its entire share portfolio from bearer shares with a nominal value of € 1.00 each to registered no-par shares.

This conversion to registered shares will make it easier for the company to communicate with its shareholders directly and enhance the transparency of its shareholder structure.

Upon the conversion to registered shares, STRATEC's shares received new ISIN and WKN numbers (DE000STRA555 / STRA55). The SBS stock market ticker has remained unchanged.

Further information about this conversion to registered shares can be found at www.stratec.com/registered_shares.

STABLE SHAREHOLDER STRUCTURE

The largest shareholders in the company are still its founder, Hermann Leistner, his family and their investment companies, which hold a combined stake of 41.42%. A further 0.08% of the shares are held by the company itself and 58.5% of the shares are attributable to a large number of retail and institutional investors in Germany and abroad.

2015: DIVIDEND INCREASED FOR ELEVENTH CONSECUTIVE YEAR

Shareholders participate in the success of their company both by way of a positive share performance and with the dividend paid. STRATEC's Annual General Meeting on May 22, 2015 therefore accepted the dividend proposed by the management and approved the distribution of a dividend of € 0.70 per share with dividend entitlement for the 2014 financial year. At € 8.3 million, the distribution total reached a new record level.

2016: FURTHER RECORD DIVIDEND INTENDED

Given the company's pleasing business performance, the Board of Management and Supervisory Board of STRATEC have decided to propose a dividend of €0.75 per share with dividend entitlement for the 2015 financial year for approval by the Annual General Meeting on June 9, 2016. The distribution quota would be equivalent to 40.2% of consolidated net income and STRATEC would thus be upholding its commitment to a continuity-based dividend policy aligned to the Group's long-term, sustainable business performance. At the same time, STRATEC will continue to focus on seizing any growth opportunities that arise, which may also involve temporarily deviating from this quota. Such opportunities may involve acquisitions or financing major projects.

Subject to approval by shareholders, this dividend proposal corresponds to a distribution total of €8.9 million. Based on the year-end closing price on December 30, 2015, the dividend yield would amount to 1.2%.

Further information about STRATEC's share

ISIN	DE000STRA555
WKN	STRA55
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	No-par registered ordinary shares
Share capital (€)	11,852,970.00
Share capital (number of shares)	11,852,970
Initial listing	August 25, 1998
Marketplaces	Xetra; Frankfurt, and further regional stock exchanges in German
Designated Sponsors	HSBC Trinkaus & Burkhardt AG since 01.01.2016 Commerzbank AG until 12.31.2015 Oddo Seydler Bank AG

COMMUNICATIONS 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. At investors' conferences and roadshows in the most important financial centers, the Board of Management and investor relations team have explained the company's business model, its economic situation, strategy, and future prospects to existing and potential institutional investors and analysts and answered their questions about the company's performance.

One further core component of the company's capital market communications is the personal contact maintained with retail investors, not least at the Annual General Meeting and by mail and telephone.

STRATEC plans to further increase the consistency of its capital market communications in the current financial year in order to boost the trust placed in the company by investors and also to attract new investors.

STRATEC's internet presence at www.stratec.com, where further extensive information about the company can be found, also acts as a key information platform for communicating with capital market players.

GROUP MANAGEMENT REPORT

FOR THE 2015 FINANCIAL YEAR OF STRATEC BIOMEDICAL AG

A. THE STRATEC GROUP

"STRATEC" is rarely on the product, but is often inside it. STRATEC products are not in the limelight, but nevertheless play a crucial role in many thousands of systems in use across the world and around the clock. STRATEC systems ensure processes in diagnostics and research laboratories do what is expected of them, namely function economically, quickly, and safely. More than five million analyses and tests are performed every day on systems that STRATEC has designed and manufactured in its capacity as a partner to global players in the in-vitro diagnostics (IVD) and life science industries. STRATEC focuses on growth segments within these industries.

Partners who aim to assume a leading role in their market segments or to sustainably change growth markets with their innovative products are the key to STRATEC's success. Not only that, they ensure a continually growing portfolio of new technologies and solutions enabling STRATEC to have one of the most extensive and innovative technology portfolios in the industry.

The core expertise that STRATEC has built up by cooperating with large numbers of market leaders involves compiling and implementing concepts and requirements in the fields of automation and instrumentation for biochemical processes and offering suitable hardware and software solutions. This expertise is supplemented by in-depth knowledge of quality and documentation requirements, particularly when it comes to the approval of medical technology solutions by the relevant national and international authorities. What's more, STRATEC accompanies its customers in an advisory capacity from the very outset and – given its longstanding experience – can offer valuable input when it comes to system specification and alignment, as well as acceptance by end customers.

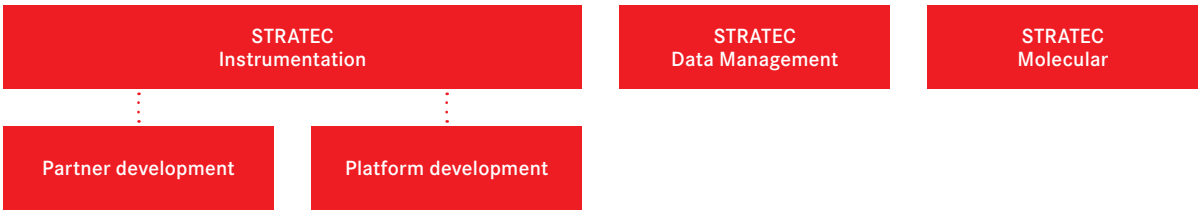
The underlying approach to focus on innovative solutions in their respective core businesses enables both, STRATEC and its partners, to achieve the desired success on a sustainable basis.

BUSINESS MODEL AND STRATEGIC ALIGNMENT

Since its foundation in 1979, STRATEC has successfully developed into a major player in various market niches. It has achieved this by consistently implementing its proven strategy, while optimizing its business model and adapting it in line with changing market conditions. At its core, this corporate strategy involves helping customers to implement their growth strategies by acting as a competent partner and offering the necessary expertise, as well as innovative and safe product solutions aimed at enhancing the success of its partners' end customer businesses. STRATEC's overriding objective is to be a competent and reliable partner to its customers, employees, and other stakeholders by generating growth that should exceed the long-term market average.

STRATEC's business model can be grouped into three main areas of activity:

STRATEC's business model and strategic alignment



STRATEC Instrumentation

The instrumentation solutions and components designed and manufactured by STRATEC and its partners are marketed by the partners under their own brand names. Within these collaborations, STRATEC is generally responsible for developing the automation solution, the relevant software, quality management, and the preparations for system approval. This enables its partners to focus on developing their reagent menus, market expertise, access to end customers, and subsequent support measures.

The common foundation to all areas of activity involves assisting customers in implementing their objectives by offering the solutions they need in the fields of automation, software development and sample preparation, drawing upon the multifaceted expertise available at STRATEC in a variety of scientific and technological disciplines. STRATEC can look back on nearly 40 years of development and production activity, while its partners generally have a very good understanding of end customers' requirements and of the corresponding market access channels with their own service and sales activities. In view of this, STRATEC focuses on business-to-business and OEM relationships and only maintains a proprietary sales network with end customers in peripheral business fields. Partners receive individual support from STRATEC for their service activities.

STRATEC is continually extending its range of products and value chain to enable it to achieve the maximum share of development, approval and production work involved in system solutions on behalf of its partners, yet without entering into competition with them. STRATEC is increasingly also looking at possibilities of generating growth by way of acquisitions. These should enable the company to supplement its own range of products and services with promising services or technologies in that are at an advanced stage.

Within the Instrumentation segment, there are two key areas, with different approaches for cooperating with partners (Partner development) and developing systems (Platform development).

Partner development

In this field, STRATEC works with both existing and new customers. Here, STRATEC works together with its partner to define the specifications for a new analyzer system or a next-generation system at a very early planning stage. The cooperation between the company and its partner is very close throughout the entire development phase, which usually lasts between 24 and 48 months. STRATEC is responsible for developing hardware and software and draws here on its pool of proprietary innovative technologies and intellectual property (IP) rights. This way, the development work performed for the partner is faster, more cost-effective and involves fewer risks. Together with STRATEC, the partner integrates its reagents menu into the automation processes. As soon as the system has been fully developed, approved by the regulatory authorities together with the reagents and software package, and launched onto the market, STRATEC is responsible for its serial production and for supplying maintenance and service parts. In this stage, the partner focuses on marketing and selling the product to end customers, generally laboratories, blood-banks, and research institutes, and also provides subsequent customer support and other services.

System developments in the partner development field require a certain size on the part of the customer. On the one hand, a suitable development budget has to be available for allocation, on the other hand the partner must have appropriate distribution channels enabling it to exploit turnover potential and thus make the project interesting for both partners. By analogy with printers and ink cartridges, the partner generates its return on capital employed by selling the diagnostic tests. STRATEC earns its share from the sale of appliances and service parts (maintenance and replacement parts) to the partner. The success achieved by its partners enables STRATEC to generate the growth targeted for its Partner development business field. In view of this, in its production activities STRATEC places great value in providing customers with those instruments and supplementary solutions, such as for use in sample preparation or middleware software, that are needed to ensure a favorable quality-cost ratio. Not least as a result of this factor, STRATEC manufactures its products in countries in which product quality has priority over maximum cost optimization. This approach is reflected in particular at the production locations in Switzerland and Germany, where our highly qualified professionals implement production and testing processes that are subject to close regulatory monitoring and performed in an audited and certified environment. The right selection of partners and products plays a crucial role in determining STRATEC's growth in this area. The company therefore focuses on technologies and applications that are targeted at growth markets, such as the molecular diagnostics market, or where technological advances offer clear additional benefits to end users.

Platform development

One approach to development that is slightly different from that outlined above is the customer-specific adaptation of a system based on a platform developed in advance. A platform is a system developed internally up to a certain point by STRATEC that is then adapted in the next phase to the customer's specific requirements and corporate design. These platforms are particularly suited to partners aiming to enter a market very rapidly – and thus wishing to avoid costly and

time-consuming development phases – or who on account of their size and market access are not yet able to place a corresponding volume of individually developed systems. STRATEC develops platforms that work above all with well-established and predominantly standardized technologies.

In developing proprietary technologies and solutions, STRATEC aims to ensure a balance between innovation and sales potential. Here in turn, it is important to develop the right applications that offer market players relevant additional benefits or to cooperate with the right partners to gain early market presence with applicable solutions when it comes to developing next-generation technologies.

STRATEC Data Management

As well as software solutions integrated into instruments, STRATEC also offers its partners flexible application options for deploying and controlling systems and sample workflows in laboratories. Among other functionalities, these software solutions facilitate the interlinking of various systems, enable work volumes to be managed, and provide access to the test results for evaluation by specialist staff. This middleware software optimizes laboratory work processes and enables appliance capacity utilization rates to be optimized. The OEM software solutions are offered both as standard versions and as individually customized versions. All-round project management enables us to work closely with the partner to ensure that the solution satisfies customer requirements and complies with extensive regulatory requirements.

In strategic terms, the development and sale of middleware software should be viewed as an extension to the company's value chain and as a door opener to customers who often also require instrumentation and automation solutions in the fields of diagnostics and research.

STRATEC Molecular

Here, STRATEC offers its customers products for use in sample preparation. This is an important work step required in molecular diagnostics prior to the execution of the actual analyses or tests. In particular, it involves purifying the DNA and RNA to be investigated. STRATEC offers solutions for these upstream steps that can then be integrated by customers into their own range of products and services. Furthermore, the products are sold with or without accompanying instrumentation solutions to end customers, such as small and medium-sized laboratories.

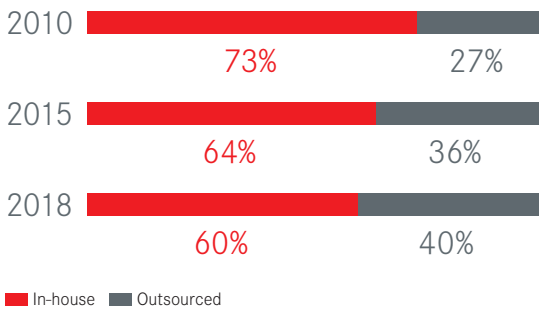
STRATEC views molecular diagnostics as a strategically important field, especially in its instrumentation business, while sample preparation often acts as a door opener to enable customers to supplement their value chain and thus be able to offer all aspects of the product range from a single source.

MARKET

Annual sales volumes in the instrumentation market relevant to STRATEC are currently estimated at around $ 1 billion for in-vitro diagnostics alone. This figure is derived from the relevant throughput segments and technologies, especially the immunoassay, immunohematology, and molecular-diagnostic applications. Alongside these areas, there are also interesting peripheral areas, both within and outside IVD, in which STRATEC is performing targeted projects or is interested in forming development cooperations with established or innovative partners.

To date, most instrumentation projects are still performed by the diagnostics companies themselves (IVD in-house market). Experts estimate the overall IVD instrumentation market will grow from around $ 7 billion currently to well over $ 8 billion by 2018. The market segment relevant to STRATEC stands to grow to around $ 1.2 billion. By 2018, 40% of the system solutions placed worldwide will already be developed by outsourcing partners, such as STRATEC (IVD OEM market)[1]. In 2015, this share came to around 36%.

In-house and outsourced instrumentation market in 2018



[1] Berenberg Research Update November 2015

Increasing regulation of diagnostics industry

The increasing regulation of the diagnostics industry continues to generate growing demand for automated process solutions. Many manual processes are gradually being superseded by semi- and fully automated methods. Due to the routine processes involved and the lower error rate compared with manual processes, such methods offer a higher degree of security. In recent years, ever more countries such as Brazil, have begun introducing their own control mechanisms and requirements for IVD products and processes. To meet increasingly strict requirements around the world, many laboratories are opting for automated solutions. Automated instrument solutions are in turn subject to a higher degree of regulation, and this presents a barrier to new players entering the market. STRATEC's broad pool of technology and longstanding experience mean that the company has a strong market position.

Alongside increasing regulation, STRATEC also benefits from the fact that there is a shortage of qualified laboratory personnel in many countries. This factor increases demand for automated systems that are easy to use and which do not require highly qualified laboratory staff.

Outsourcing

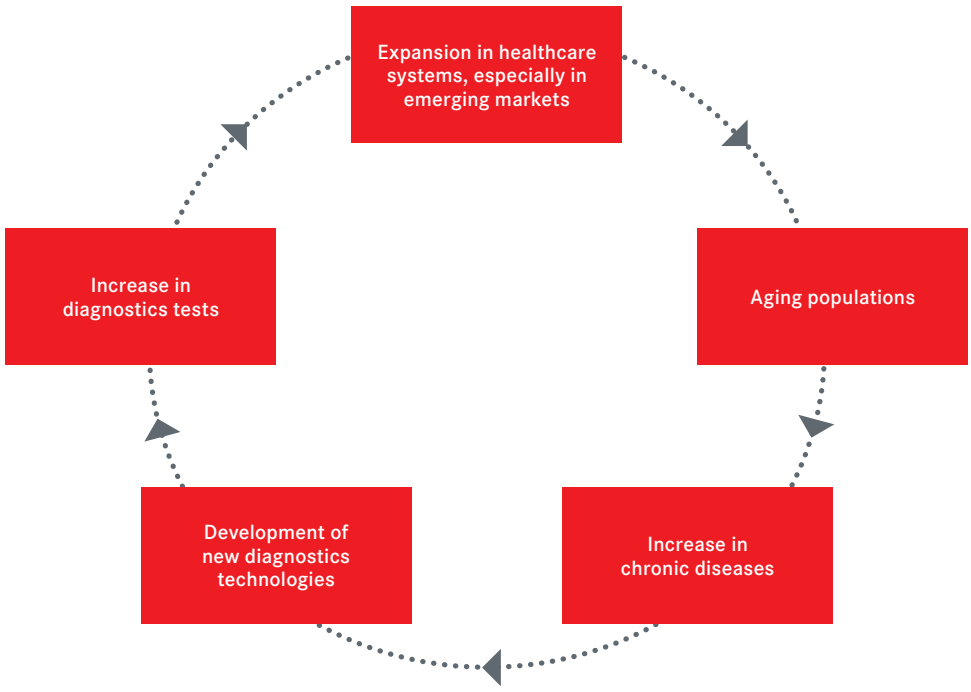
STRATEC is benefiting not only from increasing regulatory efforts on the part of the relevant authorities, but also in particular from the growing trend towards outsourcing in the diagnostics industry. The core competence of large diagnostics groups mostly involves developing and providing reagents. These are used to perform the diagnostic tests in fully automated systems. Acting as an OEM supplier, STRATEC designs and manufactures the system with all of its hardware and software components. Here, the partners assign full responsibility for the system to STRATEC. Working in close cooperation, a system is developed that is based on jointly compiled specifications and automates the customer's reagent processes. Within this cooperation, STRATEC assumes activities along the entire value chain – from development of the specification through to approval of the resultant products by the relevant authorities.

When it comes to the growing trend towards outsourcing in diagnostics, comparisons are often made with the automotive industry, where a significantly higher share of vehicle production has now been transferred to specialist outsourcing partners. On the other hand, the density of robots per employees is also significantly higher than at laboratories. The potential for automation in this field remains very high.

General market developments

Alongside the specific developments in the diagnostics industry outlined above, STRATEC's areas of activity are also expected to benefit in general from ongoing growth due to demographic, worldwide, and global economic developments. The reasons for this can be found in global megatrends:

General market developments due to global megatrends



The further rise in investments made to expand healthcare systems is leading to an increase in the number of people with access to healthcare services. Higher numbers of patients are resulting in greater demand for the products and services offered by the diagnostics industry. Together with rising life expectancies, the increasing prevalence of diseases such as cancer, diabetes or cardiovascular diseases will also lead to growing demand in healthcare systems and consequently for diagnostics products. Alongside these factors, the rapid progress being made in research and development for diagnostics methods, such as in the fields of molecular diagnostics, next-generation sequencing, or new point-of-care appliances, is facilitating the introduction of new tests and giving reason to hope that it will be possible to uncover diseases that were previously difficult to diagnose.

GROUP STRUCTURE AND MANAGEMENT

Given its size and the dovetailing of business fields that are pooled into business units and together reflect STRATEC's value chain, the STRATEC Group operates a matrix organizational structure. Based on reports provided and management measures taken in the course of the financial year, the Instrumentation, Data Management, and Molecular business units in particular are provided with quantitative targets concerning the level of sales and profitability to be achieved. In addition, legal units and divisions are provided with targets that include qualitative, quantitative, and strategic elements. These are based on factors such as risk management, employee management, customer relationships, or M&A activities.

In view of the company's growth and not least to satisfy customers' wishes, as well as to ensure we are an attractive employer, traditional management figures such as sales, EBIT and product quality are increasingly being supplemented by sustainability-related topics such as environmental affairs and our social commitment.

In practice, the Board of Management lays down the strategic framework in agreement with the Supervisory Board. Targets are defined and jointly discussed in the extended management teams at individual units. In the instrumentation business, management is based on a complex system that accounts for customers' requirements, involves supply chains, and has efficiency enhancements and punctual, high-quality delivery to customers as its key targets. In development units, the key factors are the milestones and qualitative targets jointly defined in advance, while the targets in production units are regularly updated and agreed in very close cooperation with customers and by reference to forecasts and qualitative key figures.

Alongside ongoing organizational adjustments in the company's structure in line with its growth, the objective of the company's management is to uphold its sustainable sales growth in excess of average growth rates in the in-vitro diagnostics industry while sustainably improving the company's profitability, at all times safeguarding the company's liquidity position, and detecting any risk of erroneous developments in good time.

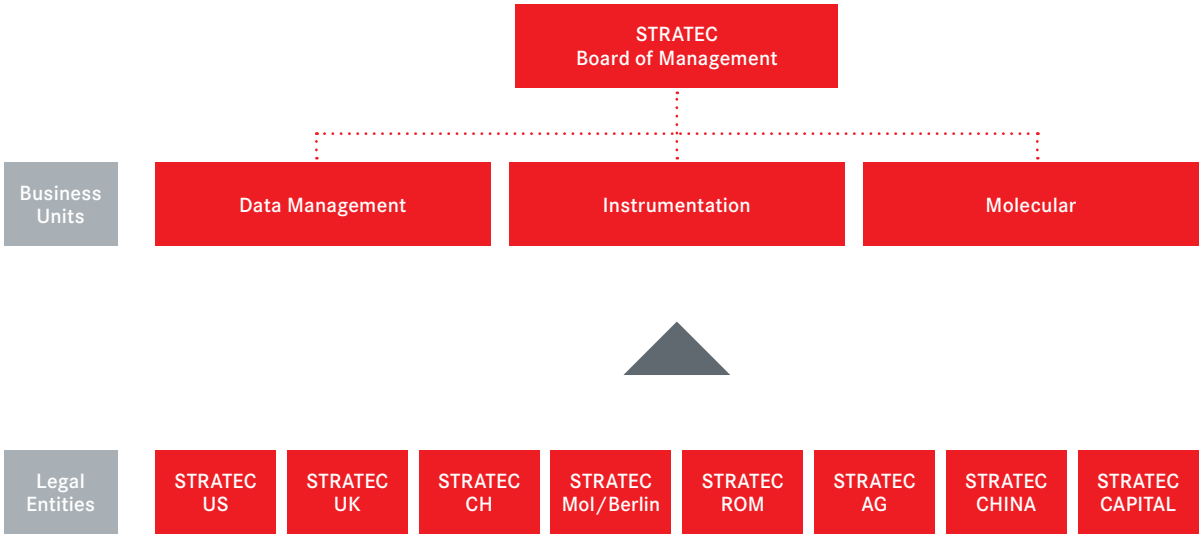
In addition to quantitative reporting structures, monthly assessments of current project developments and risks are reported by individual location managers and project directors to the respective heads of department or the Board of Management.

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 tool 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.

STRATEC AG has several wholly-owned subsidiaries and second-tier subsidiaries. One new addition in the 2015 financial year was the wholly-owned subsidiary STRATEC Capital GmbH, which is based in Birkenfeld, Germany.

Group structure



RESEARCH AND DEVELOPMENT

For as long as the company has existed, STRATEC's success has been driven by the development of innovative and reliable technologies that satisfy the requirements of strictly regulated markets and those of its partners and end users. For the development of complex systems and solutions, the teams formed for this purpose are made up of employees from various areas of activity at STRATEC and experts from our partners.

In general, the STRATEC expert groups comprise employees from the fields of biochemistry, electronics, documentation, development, construction, mechanics, quality management, and software.

In the field of research, where new technologies, processes and software solutions are developed, workflows cannot always be planned in detail, despite structured process steps being adhered to. Feasibility studies nevertheless help in assessing the potential viability of these projects.

In the development projects category, the underlying target processes, development steps, and ultimate targets are all stipulated in detail. This kind of development work follows precisely defined technical specifications and project plans and involves milestones and target data. These specifications also include all steps performed in the context of sample preparation, test performance, and results measurement. Here, criteria such as temperature, speed, and liquid volumes play a key role, as do factors such as throughput volumes or the maximum duration of processes between user inputs. Milestones defined in advance stipulate when the teams meet to share their results and ultimately develop a finished system. In the context of analyzer system development, different appliance generations are supplied to the partner and accepted. These range from so-called bread boards via prototypes through to validation appliances on which the tests are validated and then the results are submitted for approval by the relevant authorities. In the final development stage, the customer accepts the serial appliance and related service components.

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

- **Development of new systems for 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**
  Strict regulatory requirements are leading to longer system lifecycles, which now generally amount to well over 10 years. Long lifecycles for systems on the market require permanent system modernization. This factor is accounted for in software development and verification activities which is one of the main reasons for the disproportionate growth in these areas within STRATEC's development division.

- **Development of new technologies**
  To boost its competitiveness and leading position as an independent system provider, STRATEC not only observes ongoing changes in its customers' needs in terms of technologies and processes, but also constantly analyzes innovations and developments in the relevant markets. The insights gained are then 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 which harbor potential for routine applications in in-vitro diagnostics.

- **Development of platform technologies**
  A further focus of STRATEC's development activities involves further developing and enhancing basic technologies for relevant systems. These basic technologies are of key significance. Not only are they one of the main factors determining the performance of our systems, but they also account for the greatest cost item terms of production. They also form the basis for the technology pool, which significantly reduces the times and costs involved in bringing system developments to market.

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 the systems thereby developed. Combined, these factors help to secure the company's long-term cooperation with its partners and customers.

Overall, research and development expenses amounted to € 20.98 million in the financial year under report (previous year: € 19.35 million). Of this total, an amount of € 2.97 million related to capitalized internally generated intangible assets (previous year: € 5.06 million). Accordingly, the capitalization ratio – as a percentage of internally generated intangible assets – came to 14.1% as of December 31, 2015 (previous year: 26.2%).

There was a total of 255 employees in research and development at STRATEC at the balance sheet date on December 31, 2015 (previous year: 225 employees).

B. BUSINESS REPORT

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK

Macroeconomic framework

According to the Economic Outlook published by the International Monetary Fund (IMF) in January 2016, global economic growth amounted to around 3% in 2015, and thus fell short of its long-term average [2]. According to the OECD, the main reason for this development was a further slowdown in economic developments in emerging economies. China in particular faces major challenges in connection with the process of moving its economy from industry-driven to service-driven growth. Given the enormous contribution made by these emerging economies to global trade and GDP growth, their development remains a key source of global uncertainty.

Ongoing unrest around the world also has negative implications for economic developments. The three key factors that the IMF refers to as shaping future global economic developments are the development in the Chinese economy away from investment and production and towards consumption and services, lower oil and consumer goods prices, and US monetary policy.

For western industrialized economies, which still account for a large share of the sales markets of STRATEC's customers, the IMF has painted a positive economic picture, with the United States standing out in particular with estimated economic growth of 2.5%. The German economy grew by 1.7% in 2015 and is expected to remain one of the fastest-growing economies in Europe. For 2016 and 2017, the IMF has forecast a gradual increase in the rate of global economic growth, and thus a further recovery in the world economy of 3.4% and 3.6% respectively.

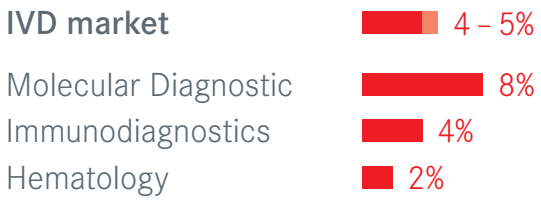
Given its long-term project and product lifecycles, STRATEC is only affected by macroeconomic fluctuations to a limited extent. Having said this, the macroeconomic climate nevertheless plays a major role in STRATEC's entrepreneurial activity and is therefore assessed in detail on an ongoing basis.

[2] IWF World Economic Outlook

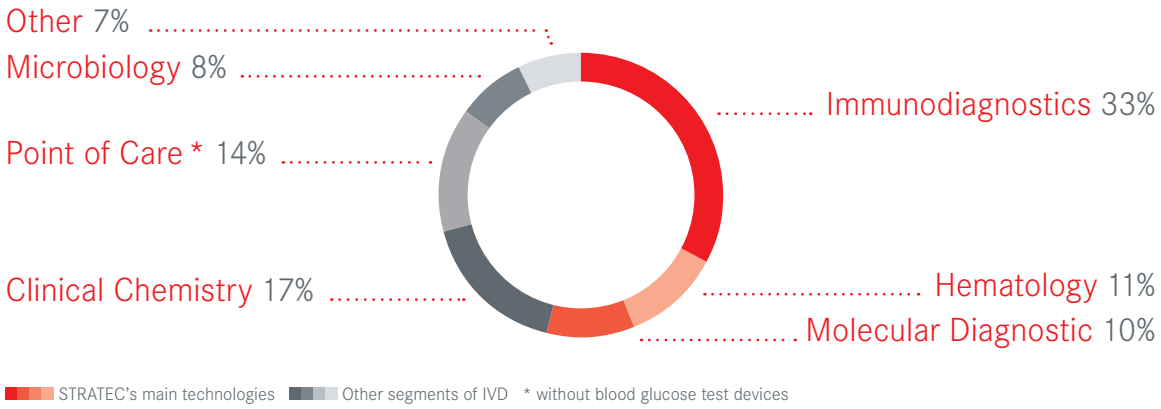
Sector-specific framework

Based on various estimates, in-vitro diagnostics (IVD) is set to remain a growth market, with average annual global growth of 4 – 5%[3] through to 2018 and 2020 respectively. By 2018, the IVD market will have an estimated volume of $ 65 billion. The various segments within IVD typically have different growth rates. STRATEC operates in those segments in particular which are expected to generate disproportionate growth. Among others, these include molecular diagnostics, where the growth rate is expected to average around 8% p.a. between 2013 and 2018. Other segments, such as blood glucose self-monitoring, are declining and are not among STRATEC's areas of activity. Key drivers of growth in the IVD market include: aging populations, increased prevalence of chronic diseases based on our current lifestyles, and the ever growing significance of personalized treatment. Furthermore, the research being performed on innovative technologies, such as specific biomarkers, will create new opportunities for future market growth.

Average annual growth rates (CAGR) 2013 – 2018



Global IVD market / market share by product segment[4]



[3] Allied Market Research / IVD Market; Kalorma Information: The worldwide Market for In Vitro Diagnostic Tests

[4] Kalorma: The Worldwide Market for In Vitro Diagnostic Tests

Consistent with expectations, the most important market for STRATEC's customers – the US – is developing positively. The "Affordable Care Act" ("Obamacare") has provided health insurance to an estimated total of 32 million US citizens who previously did not have any kind of health insurance.[5] Due to this increase in the number of people with access to the healthcare system, the number of visits to physicians is also rising, as is demand for in-vitro diagnostics. Not only that, the fall in the unemployment rate seen for several years now is also impacting positively on the number of people with insurance cover.

Currently, North America, Europe, and Japan account for 75%[6] of the total IVD market. In the years ahead, emerging markets such as China, Brazil, Turkey, Korea, India, Russia and Mexico in particular are expected to report growing test volumes as the governments in these countries are investing heavily in healthcare systems. Demand for new tests and processes remains high, with particularly strong demand for cost-effective solutions.

Due not least to the increasing complexity of IVD tests, it is difficult for any company to develop proprietary products in all technology and market segments. In view of this, diagnostics groups are obliged to procure specific technologies externally to remain competitive and survive in the market. As a result, a process of consolidation has been apparent in the IVD market for years now and is expected to continue into the future.

At the same time, the constant rise in regulation in the diagnostics industry also represents an increasingly high barrier to potential competitors to STRATEC entering the market. There are very few comparable companies with the ability to offer a similar range of products and services to STRATEC, from compiling specifications, through development, approval, and production of the respective solutions. The competitive situation therefore remains very limited and, alongside in-house development departments, is restricted to a handful of specialist companies. By making targeted company acquisitions, STRATEC plans to further optimize its product range, a strategy also intended to boost the company's competitive position further down the line.

Overall, the IVD market is viewed as representing a growth market for the coming years ahead. This growth will be driven in particular by the following factors:

Growth factors in the IVD market

Political	Technological	Social
• Development and expansion in healthcare systems, especially in emerging economies	• Fast-growing niche markets due to new medical findings and new diagnostics possibilities	• Demographic change towards an increasingly elderly population with growing diagnostics requirements
• Expansion in global infrastructure leading to improved access to medical care	• Development of new tests and treatment options, such as personalized medicine	• Rising life expectancy and resultant need for diagnostics
		• Increased prevalence of chronic and infectious diseases

[5] Kalorma: The Worldwide Market for In Vitro Diagnostic Tests, 9th Edition

[6] Kalorma: The Worldwide Market for In Vitro Diagnostic Tests, 9th Edition

BUSINESS PERFORMANCE

STRATEC increased its sales by 1.4% from € 144.9 million in the previous year to € 146.9 million in the 2015 financial year. This positive performance was chiefly driven by an improvement in the company's product mix, positive developments in the workflow solutions business, and favorable developments in local exchange rates.

The EBIT margin, which along with sales is another key management figure at the company, benefited from the positive development in the product portfolio and rose from 16.6% in the 2014 financial year to 18.3% in 2015.

The company's liquidity and financing position remained secure at all times. Major milestones were achieved in development contracts and new development and supply contracts were signed.

The company met the target forecasts for the 2015 financial year stated in the previous year's management report, namely slight sales growth accompanied by a slight increase in the EBIT margin. By way of an ad-hoc release published on March 15, 2016, STRATEC corrected its medium-term forecast and in particular the market expectations derived on that basis. Accordingly, the medium-term sales outlook, which previously provided for sales growth of more than 8% accompanied by rising profitability, was adjusted to sales growth of around 6%. For the 2016 financial year, sales are expected to amount to between € 150 million and € 154 million, with an EBIT margin at around the 2015 level. The adjustment to the medium-term outlook was triggered by reductions in orders and in call-up forecasts and expectations with reference to the more difficult economic climate, particularly in specific regions. Furthermore, at the date of the forecast it was assumed that due to delays in approval and the availability of extensive diagnostic test portfolios some development projects would only generate the sales contributions originally planned for 2016 and 2017 at a later date. As STRATEC's sales planning is mainly based on its partners' medium to long-term planning, the company still expects macroeconomic factors to have a marginal and in most cases temporary impact on its business performance.

The workforce grew from 544 employees at the end of 2014 to 583 employees as of December 31, 2015. Production capacities in Switzerland were boosted with the addition of a building extension. This measure should facilitate further growth at this location in the future. The location in Romania, which mainly focuses on software development, will soon have its first proprietary building. Construction work began in late 2015 and should also offer growth opportunities for the future. Not only that, employees at the Data Management business unit at the UK location moved into a more modern, larger building, as capacities at the old premises had been exhausted.

Furthermore, targeted company acquisitions should boost STRATEC's range of products and services and thus create a foundation for further growth.

The Board of Management of STRATEC views the company's performance in the past financial year and its outlook for the foreseeable future as positive.

FINANCIAL POSITION

Earnings position

Overview of key figures in the consolidated statement of comprehensive income

in € thousand	2015	2014	Change
Sales	146,886	144,860	+1.4%
Gross profit	55,032	44,936	+22.5%
Gross margin	37.5	31.0	+650 bps
EBIT	26,875	24,052	+11.7%
EBIT margin	18.3	16.6	+170 bps
Earnings before taxes (EBT)	27,173	24,054	+13.0%
Consolidated net income (EAT)	22,084	19,768	+11.7%
Tax rate	18.7	17.8	+90 bps

bps = base points

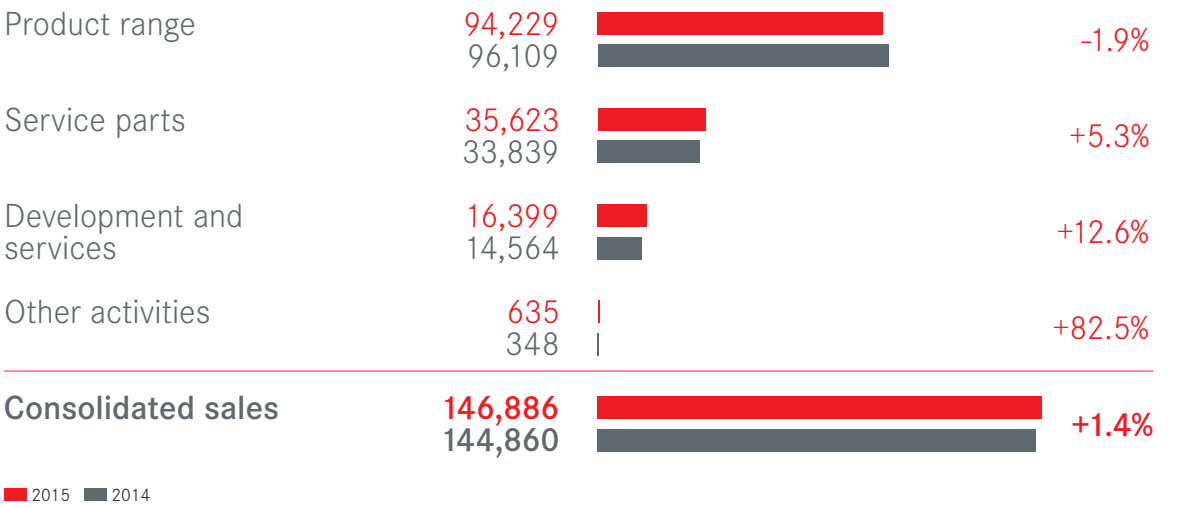
Sales

STRATEC increased its sales year-on-year by 1.4% to € 146.9 million in the 2015 financial year, despite a decrease in the number of analyzer systems supplied. This reduction was offset in particular by a rising share of sales from service parts, software solutions in the data management business, and positive currency items resulting from the development in the US dollar / euro exchange rate.

STRATEC divides its sales into four operating divisions.

At € 94.2 million, sales in **product range**, the largest operating division, showed a slight decline of 1.9% compared with the previous year. This was due in particular to a lower call-up volumes at one of STRATEC's major partners that was only able to place a substantially lower number of systems in China than in the two previous years. By contrast, the receipt of an order from a new major customer enabled the Business Unit Data Management segment to post a very pleasing performance.

Consolidated sales by operating division (in € thousand)



At € 35.6 million, sales in the **service parts** operating division reached a new record level. Year-on-year sales grew by 5.3% compared to the past financial year.

Year-on-year sales in the **development and services** segment, which also includes consulting sales, grew by 12.6% to € 16.4 million. Several development projects for partners were at different stages in the 2015 financial year. STRATEC received payments for reaching significant milestones for these development projects.

The sales attributable to **other activities**, the smallest operating division, rose year-on-year by 82.5% to € 0.6 million.

Development in share of sales of operating divisions

	2015	2014	2013	2012
Sales in € million	146.9	144.9	128.0	122.7
Product range share of sales in %	64.1	66.3	70.9	68.2
Service parts share of sales in %	24.3	23.4	21.3	20.4
Development share of sales in %	11.2	10.1	7.3	10.1
Other activities share of sales in %	0.4	0.2	0.4	1.2
Analyzer systems supplied total	2,395	2,719	2,679	2,602

Gross profit and gross margin

The gross profit improved by 22.5% to € 55.0 million. All operating divisions reported growth in this key figure, with the strongest growth being generated in the maintenance and spare parts business. At 37.5%, the resultant gross margin was 6.5 percentage points ahead of the previous year's figure.

Research and development expenses

Gross development expenses rose from € 19.3 million to € 21.0 million. This total includes an amount of € 6.0 million for proprietary developments (previous year: € 4.9 million). This consistently high volume of expenses forms the basis for the company's further growth.

Sales-related expenses

The increase in sales-related expenses from € 5.9 million to € 6.6 million in 2015 resulted from increased project support services on account of the market launch of new systems by our partners.

General administration expenses

General administration expenses showed a slight increase of € 0.6 million to € 11.8 million (previous year: € 11.2 million). This line item includes personnel and material expenses at central administration departments, which rose to the same extent.

Other operating income and expenses

Other operating income and expenses mainly include currency gains and losses, which amounted to a net total of € 0.4 million (previous year: € 2.6 million). An impairment loss of € 1.5 million was recognized for internally generated assets within other operating expenses.

Earnings performance and tax rate

Driven by the improved margin, particularly in connection with spare parts and development expenses, operating earnings (EBIT) grew by 11.7% to € 26.9 million (previous year: € 24.1 million). The EBIT margin rose to 18.3% (previous year: 16.6%).

Development in EBIT and EBIT margin (in € thousand)

At 18.7%, the Group's tax rate was higher than in the previous year. The tax rate for 2015 was mainly influenced by the higher tax charge at STRATEC Biomedical Switzerland AG due to expiry of a ten-year concession.

Consolidated earnings rose by 11.7% to € 22.1 million (previous year: € 19.8 million).

Basic earnings per share rose to € 1.87 (previous year: € 1.68). This corresponds to growth of 11.3%. The average number of shares came to 11,810,284.

Segments

The business activities of the STRATEC Group are divided into two reporting segments.

STRATEC pools its development and manufacturing activities for fully automated analyzer systems in its **Instrumentation** segment.

In **All other segments**, STRATEC reports on the development in workflow software for networking several analyzer systems and the development and sale of scientific materials and technologies such as nucleic acid purification, as well as on investments made by the STRATEC Group in other companies.

Overview of development in reporting segments

in € thousand	2015	2014
Instrumentation		
Sales	137,446	140,857
EBIT	24,971	25,492
All other segments		
Sales	12,515	6,487
EBIT	2,377	-90

INSTRUMENTATION SEGMENT

Sales decreased from € 140.3 million to € 137.6 million. EBIT in this segment amounted to € 25.0 million, as against € 25.5 million in the previous year.

ALL OTHER SEGMENTS

At € 13.0 million, sales here showed substantial year-on-year growth compared to the prior year. A large share of this increase was due to a project completed in the workflow software business. The earnings performance showed a correspondingly marked improvement of € 2.4 million.

Financial position

Principles and objectives of financial management

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

The company is financed virtually in full by the cash flows generated from its operating activities.

The principal objectives of STRATEC'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.

Liquidity analysis

The cash flow statement of the STRATEC Group presents the origin and utilization of the cash flows generated within the financial year. A distinction is made between the cash flow from operating activities and the cash flows from investing and financing activities. The cash flow statement records the changes in individual line items in the income statement and the balance sheet.

Overview of key figures in the consolidated cash flow statement (in € thousand)

	2015	2014
Cash flow from operating activities	26,033	39,752
Cash flow from investing activities	-8,710	-6,818
Cash flow from financing activities	-8,661	-8,012
Cash-effective change in cash and cash equivalents	8,662	24,922

The **cash flow from operating activities** decreased compared with the previous year. This was chiefly due to income tax payments, lower depreciation and amortization, and an increase in receivables and other assets.

The **cash flow from investing activities** amounted to an outflow of €8.7 million in total in 2015 (previous year: outflow of €6.8 million) and was mainly attributable to investments in property, plant and equipment.

The **cash flow from financing activities** totaled to an outflow of €8.7 million in 2015 (previous year: outflow of €8.0 million). This figure includes the dividend payment, which was increased once again in the 2015 financial year to €8.2 million (previous year: €7.1 million), as well as outgoing payments of €4.1 million for the repayment of financial liabilities (previous year: €1.6 million). Furthermore, the issue of shares within employee option programs led to inflows of funds from financing activities amounting to €1.7 million (previous year: €0.7 million).

The **cash-effective change in cash and cash equivalents** amounted to €8.7 million in total in 2015 (previous year: €24.9 million).

Following adjustment for exchange rate movements, the total of all inflows and outflows of funds in 2015 led **cash and cash equivalents at the end of the period** to increase by €9.8 million to €56.4 million (previous year: €46.6 million).

Furthermore, STRATEC also has credit lines of €19.0 million, of which €5.1 million had been used.

Investment and depreciation policies

STRATEC invested €8.9 million in 2015 (previous year: €6.7 million). Investments in property, plant and equipment rose to €5.4 million (previous year: €1.5 million), including major investments in the extension to the location in Beringen, Switzerland and the new building at the location in Cluj-Napoca, Romania.

Investments corresponded to a total of 6.0% of sales (previous year: 4.7%) and significantly exceeded the depreciation and amortization of €6.2 million. These investments fund the company's long-term value and expansion strategy, thus enabling it to continue making a valuable contribution as an innovation leader to technological advances in the field of medical technology.

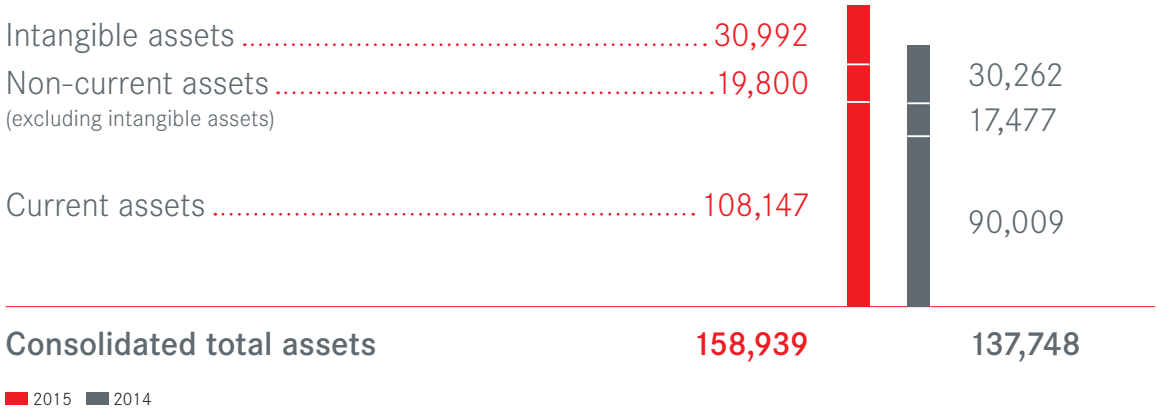
Key figures on financial position

in € thousand	Definition	12.31.2015	12.31.2014	Change in %
Cash and cash equivalents	Cash holdings and credit balances at banks	56,415	46,636	+20.9
Net working capital	Current assets ./. cash and cash equivalents ./. current debt	33,065	27,787	+5.2
Cash flow per share	Cash flow / number of shares (undiluted)	2.12	2.457	-13.4
Capex ratio	Investments in property, plant and equipment ./. consolidated sales	3.7%	1.0%	+270 bps

Asset position

Total assets grew to € 158.9 million as of December 31, 2015 (previous year: € 137.7 million). This increase was mainly driven by a rise in receivables and other assets of € 10.4 million and an increase in cash and cash equivalents of € 9.8 million to € 56.4 million.

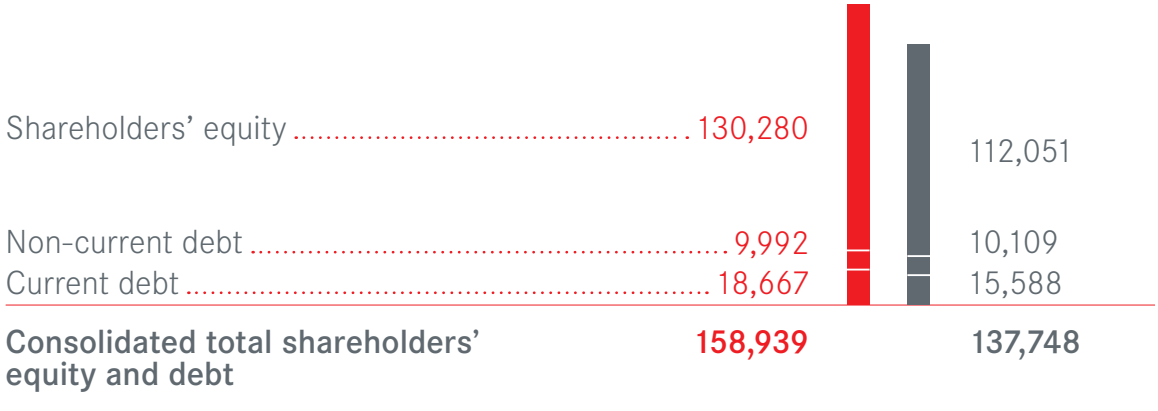
Structure of consolidated balance sheet: assets (in € thousand)



The increase in non-current assets was largely driven by the positive net balance resulting from investments of € 8.9 million (previous year: € 6.8 million) and depreciation and amortization of € 6.2 million (previous year: € 8.2 million).

Alongside the change in cash and cash equivalents, material changes as of December 31, 2015 arose in connection with current assets. These resulted in particular from an increase in trade receivables of € 5.1 million to € 24.0 million and a rise in income tax receivables of € 2.4 million to € 5.0 million.

Structure of consolidated balance sheet: shareholders' equity and debt (in € thousand)



The shareholders' equity reported in the balance sheet amounted to € 130.3 million as of December 31, 2015 and grew year-on-year despite a dividend distribution of € 8.2 million (previous year: € 7.1 million). The equity ratio amounted to 82.0% (previous year: 81.3%) and therefore remains at a solid level.

Non-current debt decreased year-on-year by 1.2% to € 10.0 million (previous year: € 10.1 million). Non-current financial liabilities were reduced and non-current deferred taxes remained virtually unchanged.

Current debt rose year-on-year by € 3.1 million to € 18.7 million (previous year: € 15.6 million). Due to the repayment of financial liabilities, the corresponding line item decreased by € 0.8 million. The rise in other liabilities was due among other factors to the increase in prepayments received and sales tax liabilities in Switzerland.

Key figures on asset position

in € thousand	2015	2014
Total assets	158,939	137,748
Shareholders' equity	130,280	112,051
Equity ratio in %	82.0	81.3
Financial liabilities	8,144	9,117
Financial liabilities as % of total assets	5.1	6.6
Debt / equity ratio in %	22.0	22.9

NON-FINANCIAL PERFORMANCE FACTORS

Employees

STRATEC's sustainable success is driven by the performance of its highly qualified and motivated employees, who work in partnership with global players, often market leaders, to develop innovative technologies and solutions that enable the company's partners to shape their markets with reliable, safe, and user-friendly products.

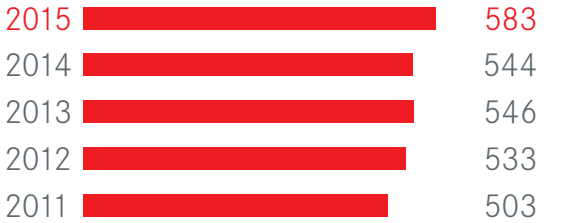
This awareness that their internally developed solutions are contributing to further advances in global diagnostics is a further motivation for STRATEC's team.

One of STRATEC's primary objectives is to provide its workforce, which has grown consistently in recent years, with a modern and attractive working environment by offering new career challenges and ensuring professional dealings with colleagues and partners. This in turn should motivate employees to continue performing at a high level and help retain them at the company on a permanent basis.

Number of employees

STRATEC had a total of 583 employees at the balance sheet date on December 31, 2015 up 7.2% year-on-year. Fluctuations within the financial year were offset by deploying temporary employees.

Number of employees



Development in personnel totals

Employees at balance sheet date

	2015	2014	Change
Total employees	583	544	+7.2%
Permanent employees	539	506	
Temporary employees	44	38	
Employees in Germany	408	383	+6.5%
Employees abroad	175	161	+8.7%
Managing directors in Germany	4	4	
Managing directors abroad	4	5	
Trainees and interns	15	13	+15.4%
Trainees and interns in Germany	14	11	
Trainees and interns abroad	1	2	
Newly created jobs	39	-2	
Share of R&D employees	43.7%	41.4%	+2.3%
Share of female employees	25.2%	23.5%	+1.7%

One of STRATEC's core activities and competencies involves developing complex technological systems that combine biochemical processes with highly integrated hardware and software. This is reflected, among other factors, in the fact that 43.7% of our employees work in research and development. This share is expected to remain high in the years ahead as well. Given the interdisciplinary nature of this work, the employees in this area contribute both technical and scientific expertise.

Consistent with the traditionally high proportion of men working in technical development professions, STRATEC's share of male employees is also high. At the balance sheet date on December 31, 2015, the share of female employees at STRATEC amounted to 25.2%, up slightly on the previous year (December 31, 2014: 23.5%). This is also higher than the average share of female employees in the metal and electrical industry in Germany, which amounts to 20%.

STRATEC offers its employees individual opportunities for further development and promotes a culture of employees working independently under their own responsibility. This is seen as the basis for the positive development in the workforce and for the high level of motivation shown by STRATEC employees.

Personnel expenses amounted to €40.3 million in the 2015 financial year.

Attractiveness as an employer

STRATEC is making every effort to be an attractive employer both for existing and for future employees. One key task for human resources therefore involves offering future specialist employees an attractive working environment at STRATEC. We offer work placements and student internships to enable us to present STRATEC as an attractive employer to young people at an early stage of their careers. We also present the company at careers' fairs to raise awareness of the wide variety of activities on offer.

The cooperation with Pforzheim University, where STRATEC partly finances an endowed professorship in the field of "Quality Management and Regulatory Affairs" in medical technology, also helps raise awareness of STRATEC and its development-related topics among students at an early stage.

Occupational health and safety

STRATEC safeguards the safety of its employees at their respective workplaces with a forward-looking occupational health and safety program. The aim here is to offer a working environment that is free of the risk of injury or disease. A safety officer is responsible for implementing measures aimed at guaranteeing occupational health and safety. All locations have first aid and evacuation assistants who are provided with regular training. A fire protection officer is also appointed and trained. Work-related accidents are recorded and accident log entries documented to enable suitable measures to be taken.

Profit participation

In the 2015 financial year, STRATEC offered its employees the opportunity to participate in the company's success by way of an employee participation program. Employees had the choice between receiving a cash payment or procuring STRATEC shares, a measure partly exempt from tax and social security contributions. A total of 293 employees, representing around 95% of those entitled to participate, decided to procure shares and seize the opportunity to invest in STRATEC. As a result, around one in ten STRATEC shareholders is a company employee. This assignment of shares enables employees to participate in STRATEC's success and further increases their loyalty towards the company. A further assignment of STRATEC shares to eligible employees is due to take place within the tax-subsidized employee participation program in the 2016 financial year.

In the 2015 financial year, the company assigned a total of 2,344 treasury stock shares, corresponding to 0.02% of its share capital at the assignment date, to STRATEC employees in connection with the employee participation program.

Quality management & regulatory affairs

The quality of the products designed and manufactured by STRATEC forms the basis for both the success of the company and of its partners.

STRATEC is committed to consistently improving the quality of its processes and services. Most of its products are subject not only to the strict requirements of the German Medical Products Act, but also to numerous national and international regulations that have to be complied with when entering the respective markets.

To satisfy these requirements, STRATEC has established a high-performance, certified quality management system. This accounts for the increasingly strict regulatory requirements in international markets and the ever more extensive number of requirements on a national level. At the same time, it is the prerequisite for ensuring consistently high product quality.

Among others, the tasks performed by the Quality Management and Regulatory Affairs department include ensuring that the products comply with all necessary regulatory requirements for medical products, supplier evaluation and qualification, and continuously improving the quality management system.

All quality management activities are based on STRATEC's Quality Policy:

Quality Policy

Customer satisfaction

STRATEC offers outstanding products and services that meet or exceed its partners' and customers' expectations. Maximum possible customer satisfaction is the foundation for our success.

Traceability

Safeguarding the traceability of products along the entire value chain is one of our key success factors.

Transparency

STRATEC is open and transparent. This promotes mutual trust between our employees, business partners, and investors.

Innovation and peak performance

All activities from product development, via production and control through to quality and service are subject to continual innovation at the cutting edge of technology.

Quality management

STRATEC has undertaken to establish a quality management system, to consistently enhance this, and to meet the targets laid down in its quality policy.

Meeting regulatory requirements

STRATEC designs, manufactures, and supplies its products in compliance with regional and international legislation and is committed to complying with industry standards and proven practice.

Commitment to employees

STRATEC's success is driven by the commitment, motivation, and skills of its employees. They are promoted and trained to enable them to permanently improve their work under their own responsibility and thus to meet our quality targets.

Continuous improvement

STRATEC's aim is to manufacture top-quality products by making continuous improvements. From suppliers to employees, everyone involved is responsible for achieving a zero-error rate.

Comprehensibly defined processes throughout the entire value chain – from the first development steps through to serial production – play a crucial role in safeguarding the company's sustainable success in the market. These processes are a means to meet the requirements both of customers and of the regulatory authorities. The process model is divided into core processes, which are in turn subdivided into sub-processes. These are all checked by "process owners" – employees who are responsible for implementing the processes laid down in the relevant descriptions. One advantage of this approach is the control it makes possible via the interconnections between individual processes and their combination and interaction.

The allocation of key figures, such as the "first pass yield" or the "shipment error quota", enables processes to be measured and serves as a basis for continually enhancing the system. At the same time, a flexible quality management system facilitates compliance with the necessary international requirements and enables new markets to be rapidly and efficiently accessed together with STRATEC's OEM partners.

STRATEC's complaint handling system supports both the service and vigilance process as well as partners' risk management with cross-departmental error analyses and risk assessments. Furthermore, the company actively involves its partners in the relevant control steps within the change process.

The Quality Management department is in close contact with STRATEC's partners and supports them in submitting, monitoring, and checking worldwide product approvals and communicating with international authorities. On the product side, quality management is responsible for determining statistics and performing trend analyses to identify sources of errors and take preventive measures.

The design and manufacture of an analyzer system also involves regular audits by customers, the authorities, certification bodies and internal company departments at our production locations. These are prepared and accompanied by our quality management team.

STRATEC is committed to and certified under the following standards:

- EN ISO 9001
- EN ISO 13485
- ISO 13485 CMDCAS
- TCP/Taiwan GMP
- FDA QSR Compliant Development And Manufacturing Processes
- FDA Registered Production Site
- CSA/UL/NEMKO Registered

Sustainability

Ever since STRATEC was founded, a responsible mindset and sustainable actions have formed the basis for the company's growth from a small startup into a player with global operations. This way, STRATEC has developed into a responsible partner to global market leaders. Today, we are already thinking about the implications of our actions for future generations.

Sustainability represents an important and ever growing aspect of the responsibility that is gradually being factored into the company's strategy and adapted in line with changing market and environmental conditions. The company's entrepreneurial activity is based on three dimensions that form the core elements of sustainability at STRATEC:

Economic Operations for long-term growth

Ecological Responsibility for tomorrow's world

Social Responsibility towards people

- **Economic operations**
  Economic operations are viewed as a prerequisite for the company's long-term growth. Our strategic objective is to generate growth that is sustainable, ecological, socially responsible, and consistently higher than the sector average. As an innovation leader, we aim in parallel to make a valuable contribution towards further technological developments in various segments of the life sciences and diagnostics markets.

- **Ecological responsibility**
  STRATEC has implemented extensive measures to do justice to its ecological responsibility. STRATEC performs its business activities in compliance with the latest environmental legislation, local regulations, and the recommended guidelines.

  The economical use of resources is implemented in all relevant processes at the company – from forward-looking resource-efficient product design through to environmentally-friendly waste disposal. STRATEC's objective here is to detect potential savings and to make these measurable by reference to defined key figures. To this end, a first energy audit was held in the year under report; in future, this type of audit should be performed on a regular basis.

  Detailed information about our energy consumption figures, emissions, and materials and energy use statistics for our locations can be found in our Sustainability Report.

- **Social responsibility**
  STRATEC's success is driven by the creativity and individual skills of its employees. It is their achievements and the resultant innovation that form the basis for the company's successful and sustainable development. As a group of companies with more than 550 employees, STRATEC is aware of its social responsibility and attaches great value to individual and cultural diversity.

  STRATEC is committed to the protection of human rights. It provides its employees throughout the group of companies with a high degree of social security and performance-based compensation. STRATEC's position concerning human rights and employee rights is laid down in policies that have group-wide validity. The Corporate Compliance Policy obliges all employees worldwide to act respectfully and lawfully in their dealing with employees, colleagues, business partners, and customers. All employees are offered the same professional opportunities, irrespective of their gender, age, origin, nationality, skin color, religious affiliation, marital status, health, sexual identity, or of any physical or mental disability.

  As one component of its social responsibility, STRATEC promotes the health of its employees and supports them in performing voluntary work by granting them leave.

  Supporting regional and international aid projects is a matter close to STRATEC's heart. We see this as offering an ideal opportunity to make a contribution towards protecting and promoting human rights and to improving people's living conditions in developing economies. In the year under report, we provided financial assistance to the organizations Médecins sans Frontières (MSF), Plan International e.V. and Erde der Kinder e.V.

Extensive details of our social activities both within and outside the company can be found in the Sustainability Report available on STRATEC's website. Furthermore, this report includes facts and figures concerning STRATEC's energy and water consumption, its waste, environmental protection, and supply chain management, as well as further interesting topics.

Location optimization

STRATEC is currently represented at seven locations on three continents. To do justice to the rising standards resulting from the company's further growth and to be able to offer its customers the entire value chain within a smooth process organization structure, the company implemented further optimization measures in 2015.

STRATEC will generate further growth in the medium term and to this end also requires corresponding spatial and organizational conditions and structures.

At the Swiss location in Beringen, work began in 2015 on a multistage extension to the existing building. The first stage of this extension was completed and moved into in the first quarter of 2016. Once the entire extension is complete, an additional total of 3,900 m² of production surface will be available. This should guarantee the efficiency-enhancing production of various appliance lines.

STRATEC's competence center for the development of middleware software is located in Burton upon Trent, UK. The team moved into a new building in 2015, since operations at the old premises had for some time reached capacity limits. The new building, which is also let to third-parties, meets the requirements of a modern working environment and has helped significantly improve work processes at this location.

Work began in Cluj-Napoca, Romania, on the construction of a new development center in 2015. Completion of the building and the move into the new premises are expected to take place in the second half of 2016. The new building will enable STRATEC to further expand software development at this location in future.

Supply Chain

Even though STRATEC covers almost 100% of the development chain, when it comes to production its supply chain continues to be characterized by a low degree of vertical integration. The company thus channels its resources into the parts of the complex production process that generate the greatest value.

Our integrated procurement management enables us to attain the necessary functional modules from a small number of strategic suppliers distinguished by their quality management systems and a process orientation compatible with STRATEC's. This enables us to focus on the necessary expertise at suppliers. Involving these suppliers at an early stage of product development provides us with access to the latest production methods and processes. By working with long-term master agreements within the STRATEC Group, we are able to secure price reliability and supply capacities. Here, we make use of strategic instruments, such as Kanban supply, C-parts management, and consignment stores. This approach assists STRATEC in its ongoing development and provides it with the

flexibility necessary to offer innovative solutions on economic terms. We aim to intensify and refine this approach in 2016 as well. The necessary assembly, quality assurance and inspection processes are performed by highly qualified and excellently trained employees. In our laboratories, we replicate the environments in which the STRATEC analyzer systems will actually be put to use at later dates. Given STRATEC's focus on production processes that are complex and necessary from a regulatory perspective, we have developed an infrastructure suitable to satisfying these requirements. This approach enables us to achieve an optimal balance between economic efficiency and high quality, while at the same time ensuring supply reliability to our customers. The companies in the STRATEC Group in many cases forward the analyzer systems they produce directly to the logistics distribution centers of large diagnostics companies, which in turn market the systems together with the relevant reagents as system solutions under their own names and brands. Given that the customers of the STRATEC Group supply their own country outlets and customers on a large scale directly from these distribution centers, the regional sales as reported in the figures of the STRATEC Group do not reflect the actual geographical distribution or the final operating locations of the analyzer systems manufactured by the STRATEC Group.

Production

The production of STRATEC's products is governed by especially strict quality requirements, compliance which is regularly audited by internal specialists, our customers, and external authorities. Analyzer systems are produced to the highest standards at the locations in Beringen and Birkenfeld. The aim here is to work as efficiently as possible and continually enhance processes. To this end, production activities at the Birkenfeld location were reorganized in 2015. Production capacities at the Swiss location were extended in the financial year under report.

Given its high quality standards, STRATEC has deliberately decided to base its production in Germany and Switzerland and also sees this as the basis for the company's ability to comply with all necessary regulations and standards.

C. EVENTS AFTER THE BALANCE SHEET DATE

On March 15, 2016, STRATEC published an ad-hoc release in which it announced an adjustment to the company forecast.

Reference is made in this respect to the comments under B. Business performance.

On March 23, 2016, STRATEC and The Riverside Company, a private equity company based in New York and Cleveland, US, announced by ad-hoc release that they had reached agreement for STRATEC to acquire 100% of Diatron MI PLC, based in Budapest, Hungary, its US affiliate Diatron US Inc., based in Delaware, US, and the superordinate holding structure, comprising Medical Analyzers Holding GmbH, based in Zug, Switzerland, and REMA LUX II, based in Luxembourg. The takeover was executed on March 31, 2016 with retrospective effect as of January 1, 2016.

The Diatron Group produces analyzer systems and complementary products, such as consumables and services, for use in human and veterinary diagnostics and supplies these to more than 100 countries. Its customers include prestigious life science companies with global operations. Based on pro-forma consolidated financial statements, the Diatron Group generated sales equivalent to around € 34 million in the 2014 financial year and had around 200 employees at locations in Hungary and the US.

With this takeover of the Diatron Group, a highly innovative OEM supplier, STRATEC is extending its product and customer range in the field of hematology. Synergies between STRATEC and the Diatron Group will arise in terms of development, the supply chain, and production. The date on which the Diatron Group was acquired was after the balance sheet date and prior to approval of STRATEC's consolidated financial statements for publication. However, the initial consolidation was not yet complete upon this approval. Specifically, no data is yet available from the preliminary purchase price allocation, as the takeover was only executed as of March 31, 2016. To this extent, application has been made of the relief provided in IFRS 3.B66.

D. OUTLOOK

STRATEC aims to generate, sustainable growth in all business divisions. The company is building on innovative solutions enabling its partners to serve their markets with high-quality products. STRATEC is relying in this respect on further growth in its target markets, especially in the field of in-vitro diagnostics, and on the continuing positive trend towards outsourcing at its partners and potential customers.

Based on its businesmodell built on long-term cooperations with partners STRATEC assesses its business prospects as positive. Macroeconomic developments are difficult to forecast in individual regions. Particularly in some Asian markets, positive economic developments are being overshadowed in some cases by economic policy measures.

For the 2016 financial year, STRATEC expects to generate sales of between € 150 million and € 154 million and an EBIT margin at around the 2015 financial year level. In the medium term, the company forecast provides for average annual sales growth (CAGR) of around 6%.

In 2016, STRATEC will be investing in property, plant and equipment at its locations in Romania and Switzerland, among others. These investments will be channeled into new buildings and extensions to existing buildings to increase capacities and thus enable the company to realize its planned growth. Investments at around the previous year's level are planned for the other locations. Due to increased development activities, investments in development projects are also expected to rise. A dividend distribution of around € 8.9 million to the shareholders of STRATEC Biomedical AG for the financial year 2015 is propsed. Given the factors listed in this section, as well as planned M&A activities, the volume of cash and cash equivalents is expected to decrease.

Further employees are to be hired, particularly in the development division.

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 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 significant role here, as do the numbers of projects in development and negotiation. This forecast does not account for additional opportunities resulting from external growth. Given the long-term nature of its business relationships, macroeconomic developments are of secondary importance for STRATEC and are therefore weighted less prominently in the company's forecasts.

E. OPPORTUNITIES AND RISKS

Sustainable company growth is based not least on responsible company management that achieves a suitable balance of opportunities and risks. At STRATEC, these factors are regularly assessed and continually monitored within an opportunity and risk management system.

As the business models of the individual segments, which focus almost exclusively on the OEM business, are highly similar and the resultant opportunities and risks are largely identical or even overlap, no distinction has been made between the individual business divisions in the following presentation of opportunities and risks.

OPPORTUNITIES

Market growth

At present, the products currently offered by or in development at STRATEC are largely used in in-vitro diagnostics (IVD). A lower share of products is also deployed in research laboratories in the life science sector. Within the IVD sector, which is expected to show annual growth of around 5% through to 2020, there are some segments that are forecast to generate growth above the sector average in the years ahead. STRATEC has focused its development projects in some of these segments, most notably molecular diagnostics and immunoassays.

Furthermore, in the medium term geopolitical, infrastructure and demographic developments should also help ensure that ever more people around the world have access to a greater number of diagnostics tests. Given rising numbers of tests per person, this should generate sustainable growth in the IVD market.

[7] Allied Market Research / IVD Market

Technological opportunities

In-vitro diagnostics is a market that is highly dependent on the financing provided to healthcare systems. Approval by the authorities and financing commitments from health insurance companies or bodies is a highly complex process. As a general rule, technological advances or entirely new applications can therefore not be introduced at short notice. In view of this, STRATEC largely relies on the further development of proven technologies and process enhancements. Nevertheless, STRATEC also cooperates and conducts its own research in the field of new technologies. Together with partners, various development projects are currently underway that are thought to have the potential to sustainably influence their target markets due to new areas of application or technological advances.

More specifically, alongside current development and production orders relating to proven technologies within its Group, STRATEC is also pursuing projects in fields such as point of care and circulating tumor cells.

In the years ahead, STRATEC's customers are expected to launch several new products onto the market that should provide a foundation for the future growth of the STRATEC Group. Furthermore, by making targeted acquisitions STRATEC will endeavor to further broaden the range of technologies and services it can offer to its partners.

Outsourcing

Demand for instrumentation partners is still on the increase, a development due not least to the fact that many diagnostics companies are increasingly focusing on developing their reagents and thus do not or no longer view instrumentation solutions as forming part of their core businesses. Outside the diagnostics industry, there are also areas where similarly specific product 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 emergence of new areas of research that move over time from pure research to diagnostics processes and pharmaceuticals products will further increase demand for laboratory automation solutions.

Consolidation

The increasing consolidation within the IVD market presents STRATEC with the opportunity to generate higher sales figures with established systems. In recent years, various diagnostics groups have been seen to enter cooperations or acquire competitors in order to offer their customers broader product portfolios or enter new markets. This enables STRATEC's systems to be sold to a broader customer base and in some cases also included in so-called "laboratory streets". At the same time, consolidation nevertheless also involves the risk that the merger of customer product portfolios may result in the discontinuation by customers of individual product series.

Increasing market regulation

Increasing regulation of the IVD market is creating ever greater demand for standardized automation solutions. Standards in terms of the precision and reliability of IVD tests have been rising for years now and automated solutions offer clear benefits in this respect when compared with manual processes. As a company that operates in a highly regulated market, such as instrumentation and automation for in-vitro diagnostics, STRATEC requires extensive expertise to meet the requirements and regulations in force in individual countries. Not only that, 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, in most cases, 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. With its broad technology pool, STRATEC is one of the few companies capable of satisfying these requirements. The increasing complexity of instrumentation makes it necessary for companies to continually develop and research new technologies. On the other hand, it also acts as an ever higher barrier to market entry.

RISKS

Given its business model, which is based on very long periods of cooperation with customers, STRATEC is exposed to some risk factors to a notably lesser extent than is customary at many other companies that are dependent on macroeconomic cycles, or on technological and demand trends. As a general rule, customers' long-term planning for the development of an analyzer system is dependent on their market presence and the lifecycles of existing products, but to a lesser extent on macroeconomic cycles and economic crises. The period required for planning, specification and development range from around three to five years, while the lifecycle of a system launched onto the market lasts some 15 to 20 years. A further five to eight years often pass before the final support and service activities are discontinued. The total project lifecycle thus often amounts to more than 25 years.

The company is nevertheless exposed to risks in connection with its operating business, the environment in which it operates, and its customer relationships. STRATEC evaluates these risks by reference to their estimated probability of occurrence and their potential implications for the company's earnings, assets, financial position and reputation.

The evaluation of the probability of the risks occurring is based on the following criteria:

Assessment of probability of occurrence

0% – 25%	Very unlikely
25% – 50%	Unlikely
50% – 75%	Likely
75% – 100%	Very likely

The evaluation of the potential financial implications is based on the following criteria:

Estimated damages in event of risk materializing

Degree of implication	Definition of damages
Low	0 € million – 1 € million
Medium	1 € million – 5 € million
High	5 € million – 10 € million
Very high	> 10 € million

Overview of risks and their implications

		Potential implications	
	Probability of occurrence	current (up to 1 year)	medium-term (1 – 3 years)
Key customer project loss risks	Very unlikely	Medium	Very high
Project risks	Very unlikely	Medium	Medium
Production risks	Very unlikely	Medium	Low
Patent infringement risks	Very unlikely	Medium	Medium
Supplier risks	Unlikely	Medium	Low
Competitive risks	Unlikely	Low	Medium
Currency risks	Likely	Medium	Medium
Liquidity risks	Very unlikely	Medium	Medium
Product liability risks	Very unlikely	Medium	High
Personnel risks	Unlikely	Medium	Medium

Individual risks are addressed in detail in the following section:

Dependency on key customers / risk of key customer project loss

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 only applies to a limited number of potential partners, a factor that can result in a high degree of dependency in some cases. The resultant concentration of sales on a limited number of key customers and projects (key customer risk) may – in the event of volatilities in sales of analyzer systems resulting, for example, from macroeconomic weakness – lead to fluctuations in STRATEC's performance. The termination of one or several projects 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 minimize any "cluster risks".

Project risks

STRATEC generates a major share of its sales with development projects that may be influenced by numerous factors. Although negative implications resulting from potential damages are already accounted for and secured when structuring the respective project contracts, certain risks cannot always be excluded. STRATEC is thus exposed to the risk of a partner cancelling a project once it has started and thus losing the planned short and medium-term sales. Furthermore, project delays may arise that lead, among other consequences, to a postponement in sales. Moreover, it is important for STRATEC to make sure that the costs of a project remain within the stipulated budget. In general, both STRATEC and the respective customer have a great interest in the project succeeding and as a general rule therefore allocate the resources necessary for a development project to succeed. Finally, active project management by experienced project managers also helps to minimize project risks.

Production risks

STRATEC is exposed to production risks in connection with its production of analyzer systems at its sites in Germany and Switzerland. Above all, these risks relate to factors that could potentially lead to temporary downtime or delays in production, such as a loss of personnel, damage to production equipment or infrastructure due to external factors, or a lack of production material resulting from supply bottlenecks. Certain risks are mitigated by emergency plans, which provide for stocking measures or the relocation of production activities to other sites.

Patent infringement risks

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 securing 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 the company. 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 and arduous. The number of competitors is therefore comparatively low. As far as STRATEC is aware, the company has gained, rather than lost market share in recent years.

Foreign currency risks

In recent years, STRATEC has concluded an increasing number of development and supply contracts in US dollars. Given the positive development in the USD exchange rate, only a very low share of USD transactions has been hedged. The hedging ratio at STRATEC AG is nevertheless set to rise to account for increasing volatility and uncertainty as to future developments in the currency markets. Sales in currencies other than the US dollar and euro only play a subordinate role.

Liquidity risks

STRATEC's liquidity risks are centrally monitored by the Finance department. The liquidity position is managed with a liquidity planning tool to ensure the company's ability to meet its obligations and its financial flexibility. Given STRATEC's current financial position, the risk of any liquidity default is assessed as very low.

Product liability risks

STRATEC's analyzer systems are deployed in highly regulated markets. Erroneous diagnoses could have drastic implications for the individuals affected. Before any system is put to use in a laboratory, various tests and validation phases take place to ensure that strict process and safety requirements are fully met. These are supplemented by several levels of process monitoring during the sample handling process, such as technical, chemistry-inherent, or software-based supervisory mechanisms. In practice, suppliers and manufacturers of diagnostics products are nevertheless 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 entering into suitable product liability insurance policies. The possibility of the existing insurance cover being insufficient for potential liability claims can nevertheless not be excluded.

Personnel risks

At STRATEC, personnel risks relate in particular to the attraction and retention of well-qualified specialist and management staff. The company's success is determined to a significant extent by its employees' competence, motivation, and willingness to perform. STRATEC aims to offer its employees an attractive and highly varied working environment and to actively promote their further development.

Demand for qualified personnel remains high, especially in technical fields. In attracting staff, STRATEC has to compete with other regional and international companies. The company counters this risk by upholding and extending its image as an attractive employer and by establishing contacts with young specialists at an early stage, for example at careers fairs.

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:

- Use of suitable IT tools to integrate customer information from the market and other IT systems
- Implications resulting from displacement of market shares of current and potential STRATEC customers
- Risk that customers will not be able to 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
- Supply capacity risks for components relevant for regulatory approval or for highly complex proprietary components.

Overall assessment of risk situation at the STRATEC Group

The risk management system and ongoing reporting mean that STRATEC's Board of Management has an overview of risks consistent with the respective areas and their relevance to the business. These risks have not changed materially compared with the previous year.

Based on the overall assessment of risks, the Board of Management currently cannot discern any risks that could threaten the company's ongoing existence or have any materially negative impact on its asset, financial, or earnings position.

RISK MANAGEMENT SYSTEM

Internal control system

STRATEC has an internal control system (IKS) which contains audit processes also in respect of its (group) financial reporting process and lays down suitable structures and processes and is implemented within the company's organizational structures. The objective of the IKS system is to detect and, as far as possible, exclude any risk of errors and damages resulting from the company's own personnel or from criminal third parties. In general, the IKS encompasses the following measures:

- Execution of internal and external audits based on checklists
- Detection of regulatory omissions and infringements based on a structured, risk-oriented approach
- Compiling of audit reports to the Board of Management
- Auditing the implementation of corrective measures.

This sustainably secures and increases the efficiency of operating processes at the company. Furthermore, it also enhances awareness of control-related topics at the company.

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

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.

Risk management system

Internal control system

STRATEC has established an internal control system to protect the company's assets and information and to ensure compliance with the relevant legal requirements and the company's business policy.

The internal control system is based on:

- Internal guidelines
- Relevant legislation

Corporate compliance

STRATEC has pooled its group-wide codes of conduct, ethical principles, and other guidelines in its Corporate Compliance Policy. This is binding for all employees and is regularly supplemented by updated risk analyses. This policy is based on:

- Relevant legislation
- Norms
- Internal instructions

Early warning risk identification

An early warning risk identification system is established in the risk management system at the STRATEC Group. This has been implemented in a risk handbook enabling potential areas of risk to be assessed. It serves to analyze and assess risks at the company and in its environment. Consistent with § 91 (2) AktG, the system in place at the STRATEC Group offers an all-round instrument for monitoring elementary processes and identifying potential risks at an early stage.

- Stock Corporation Act
- Risk handbook
- Internal instructions

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 checks integrated into, but independent of processes, such as the segregation of duties, compliance with the dual control principle, and the implementation of access restrictions and payment guidelines
- Ensuring uniform accounting treatment by way of group-wide standards
- Inspection and analysis of local financial statements.

STRATEC's 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 and assist the companies with any complex questions that arise. 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.

Corporate compliance

For STRATEC Biomedical AG and its group companies, an understanding of corporate compliance is a key cornerstone of day-to-day business operations both within the company and in its external dealings. In this respect, compliance with a variety of legal systems and statutory regulations is just as important as training all employees, managers, and members of the Board of Management in this area. An awareness and understanding of the applicable requirements is the only way to ensure overall compliance by all of the persons involved and only this way can the company ensure that its international business dealings are compliant with the necessary standards.

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 Corporate Compliance Policy. This policy is binding for all employees and is updated at set intervals to account for the regularly updated risk analysis. In a large-scale compliance refresher training program held in the 2015 financial year, STRATEC's general understanding of compliance was presented to all employees to familiarize them with the day-to-day handling and importance of the Corporate Compliance Policy and its implementation. Since the completion of this project, regular training sessions have been held for new employees. Further personal training measures at subsidiaries are planned for 2016.

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 and bulletin boards
- 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's compliance system is subject to continual enhancement and optimization and forms an integral component of the STRATEC Group. This enables STRATEC's management teams to detect specific risks, avoid risks by analyzing situations and developing suitable strategies, comply with operational imperatives, and take any necessary measures. These processes are supplemented by regular meetings between managers and the relevant compliance officer. These one-to-one talks enable potential conflicts or questionable matters to be identified and clarified at an early stage. The compliance officer 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 encompass 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.

For STRATEC as a developer and manufacturer of fully automated analyzer systems for the diagnostics and related 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 division, is involved in the development of systems for regulated markets.

Early warning risk identification system

The early warning risk identification system in place at STRATEC is consistent with the legal requirements set out in § 91 (2) of the German Stock Corporation Act (AktG). The main risk categories analyzed are general operating risks, market risks, and project risks. These include, for example, those in connection with investments, logistics, IT, personnel, financials, sales market, and legal. The managers responsible for risk compile reports on their respective areas of responsibility at fixed intervals. These are qualified and quantified on the basis of a systematic approach. The resultant reports are assessed by the Controlling department and the Board of Management. Exceptional developments require an immediate ad-hoc report. At the various levels of aggregation, the decision makers, directors and officers are provided with a risk handbook intended to provide an adequate framework that enables users to implement the steps and measures necessary to meet internal and legal requirements.

This enables any risks to the company's continued existence 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 and the collection of key financial figures at weekly, monthly and quarterly intervals on development, production, marketing and sales levels, any material events also have to be reported immediately.

RISK REPORTING IN RESPECT OF 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 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. Furthermore, STRATEC has a dividend policy that is based on continuity and the Group's long-term, sustainable business performance, with a distribution quota of 40% to 60% of consolidated net income. At the same time, STRATEC will continue to focus on exploiting external and internal growth opportunities, which may involve temporarily deviating from this quota. 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 Section E "Risks – currency risks"), currency risks in procurement and sales markets are increasing within the STRATEC Group. To counter this risk, the Group is 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. 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 2015 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 significant 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.

The hedging transactions concluded in the 2015 financial year no longer existed as of December 31, 2015.

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

F. 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 No. 6b), as well as on § 315 (2) No. 4 of the German Commercial Code (HGB).

BASIC FEATURES OF THE COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT

The Supervisory Board lays down the compensation of individual members of the Board of Management, as well as determining and regularly reviewing the compensation system. In determining compensation, the Supervisory Board takes particular account both of the duties and performance of the individual member, as well as of the economic situation and future development of STRATEC AG. In performing its regular review of the contractual terms set out in employment contracts and the compensation structure, the Supervisory Board introduced some amendments to the compensation system for the Board of Management and adopted resolutions in this respect on July 24, 2015 and September 2, 2015. The compensation system for the Board of Management, which still corresponds to the system approved by a majority of shareholders at the Annual General Meeting on June 6, 2013, comprises fixed compensation for each financial year, variable compensation for each financial year, variable compensation based on the financial year and the two following years, and long-term share-based compensation. However, adjustments that are specified in greater detail in the comments below have been made within individual compensation components in some cases.

Fixed compensation for each financial year – This component is **unchanged** and continues to comprise a basic amount paid out as a monthly salary, as well as ancillary benefits, such as the use of a suitable car, insurance benefits, and individual contractual arrangements concerning retirement, invalidity and surviving dependant pensions. Furthermore, the private use of bonus miles and other benefits gained in a professional context is also expressly permitted to an appropriate extent.

Variable compensation for each financial year (short-term incentive) – This component is **unchanged** and 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 (appreciation bonus). The target achievement component is paid out following the Annual General Meeting of STRATEC AG for the 2015 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 2015 financial year.

Variable compensation based on the financial year and the two following years (mid-term compensation arrangement or mid-term incentive – Mid Term Incentive) – This component is **unchanged** and continues to consist 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. Target achievement for the mid-term incentive (MTI) scheme is further based in terms of its timing 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. 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 2013 (and 2014 and 2015 respectively) is paid out in 2016 (and 2017 and 2018 respectively). However, prepayments based on the respective achievement of individual and interim targets may be made, subject to agreement between the Board of Management and the Supervisory Board, at the end of each financial year. To date, no use has been made of this prepayment option.

Long-term share-based compensation (long-term incentive) – Through to the 2014 financial year, this component consisted of stock options granted within 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” in the notes to the consolidated financial statements. Since the 2015 financial year, the granting of stock options has been superseded by contractual agreements in which payments are based on the long-term share price performance without any physical or real stocks being actually supplied **(stock appreciation rights – SARs)**. Existing arrangements for past financial years concerning the subscription of stock options and of actual stocks are not affected by this new provision and are being continued accordingly.

The stock appreciation rights (SARs) have the following basic structure:

The rights refer to a payment to be made by the company to the member of the Board of Management, with the amount of payment being determined by reference to the share price performance of STRATEC AG (reference share) as documented in XETRA trading on the Frankfurt Stock Exchange over a predefined period.

The SARs should have a minimum term of five years calculated from the issue date, although initial payment of the value of the SARs may be requested after a "minimum waiting period" of two years. Any such payment prior to the expiry of the term (premature payment request) leads to a corresponding reduction in the terms of the rights. Should the term expire on a date within 30 stock market trading days prior to publication of figures for the quarterly or annual financial statements, the term is extended through to the first stock market trading day after the expiry of this time frame.

Any premature payment request must be addressed to the Supervisory Board Chairman in writing and may not be issued within the aforementioned time frame. Other than this, it is also not permitted to submit a premature payment request to the extent that the requirements of insider trading law or predefined compliance requirements do not permit dealings with shares in STRATEC AG at the given point in time.

Unless otherwise laid down by the Supervisory Board, the payment claim is determined on the basis of the increase in the XETRA closing price of a reference share through to the end of the term (based on a 30-day average price) compared with the XETRA closing price at the issue date (reference price). In this respect, the **annual** increase in the reference share price – without reference to the share price performance within the term – must amount to at least eight percent (exercise hurdle). Should the term of the rights not correspond to a full year, the share price increase must be determined on a time-apportioned basis.

The amount of payment claim following expiry of the minimum waiting period or at the end of the term – assuming that the exercise hurdle is met – is calculated, unless otherwise stipulated by the Supervisory Board, as the difference between the reference price determined at the beginning of the term multiplied by the number of rights less the reference price determined at the end of the (abridged) term also multiplied by the number of rights.

The payment itself is made with the next salary payment made to the member of the Board of Management, and at the latest within two weeks of the end of the (abridged) term. For payment amounts of more than € 100,000.00, STRATEC AG may request that the payment be made in two equal installments after six and twelve months respectively, with an obligation to pay interest should this option be drawn on.

Compensation for activity at affiliate companies – Members of the Board of Management assuming supervisory board, managing director, or similar positions at affiliate companies generally do not receive separate compensation from the respective company for doing so. Any such compensation nevertheless paid by the affiliate companies is imputed to the aforementioned amounts.

Caps – Variable compensation components are subject to requirements limiting 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 2.0 times (previously: 1.5 times) basic salary plus certain ancillary benefits and pension commitments. Furthermore, the Supervisory Board also has the powers granted by law to limit compensation. The requirement that the fair value of the options granted in a given financial year may not exceed the fixed compensation, including ancillary benefits and pension commitments, paid for that year has been included in the cap outlined above.

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

The individual members of the Board of Management received the compensation set out below for their activities on the Board of Management in the 2015 financial year.

Individual compensation of Board of Management

	Marcus Wolfinger		Dr. Robert Siegle		Dr. Claus Vielsack [1]		Bernd M. Steidle [2]		Total	
in € thousand	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Non-performance-related components										
Basic amount	192	192	174	174	160	123	0	35	526	524
Other [3]	16	16	10	10	9	6	0	7	35	39
Performance-related components										
MTI compensation claim [4]	152	158	119	95	0	0	0	39	271	292
Other performance-related components	243	227	188	176	159	138	0	31	590	572
Total	**603**	**593**	**491**	**455**	**328**	**267**	**0**	**112**	**1,422**	**1,427**
Components with long-term incentive nature										
Share-based compensation [5]	0	73	0	36	0	36	0	0	0	145
Stock appreciation rights (SARs) [6]	226	0	113	0	113	0	0	0	452	0

[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, healthcare, nursing care, and D&O insurance).
[4] The amount disclosed refers to the mid-term incentive agreement for 2013 (2012), which covers 2013, 2014, and 2015 (2012, 2013, and 2014) and is due for payment in 2016 (2015).
[5] The amount disclosed corresponds to the fair value upon issue of stock options issued in the 2015 (2014) 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. From the 2015 financial year, the individual members of the Board of Management have only participated in the Stock Option Program in respect of stock options already granted, but will not be granted any new stock options.
[6] The amount disclosed corresponds to the fair value upon issue of the stock appreciation rights (SARs) issued for the first time in the 2015 financial year, calculated in accordance with IFRS 2 (Share-based Payment).

From the 2015 financial year, the individual members of the Board of Management only participate in the stock option program with regard to stock options already granted, but will not be granted any new stock options. In the 2014 financial year, Marcus Wolfinger was granted 20,000 stock options at an average exercise price of € 31.87, Dr. Robert Siegle was granted 10,000 stock options at an average exercise price of € 31.87 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 2014 financial year in the period through to his departure from the Board of Management.

In the 2015 financial year, Marcus Wolfinger exercised 7,500 stock options (previous year: 0) at an average exercise price of € 27.11, Dr. Robert Siegle exercised 7,500 stock options (previous year: 0) at an average exercise price of € 27.11, and Dr. Claus Vielsack exercised 4,750 stock options granted to him prior to his appointment to the Board of Management at an average exercise price of € 29.13 (previous year from appointment to Board of Management: 0). In the 2014 financial year, Bernd M. Steidle did not exercise any stock options in the period through to his departure from the Board of Management.

As of December 31, 2015, Marcus Wolfinger had 65,000 stock options outstanding (previous year: 72,500) at an average exercise price of €30.44 (previous year: €30.10) and a weighted remaining contract term of 53.3 months (previous year: 62.8). As of December 31, 2015, Dr. Robert Siegle had 50,000 stock options outstanding (previous year: 57,500) at an average exercise price of €30.40 (previous year: €29.97) and a weighted remaining contract term of 51.0 months (previous year: 60.0). Similarly, as of December 31, 2015 Dr. Claus Vielsack had 10,000 stock options granted to him since his appointment to the Board of Management and outstanding (previous year: 10,000) at an average exercise price of €31.87 (previous year: €31.87) and a weighted remaining contract term of 63.9 months (previous year: 76.1).

For both Marcus Wolfinger and Dr. Robert Siegle 25,000 stock options each (previous year: 20,000) were exercisable at an average exercise price of €31.19 (previous year: €29.66) as of December 31, 2015, while for Dr. Claus Vielsack, as in the previous year, no stock options granted to him in the period since his appointment to the Board of Management were exercisable.

The following amounts were recognized as expenses for stock options in the 2015 financial year: €41k for Marcus Wolfinger (previous year: €52k), €27k for Dr. Robert Siegle (previous year: €41k) and €9k for Dr. Claus Vielsack (previous year from appointment to Board of Management: €7k). In the 2014 financial year, expenses of €10k were recognized for Bernd M. Steidle through to his departure from the Board of Management.

Rather than being granted stock options, since the 2015 financial year individual members of the Board of Management have received stock appreciation rights (SARs). These showed the following specific developments in the 2015 financial year:

Stock appreciation rights (SARs) of Board of Management

	Reference price [1]	Fair Value [2]	Balance at 01.01.	Added	Balance at 12.31.	of which exercisable	Fair Value 12.31.	Remaining term [3] 12.31.
	in €	in €	No.	No.	No.	No.	in € thousand	months
Marcus Wolfinger								
SARs T1 2015 dated 08.03.2015	50.53	11.28	0	20,000	20,000	0	357	55.1
Dr. Robert Siegle								
SARs T1 2015 dated 08.03.2015	50.53	11.28	0	10,000	10,000	0	179	55.1
Dr. Claus Vielsack								
SARs T1 2015 dated 08.03.2015	50.53	11.28	0	10,000	10,000	0	179	55.1
Total/average	**50.53**	**11.28**	**0**	**40,000**	**40,000**	**0**	**715**	**55.1**

Note: no stock appreciation rights were exercised, forfeited or lapsed in the 2015 financial year.

[1] The amount disclosed corresponds to the XETRA closing price of the reference share at the SAR issue date.
[2] The amount disclosed corresponds to the fair value upon issue of each stock appreciation right (SAR), calculated in accordance with IFRS 2 (Share-based Payment).
[3] The amount disclosed corresponds to the remaining terms of the stock appreciation rights (SARs) based on their overall terms.

The following amounts were recognized as expenses for stock appreciation rights (SARs) in the 2015 financial year: €357k for Marcus Wolfinger, €179k for Dr. Robert Siegle, and €179k for Dr. Claus Vielsack.

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 – Under this regulation, which is **unchanged**, 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 67, 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 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 lifelong surviving dependants' provision with Marcus Wolfinger. In the 2015 financial year, the company recognized expenses of € 93k for Marcus Wolfinger (previous year: € 44k), € 78k for Dr. Robert Siegle (previous year: € 42k), and € 44k for Dr. Claus Vielsack (previous year: € 0k) in connection with the benefits thereby committed. In the 2014 financial year, expenses of € 28k were recognized for Bernd Steidle for the period through to his departure from the Board of Management. The present values of the capital claims acquired in connection with the benefits thereby committed as of December 31, 2015 amounted to € 461k for Marcus Wolfinger (previous year: € 368k), € 238k for Dr. Robert Siegle (previous year: € 162k), and € 37k for Dr. Claus Vielsack (previous year: € 0k). Due in particular to future financing contributions, the actual benefits will turn out higher than presented here.

Retrospective prohibition on competition – For the duration of the 24-month retrospective prohibition on competition, each member of the Board of Management receives compensation amounting to 75% of his most recent contractually agreed total compensation for the first twelve months and 50% of the same amount for the subsequent twelve months. The amounts payable in connection with the prohibition on competition are disbursed on a monthly basis. STRATEC AG may waive compliance with the retrospective prohibition on competition on a conditional basis. The nominal amounts of compensation payable for the retrospective prohibition on competition are € 608k for Marcus Wolfinger (previous year: € 316k), € 441k for Dr. Robert Siegle (previous year: € 253k), and € 417k for Dr. Claus Vielsack (previous year: € 140k). 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.

Stock appreciation rights (SARs) – The stock appreciation rights (SARs) granted to members of the Board of Management remain valid, including the right to request premature payment, through to the end of their term.

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 the contract being terminated prematurely, on the basis of mutual agreement, and without compelling reason justifying immediate termination, severance payments amounting to a maximum of two full-year compensation packages based on the most recent full compensation package for the previous financial year are payable. Should the contract be 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 **unchanged** compensation in accordance with the relevant requirements of the German Corporate Governance Code.

Retrospective prohibition on competition – For the duration of the retrospective prohibition on competition corresponding application is made of the provisions governing the retrospective prohibition on competition upon the regular termination of activity on the Board of Management.

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, this contract is terminated three months after the end of the month in which the permanent inability to work is ascertained. Compensation is based on the provisions governing regular termination of activity on the Board of Management. 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 fixed compensation, including variable compensation but excluding the appreciation bonus, for the month in which the member died and the following six months, nevertheless limited to the expiry of the employment contract irrespective of the death of the respective member.

Stock appreciation rights (SARs) – Should the employment contract with a member of the Board of Management be terminated prematurely, the stock appreciation rights (SARs) granted to the respective member of the Board of Management as of the date of his departure are settled on the basis of the average Xetra closing price in the 30 stock market trading days preceding the date of departure and in accordance with the conditions applicable to the rights at the end of their term. Any existing exercise hurdles in the form of specified percentage or absolute share price increases are calculated on a time-apportioned basis.

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 retirement benefits thereby committed as of December 31, 2014 amounted to €454k. Due in particular to future financing contributions, the actual benefits will turn out higher than presented here.

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 2015 financial year.

Individual Supervisory Board compensation

	Fred K. Brückner		Wolfgang Wehmeyer		Prof. Dr. Stefanie Remmele [1]		Prof. Dr. Hugo Hämmerle [2]		Total	
in € thousand	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Fixed compensation	50	50	38	38	25	15	0	12	113	115
Meeting allowance	5	5	5	5	5	2	0	1	15	13
Total	**55**	**55**	**43**	**43**	**30**	**17**	**0**	**13**	**128**	**128**

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

G. TAKEOVER-RELEVANT DISCLOSURES (PURSUANT TO § 315 (4) HGB) AND EXPLANATORY NOTES

COMPOSITION OF SHARE CAPITAL

The company's share capital amounted to € 11,852,970.00 as of December 31, 2015 and was divided into 11,852,970 individual registered shares. This total includes 9,879 treasury stock shares as of December 31, 2015. All shares involve the same rights and obligations and each share confers one vote.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFERABILITY OF SHARES

Restrictions on share voting rights may result in particular from the requirements of the German Stock Corporation Act (AktG). In specific circumstances set out in § 136 AktG, for example, shareholders are subject to a prohibition on voting, while pursuant to § 71b AktG the company is not entitled to exercise any voting rights for treasury stock shares. We are not aware of any contractual restrictions relating to voting rights or the transferability of shares.

Pursuant to § 67 (2) AktG, only those shareholders registered as such in the Share Register are deemed shareholders from the company's perspective. According to § 4 (4.2) of the Articles of Association, to be entered in the Share Register shareholders must submit their name, address and date of birth if they are natural persons and their company names, commercial address and legal domicile if they are legal entities, as well as the number of shares they hold and their electronic mail address, should they have one, in both cases. Shareholders are required to inform the company without delay of any change in their address. Entries by a shareholder acting under its own name and relating to shares owned by another party are only permitted and effective from the company's perspective when the fact that the shares belong to another party and the name and address of the company are entered in the Share Register. The same applies when the party thereby entered or the owner transfer their ownership of the shares to another party following such entry. Pursuant to § 67 (4) AktG, the company is entitled to request information from the party entered in the Share Register concerning the extent to which it actually owns the share for which it is entered as bearer in the Share Register and, should this not be the case, to convey the information necessary to maintain the Share Register to the party on behalf of which it holds the shares. Should such request for information not meet with any response then, pursuant to § 67 (2) AktG, no voting rights may be exercised for the shares concerned.

DIRECT OR INDIRECT CAPITAL SHAREHOLDINGS EXCEEDING 10% OF VOTING RIGHTS

Based on the notifications available to us pursuant to § 21 of the German Securities Trading Act (WpHG) as of December 31, 2015, no shareholder directly held more than 10% of the voting rights in the company. We have received notifications from Bettina Siegle, Tanja van Dinter, Ralf Leistner, Hermann Leistner, Doris Leistner, Herdor Beteiligungs GmbH, and Herdor GmbH & Co. KG (all in Germany) that, due to the allocation of voting rights, they each hold more than 25% of the voting rights in the company.

The Board of Management is not aware of any other direct or indirect capital shareholdings exceeding 10% of voting rights.

BEARERS OF SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

There are no shares in the company with special rights conferring powers of control.

TYPE OF VOTING RIGHT CONTROL WHEN EMPLOYEES HOLD SHAREHOLDINGS IN THE CAPITAL AND DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS

Any shares granted by the company to its employees within the framework of its employee share program or as share-based compensation are transferred directly to the employees. Like other shareholders, the employees benefiting from such programs can use the control rights resulting from their employee shares in accordance with statutory requirements and the provisions of the Articles of Association.

STATUTORY REQUIREMENTS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION IN RESPECT OF THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF MANAGEMENT AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Board of Management are governed by § 84 and § 85 of the German Stock Corporation Act (AktG) and § 5 of the company's Articles of Association. Pursuant to § 84 (1) AktG, the Supervisory

Board appoints members of the Board of Management for a maximum term of five years and may also dismiss members; repeated appointments and extensions in terms in office, in each case by a maximum of five years, are permitted. Pursuant to § 5 (5.1) of the Articles of Association, the Board of Management comprises one or several persons. § 5 (5.2) stipulates that the Supervisory Board determines the number of members of the Board of Management. Pursuant to § 84 (2) AktG and § 5 (5.2) of the Articles of Association, the Supervisory Board may appoint a Chairman and – pursuant to § 5 (5.2) – a Deputy Chairman of the Board of Management.

Consistent with § 179 AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting. § 12 (12.2) of the Articles of Association allows the Supervisory Board to make amendments only affecting the respective wording. Furthermore, the Supervisory Board is authorized by resolutions adopted by the Annual General Meetings on May 20, 2009, June 6, 2013, and May 22, 2015 to amend § 4 of the Articles of Associations in line with the execution of Authorized Capital 2015/I and in accordance with utilization of Conditional Capital V/2009, Conditional Capital VI/2013, and Conditional Capital VII/2015 or upon the expiry of the authorization period governing the utilization of conditional capitals.

Pursuant to § 179 (2) AktG in conjunction with § 15 (15.3) of the Articles of Association, all resolutions adopted by the Annual General Meeting to amend the Articles generally require a simple majority of the votes cast and, unless otherwise mandatorily stipulated in legal requirements, a simple majority of the share capital represented upon the adoption of the resolution. Legal requirements call for larger majorities of three quarters of the share capital represented upon the adoption of the resolution in several cases, such as for any amendment in the object of the company's activities (§ 179 (2) Sentence 2 AktG), for specific capital-related measures, and for the exclusion of subscription rights.

POWERS OF THE BOARD OF MANAGEMENT TO ISSUE OR BUY BACK SHARES

Pursuant to § 4 (4.5) of the Articles of Association, STRATEC Biomedical AG had authorized capital of € 5.5 million as of December 31, 2015.

The Annual General Meeting held on May 22, 2015 created authorized capital (Authorized Capital 2015/I). The Board of Management is authorized, subject to approval by the Supervisory Board, to increase the company's share capital by a total of up to € 5.5 million by issuing new shares in return for contributions in cash or in kind on one or several occasions up to May 21, 2020. 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 subscription rights for a total of amount of up to 20% of the share capital existing upon the authorization taking effect or – if lower – of the share capital existing upon the authorization being acted on. To date, no use has been made of this authorization.

Pursuant to § 4 (4.6) and § 4 (4.7) of its Articles of Association, STRATEC Biomedical AG had conditional capitals amounting to up to around € 1.8 million in total as of December 31, 2015:

Conditional Capital V/2009 (amounting to up to around € 0.1 million) serves to grant subscription rights (stock option rights) through to May 19, 2014 in accordance with the resolution adopted by the Annual General Meeting on May 20, 2009. The conditional capital increase is only executed to the extent that the bearers of stock options actually 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 VI/2013 (amounting to up to around € 0.9 million) serves to grant subscription rights (stock option rights) through to June 5, 2018 in accordance with the resolution adopted by the Annual General Meeting on June 6, 2013. The conditional capital increase is only executed to the extent that the bearers of stock options actually 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 VII/2015 (amounting to up to around € 0.8 million) serves exclusively to grant new shares to the bearers or creditors of convertible or warrant bonds issued in accordance with the resolution adopted by the Annual General Meeting on May 22, 2015 in the period through to May 21, 2020 by the company or by a domestic or foreign company in which STRATEC Biomedical AG directly or indirectly holds a majority of the voting rights and capital. Shares are issued in accordance with the aforementioned resolution and with the resolutions to be adopted by the Board of Management and the Supervisory Board in respect of the conversion and option prices to be set in each case. The conditional capital increase is only executed to the extent that the bearers or creditors of the convertible or warrant bonds actually exercise their rights to convert their conversion or option rights into shares in the company or that the conversion obligations relating to such bonds are met. To the extent that they arise due to the exercising of conversion or subscription rights through to the beginning of the company's Annual General Meeting, the new shares have profit participation rights from the beginning of the previous financial year and otherwise from the beginning of the financial year in which they arise due to the exercising of conversion or subscription rights. To date, no use has been made of this authorization.

In the cases governed by law in § 71 of the German Stock Corporation Act (AktG), STRATEC Biomedical AG is authorized to buy back shares and to sell any shares thereby bought back. Furthermore, by resolution adopted by the Annual General Meeting on May 22, 2015 the company is authorized until May 21, 2020 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 for every purpose permitted within the statutory limitation and consistent with the conditions stipulated in greater detail in Agenda Item 9 of the Annual General Meeting on May 22, 2015. The authorization may not be drawn on to trade in treasury stock. Together with the treasury stock already acquired and still possessed by the company, the treasury stock acquired may not at any time exceed 10% of the respective share capital. The shares should be usable for one or several of the purposes set out in greater detail in Agenda Item 9 of the Annual General Meeting on May 22, 2015, which in some cases also permit the exclusion of subscription rights. To date, the company has not made any use of the authorization to buy back treasury stock.

MATERIAL COMPANY AGREEMENTS SUBJECT TO CHANGE OF CONTROL AS A RESULT OF A TAKEOVER BID

Individual agreements include change of control provisions that entitle the contractual partner to terminate the agreement in the event of a change of control over the company or that grant other special rights potentially detrimental to the company or make the continuation of the contract dependent on approval by the contractual partner.

COMPENSATION AGREEMENTS REACHED BY THE COMPANY WITH MEMBERS OF THE BOARD OF MANAGEMENT FOR THE EVENT OF A TAKEOVER BID

Members of the company's Board of Management have special resignation rights in the event of a change of control over the company. They are thus entitled within six months from the change of control taking effect to stand down from their positions with a notice period of three months to the end of the month and to terminate their employment contracts on an exceptional basis with a notice period of three months to the end of the month. Should this special termination right be exercised, then the member's position on the Board of Management and employment relationship both end prematurely upon expiry of the three-month notice period. The member of the Board of Management receives compensation amounting to 150% of the severance pay cap agreed for mutually agreed premature termination of activity on the Board of Management. This amounts to a maximum of two annual compensation packages.

H. DECLARATION ON CORPORATE GOVERNANCE

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), together with its corporate governance report in the Investors section of its website (www.stratec.com).

Birkenfeld, April 4, 2016

STRATEC Biomedical AG

The Board of Management

Marcus Wolfinger

Dr. Robert Siegle

Dr. Claus Vielsack

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2015 FINANCIAL YEAR OF STRATEC BIOMEDICAL AG

CONSOLIDATED BALANCE SHEET

as of Dezember 31, 2015 of STRATEC Biomedical AG

Assets

in € thousand	Notes	12.31.2015	12.31.2014
Non-current assets			
Intangible assets	(1)		
Goodwill		5,125	4,785
Other intangible assets		25,867	25,477
		30,992	**30,262**
Property, plant and equipment	(2)	19,595	15,954
Financial assets			
Investments in associates	(3)	184	263
Deferred taxes	(12)	21	1,260
		50,792	**47,739**
Current assets			
Inventories	(4)		
Raw materials and supplies		9,375	8,065
Unfinished products, unfinished services		3,853	6,591
Finished products and merchandise		2,791	3,410
		16,019	**18,066**
Receivables and other assets			
Trade receivables	(5)	24,045	18,961
Future receivables from construction contracts	(6)	1,470	1,644
Receivables from associates	(7)	23	23
Other financial assets	(8)	2,779	1,009
Other receivables and other assets	(9)	2,358	1,035
Income tax receivables	(9)	5,038	2,635
		35,713	**25,307**
Cash and cash equivalents	(26)	56,415	46,636
		108,147	**90,009**
Total assets		**158,939**	**137,748**

Shareholders' equity and debt

in € thousand	Notes	12.31.2015	12.31.2014
Shareholders' equity	**(10)**		
Share capital		11,853	11,795
Capital reserve		20,061	18,129
Revenue reserves		94,307	80,478
Treasury stock		-172	-212
Other equity		4,231	1,861
		130,280	**112,051**
Non-current debt			
Non-current financial liabilities	(13)	4,328	4,483
Other non-current liabilities	(15)	22	0
Provisions for pensions	(11)	63	61
Deferred taxes	(12)	5,579	5,565
		9,992	**10,109**
Current debt			
Current financial liabilities	(13)	3,816	4,634
Trade payables	(14)	3,436	2,815
Liabilities to associates	(14)	14	41
Other current liabilities	(15)	8,391	4,956
Current provisions	(16)	1,508	1,731
Income tax liabilities	(16)	1,502	1,411
		18,667	**15,588**
Total shareholders' equity and debt		**158,939**	**137,748**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Period from January 1 to December 31, 2015 of STRATEC Biomedical AG

in € thousand	Notes	2015	2014
Sales	(17)	146,886	144,860
Cost of sales	(18)	-91,854	-99,924
Gross profit		**55,032**	**44,936**
Research and development expenses	(19)	-8,336	-5,016
Sales-related expenses	(20)	-6,607	-5,887
General administration expenses	(21)	-11,788	-11,227
Other operating expenses	(22)	-8,300	-2,930
Other operating income	(22)	6,874	4,176
Earnings before interest and taxes (EBIT)		**26,875**	**24,052**
Financial income		361	227
Financial expenses		-180	-218
Other financial income / expenses		117	-7
Net financial expenses	**(23)**	**298**	**2**
Earnings before taxes (EBT)		**27,173**	**24,054**
Taxes on income	(12)		
a) Current tax expenses		-3,959	-430
b) Deferred tax income / expenses		-1,130	-3,856
Consolidated net income		**22,084**	**19,768**
Items that may not be subsequently reclassified to profit or loss			
Remeasurements of defined benefit pension plans	(11)	20	-49
Items that may be subsequently reclassified to profit or loss			
Currency translation differences from translation of foreign operations	(10)	2,350	1,274
Other comprehensive income		**2,370**	**1,225**
Comprehensive income		**24,454**	**20,993**
Basic earnings per share in €	**(24)**	**1.87**	**1.68**
No. of shares used as basis (basic)		11,810,284	11,769,624
Diluted earnings per share in €	**(24)**	**1.85**	**1.67**
No. of shares used as basis (diluted)		11,919,473	11,834,452

CONSOLIDATED CASH FLOW STATEMENT

for the Period from January 1 to December 31, 2015 of STRATEC Biomedical AG

in € thousand	Notes	2015	2014
I. Operations			
Consolidated net income (after taxes)		22,084	19,768
Depreciation and amortization		6,232	8,196
Current income tax expenses	(12)	3,959	430
Income taxes paid less income taxes received		-6,382	999
Financial income	(23)	-361	-227
Financial expenses	(23)	180	218
Interest paid		-142	-187
Interest received		282	152
Other non-cash expenses		869	624
Other non-cash income		-1,684	-1,056
Change in net pension provisions through profit or loss	(11)	2	-2
Cash flow		**25,039**	**28,915**
Change in deferred taxes through profit or loss	(12)	1,130	3,856
- Profit/+ loss on disposals of non-current assets		48	71
- Increase/+ reduction in inventories, trade receivables and other assets		-4,470	4,807
+ Increase/- reduction in trade payables and other liabilities		4,286	2,103
Inflow of funds from operating activities		**26,033**	**39,752**
II. Investments			
Incoming payments from disposals of non-current assets			
Property, plant and equipment		157	176
Outgoing payments for investments in non-current assets			
Intangible assets		-3,426	-5,215
Property, plant and equipment		-5,438	-1,474
Financial assets		-3	-82
Incoming/outgoing payments from granting/repayment of financial liabilities		0	-223
Outflow of funds for investing activities		**-8,710**	**-6,818**
III. Financing			
Incoming funds from taking up of financial liabilities		2,000	0
Outgoing payments for repayment of financial liabilities		-4,087	-1,649
Incoming payments from issue of shares for employee stock option programs		1,674	693
Dividend payments		-8,248	-7,056
Outflow of funds for financing activities		**-8,661**	**-8,012**
IV. Cash-effective change in cash and cash equivalents		**8,662**	**24,922**
Cash and cash equivalents at start of period		46,636	20,734
Change in scope of consolidation		79	0
Impact of exchange rate movements		1,039	980
Cash and cash equivalents at end of period	**(26)**	**56,415**	**46,636**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Period from January 1 to December 31, 2015 of STRATEC Biomedical AG

in € thousand	Notes	Shared capital	Capital reserve
Dezember 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	660
Allocations due to stock option plans			250
Comprehensive income in 2014			
Dezember 31, 2014	**(10)**	**11,795**	**18,129**
Equity transactions with owners			
Dividend payment			
Issue of subscription shares from stock option programs, less costs of capital issue after taxes		58	1,611
Allocations due to stock option plans			144
Allocations due to employee participation program			177
Comprehensive income in 2015			
Change in scope of consolidation			
Dezember 31, 2015	**(10)**	**11,853**	**20,061**

	Revenue reserves			Other equity		
	Accumulated net income	Free revenue reserves	Treasury stock	Pension plans	Currency translation	Group equity
	48,374	**19,392**	**-212**	**-18**	**654**	**97,179**
	-7,056					-7,056
						685
						250
	19,768			-49	1,274	20,993
	61,086	**19,392**	**-212**	**-67**	**1,928**	**112,051**
	-8,248					-8,248
						1,669
						144
			40			217
	22,084			20	2,350	24,454
	-7					-7
	74,915	**19,392**	**-172**	**-47**	**4,278**	**130,280**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

FOR THE 2015 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 on the basis of its own patented technologies for its partners in the fields of clinical diagnostics and biotechnology. These partners are mostly global players in the in-vitro diagnostics industry. They market the systems, in general together with their own reagents, as system solutions to laboratories, blood-banks and research institutes around the world.

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

The Board of Management of STRATEC AG prepared the consolidated financial statements on April 4, 2016 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 11, 2016. The consolidated financial statements and group management report as of December 31, 2015 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, 2015 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. Due to numbers being rounded up or down and presented in € thousands, it is possible that individual figures in the consolidated financial statements of STRATEC AG do not add up exactly to the total stated and that the percentage figures do not correlate exactly to the absolute figures to which they refer.

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 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 2015 financial year:

Standard	Title	Effective date [1]	EU-Endorsement
New and amended standards and interpretations			
IFRIC 21	Levies	06.17.2014	06.13.2014
Other	Annual Improvements to IFRS, 2011 – 2013 cycle, published in December 2013	01.01.2015	12.18.2014

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

The application of these standards and interpretations in the 2015 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 impact on the presentation of the net asset, financial, and earnings position, on earnings per share, or on the disclosures in the notes to the consolidated financial statements.

IMPLICATIONS OF CORRECTION OF ERRORS

It was discovered when preparing the consolidated financial statements of STRATEC AG that specific financial assets and financial liabilities had in the past not been recognized in the corresponding line items in the consolidated balance sheet pursuant to IAS 1.54 (d) and IAS 1.54 (m), but rather in "Other receivables and other assets" and "Other liabilities" respectively, with corresponding disclosures in the notes to the consolidated financial statements. Pursuant to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), in the consolidated balance sheet for the 2015 financial year the previous year's figures have therefore been amended in line with the relevant norms as follows:

in € thousand	12.31.2014 (as reported)	Adjustments made	12.31.2014 (adjusted)
Current assets			
Financial assets	877	132	1,009
Other receivables and assets	1,167	-132	1,035
Current debt			
Financial liabilities	2,449	2,185	4,634
Other liabilities	7,141	-2,185	4,956

As the adjustments hereby outlined only refer to a very limited number of balance sheet items with subordinate overall implications for the asset and financial position, we have foregone presenting a balance sheet pursuant to IAS 1.10 (f).

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			
IAS 19	Amendments: Defined Benefit Plans – Employee Contributions	02.01.2015	12.17.2014
Sundry	Annual Improvements to IFRS, 2010–2012 cycle, published in December 2013	02.01.2015	12.17.2014
IAS 16 and IAS 41	Amendments: Agriculture: Bearer Plants n	01.01.2016	11.23.2015
IFRS 11	Amendments: Acquisition of an Interest in a Joint Operation	01.01.2016	11.24.2015
IAS 16 and IAS 38	Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	01.01.2016	12.02.2015
Sundry	Annual Improvements to IFRS, 2012–2014 cycle, published in September 2014	01.01.2016	12.15.2015
IAS 1	Amendments: Disclosure Initiative	01.01.2016	12.18.2015
IAS 27	Amendments: Equity Method in Separate Financial Statements	01.01.2016	12.18.2015
IFRS 10, IFRS 12 and IAS 28	Amendments: Investment Entities: Applying the Consolidation Exception	01.01.2016	Expected in 2nd quarter of 2016
IFRS 10 and IAS 28	Amendments: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	postponed	Still outstanding
IFRS 14	Regulatory Deferral Accounts	01.01.2016	Still outstanding
IAS 12	Amendments: Recognition of Deferred Tax Claims for Unrecognised Losses	01.01.2017	Expected in 4th quarter of 2016
IAS 7	Amendments: Disclosure Initiative	01.01.2017	Expected in 4th quarter of 2016
IFRS 9	Financial Instruments: Revision and Replacement of All Existing Standards (Classification and Measurement)	01.01.2018	Expected in 2nd half of 2016
IFRS 15	Revenue from Contracts with Customers	01.01.2018	Expected in 2nd quarter of 2016
IFRS 16	Leases	01.01.2019	Still outstanding

[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 (Financial Instruments), a standard intended to replace IAS 39 (Financial Instruments: Recognition and Measurement), in July 2014. IFRS 9 (Financial Instruments) includes requirements governing the classification, recognition and measurement (including impairment) of financial instruments. Furthermore, IFRS 9 (Financial Instruments) includes regulations on general hedge accounting. IFRS 9 (Financial Instruments) will necessitate additional note disclosures that will also involve an amendment to IFRS 7 (Financial Instruments: Disclosures). The investigation of the implications of applying IFRS 9 (Financial Instruments) for the consolidated financial statements of STRATEC AG 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 (Revenue from Contracts with Customers), 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 (Revenue from Contracts with Customers) 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. These extensive amendments may have implications for the consolidated financial statements of STRATEC AG, particularly in respect of the time at which revenues are recognized for several part-services. However, the implications of applying IFRS 15 (Revenues from Contracts with Customers) can only be reliably assessed following the completion of detailed analysis.

AMENDMENTS TO IAS 16 (PROPERTY, PLANT AND EQUIPMENT) AND IAS 38 (INTANGIBLE ASSETS)

The requirements of IAS 16 (Property, Plant and Equipment) 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 (Intangible Assets) 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 (Property, Plant and Equipment). 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 of STRATEC AG has not yet been completed, particularly in respect of satisfying the rebuttable presumption required by the IASB for the method of amortization selected for intangible assets capitalized in connection with development cooperations.

IFRS 16 (LEASES)

The International Accounting Standards Board (IASB) published the accounting standard IFRS 16 (Leases) on January 13, 2016.

The basic concept of the new standard involves the lessee recognizing basically all leases, and thus all associated contractual rights and obligations, in its balance sheet. The distinction previously required by IAS 17 (Leases) between finance and operating leases will in future no longer apply for the lessee.

For all leases, the lessee recognizes a lease liability in its balance sheet for the obligation to make future leasing payments. At the same time, the lessee capitalizes a right to use the underlying asset. This basically corresponds to the present value of future leasing payments plus directly allocable costs.

Leasing payments include fixed payments, variable payments to the extent that these are indexed, payments expected for residual value guarantees, and where appropriate the exercise price for purchase options and penalties for the premature termination of lease contracts. During the term of the lease contract, the lease liability is updated in accordance with financial considerations in a manner comparable to that required under IAS 17 (Leases), while the right to use the asset is subject to scheduled amortization. This approach generally results in higher expenses at the beginning of the term of the lease contract. Accounting relief is provided for short-term leases and low-value leased items.

At the lessor, by contrast, the requirements of the new standard are similar to the existing provisions of IAS 17 (Leases). Lease contracts will continue to be classified either as finance or operating leases. Leases in which the risks and rewards associated with ownership are mainly assigned will be classified as finance leases, while all other lease contracts count as operating leases. Classification pursuant to IFRS 16 (Leases) has been based on the criteria set out in IAS 17 (Leases).

IFRS 16 (Leases) includes a number of additional requirements concerning reporting, note disclosures, and sale and lease-back transactions.

The new provisions require mandatory application in financial years beginning on or after January 1, 2019. Earlier application is permitted provided that application is also made of IFRS 15 (Revenue from Contracts with Customers).

The new requirement supersedes the current provisions of IAS 17 (Leases) and the associated interpretations IFRIC 4 (Determining Whether an Arrangement Contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions in the Legal Form of a Lease).

STRATEC does not intend to make any premature application of the standard. Application will have implications for the asset, financial, and earnings position of STRATEC on account of the existing operating lease contracts (c.f. Section I. "Other disclosures – Contingent liabilities and other financial obligations). Specifically, the leased office building and leased plant and office equipment will lead to an extension in the balance sheet, as the corresponding rights to use the assets will have to be capitalized as assets and the respective obligations as liabilities. Whereas existing operating lease arrangements have generally been based on straight-line expensing, in future the straight-line amortization of the right to use the assets and reduction over time in the interest charge on the lease liability will result in a declining volume of expenses recognized over the lease term.

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.

As in the previous year, in addition to STRATEC AG the consolidated financial statements as of December 31, 2015 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, Berlin, Germany
- STRATEC Biomedical USA, Inc., Newbury Park, US
- STRATEC Biomedical S.R.L, Cluj-Napoca, Romania.

Furthermore, STRATEC Services AG, Beringen, Switzerland, which was previously not fully consolidated due to materiality considerations, and STRATEC Capital GmbH, Birkenfeld, Germany, a company acquired in the 2015 financial year, have both been included in the scope of consolidation for the first time. The implications of the first-time full consolidation of these companies for the asset, financial, and earnings position of the STRATEC Group are of subordinate significance. As in the previous year, the level of shareholding and voting rights held as of December 31, 2015 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** (in %)	**Annual earnings** [1]
STRATEC Biomedical Inc., Hamden, CT, USA	15,000 USD	100.0	-5,700 USD (2014: -8,596 USD)
Sanguin International Inc., Hamden, CT, USA	1,000 USD	100.0	-22,363 USD (2014: 15,749 USD)
STRATEC Biomedical (Taicang) Co. Ltd., Taicang, China	814,940 CNY	100.0	160,529 CNY (2014: -215,469 CNY)

[1] The earnings figures reported are based on the annual financial statements prepared in accordance with respective national accounting requirements as of December 31, 2015 and December 31, 2014 respectively.

COMPANY ACQUISITIONS

STRATEC AG acquired 100% of the shares in Blitz S 15-374 GmbH, Stuttgart, Germany, for an amount of €28k on November 5, 2015. As Blitz S 15-374 GmbH is a shelf company that does not constitute a business operation pursuant to IFRS 3.3, its acquisition did not result in a company acquisition as defined in IFRS 3 (Business Combinations). By shareholder resolution dated November 5, 2015 Blitz S 15-374 GmbH was renamed as STRATEC Capital GmbH and the company's legal domicile was relocated from Stuttgart, Germany, to Birkenfeld, Germany.

No company acquisitions were made in the 2015 financial year.

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, provided that the item in question does not form part of a net investment in a foreign operation.

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 € /		2015	2014	2015	2014
GBP	UK	0.734	0.779	0.726	0.806
USD	US	1.089	1.214	1.110	1.329
CHF	Switzerland	1.084	1.202	1.068	1.215
RON	Romania	4.524	4.483	4.445	4.444

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. As all other intangible assets apart from those not yet ready for use currently have limited useful lives, they 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.

As in the previous year, amortization of intangible assets has been based on the following useful lives:

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

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.

As in the previous year, 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	2 – 20
Vehicles	3 – 5
Tools	3 – 6
IT components	3 – 5
Other plant and office equipment	3 – 20

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 (€ 73k; previous year: € 73k) 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 in the financial years in which the associated expenses are incurred. No grants were received either in the year under report or in the previous year.

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, 2015 (2014) 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. Future net inflows of cash are budgeted in the functional currency. Raw materials prices are accounted for on their given terms. 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. Should the value in use fall short of the carrying amount of the cash generating unit, then the fair value less costs to sell has to be determined.

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). To calculate the weighted capital costs, reference has been made on the one hand to the costs of equity, which comprise the risk-free base interest rate and the risk premium (market risk premium, multiplied by a beta factor based on a peer group analysis) and on the other hand on the cost of borrowing, which corresponds to the average cost of borrowing at the peer group companies. Equity and debt capital costs have been weighted based on the average capital structure at the peer group companies.

The calculation of the weighted average cost of capital (WACC) was based in the 2015 financial year on a risk-free interest rate of 1.48% and 3.02% respectively, a market risk premium of 7.00%, and a beta factor of 0.748. The cost of borrowing amounted to 2.16% and 3.15% after taxes respectively. For the cash generating units attributable overall to the "Healthcare Products and Services" market and industry, growth rates of 1.0% have been assumed for perpetuity (previous year: 1.0%).

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		
2015	1.0	7.29
2014	1.0	10.96
Workflow software		
2015	1.0	6.94
2014	1.0	14.96
Nucleic acid purification		
2015	1.0	7.13
2014	1.0	16.40
Contact-free measurement and capacity calculation methods		
2015	1.0	8.93
2014	1.0	19.64

Of the goodwill recognized in the amount of € 5,125k (previous year: € 4,785k), € 790k results from the acquisition of STRATEC Biomedical UK, Ltd. in the 2006 financial year (previous year: € 745k), € 1,488k from the acquisition of STRATEC Molecular GmbH in the 2009 financial year (previous year: € 1,488k), and € 2,847k from the acquisition of STRATEC Biomedical USA, Inc. in the 2010 financial year (previous year: € 2,552k). The changes compared with the previous year are due to foreign currency translation. For impairment testing purposes, the goodwill has been allocated to those cash generating units benefiting from the synergies.

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

in € thousand	Laboratory automation		Workflow software	
	2015	2014	2015	2014
Carrying amount of goodwill	4,897	4,574	116	109
Carrying amount of CGU, including goodwill	70,035	72,805	4,654	1,966

In line with IAS 36 (Impairment of Assets), the company performed the annual impairment test for these goodwill items as of December 31, 2015 and December 31, 2014 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 8.2% (previous year: 17.9%) and a budgeted average EBIT margin of 11.1% (previous year: 13.6%). 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 -4.4% has been assumed (previous year: 32.1%). The EBIT margin has been budgeted at an average of around 16.0% (previous year: 5.0%). 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 € 112k, 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 2015 (previous year: € 102k). 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. The option rights have been classified as measured at fair value. 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. The financial assets held for trading and financial instruments classified as measured at fair value are recognized on the trading date. The trading date is taken as the date on which STRATEC AG undertakes to buy or sell the respective assets.

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 receivables included under financial 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, trade receivables are not discounted. Such receivables are only discounted when they are expected to be collected after more than 12 months.

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 generally only recognized through profit or loss upon disposal. When the fair value falls either permanently or significantly short of cost, then a corresponding impairment is recognized through profit or loss in the consolidated statement of comprehensive income. Financial assets for which no listed market price is available and whose fair value cannot be reliably estimated are measured at cost, less any impairment losses.

The STRATEC Group does not have any financial assets in the financial investments held to maturity category.

When there are objective 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.

Due to materiality considerations, no deferred taxes have been recognized in connection with temporary difference for interests in subsidiaries.

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. 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.

SHARE-BASED PAYMENT TRANSACTIONS

IFRS 2 (Share-based Payment) makes a distinction between transactions that are cash-settled and those that are equity-settled. STRATEC AG recognizes three arrangements that are within the scope of IFRS 2 (Share-based Payment):

Cash-settled stock appreciation rights (SARs), equity-settled stock options for employees, and employee participation programs with the option of settlement in cash or with equity instruments at the discretion of the counterparty.

Given the lack of a separately determinable fair value for the services involved, goods and services received for equity-settled share-based payments (stock options) have been measured at the fair value of the equity instruments as of the date of being granted using recognized option pricing models.

Goods and services received for cash-settled share-based payments (stock appreciation rights – SARs) have been measured at each reporting date and settlement date at the fair value of the respective liability, which is determined using recognized option pricing models. Changes in fair value are recognized through profit or loss.

Share-based payments with optional cash settlement (employee participation program) at the discretion of the counterparty constitute a financial instrument consisting of a debt component (right of the counterparty to cash payment) and an equity component (right of the counterparty to equity instruments). The fair value of the financial instrument corresponds to the total of the fair values of the two components. The calculation of the fair value of the debt component is based on the calculation for cash-settled share-based payments. The calculation of the fair value of the equity components is performed as of the date of the instruments being granted by analogy with equity-settled share-based payments. Where the payment is not made in cash, but rather by issuing equity instruments, at the time of the discretionary option being exercised the liability is reclassified to equity as consideration for the equity instruments. Should the payment be made in cash, rather than by issuing equity instruments, the liability is deemed to have been fully settled with such payment. All equity components previously recognized remain in equity.

Where the exercising of equity instruments granted or of the right to cash payment is dependent on the performance by the contractual party of a specific period of service, it is assumed that the services to be performed by the counterparty as consideration will be received during the vesting period in future. The payment expenses are therefore recognized over the vesting period within which the beneficiaries acquire an unrestricted claim to the instruments thereby committed.

CONTINGENT LIABILITIES

Contingent liabilities are potential obligations resulting from past events whose existence is conditional on the materialization or otherwise of one or several uncertain future events not fully within STRATEC's control. In this case, an outflow of resources is deemed unlikely or the scope of obligation cannot be reliably estimated.

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. Once they ready for their intended use, assets are amortized, generally over periods of five to eight years.

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, as the development stage is viewed as an early stage of the respective contract. 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 (Construction Contracts) 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** (Intangible Assets), 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 (Inventories) 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 (Construction Contracts).

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 were capitalized as internally generated intangible assets in the 2015 financial year. These amounted to € 2,779k for proprietary development projects (previous year: € 2,312k) and to € 183k for development cooperations (previous year: € 2,748k). 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 share-based payments, 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 sufficiently 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 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.

5. Recognition of option rights in Quanterix Corporation, US

   The calculation of the fair value of the option rights in Quanterix Corporation, US, is subject to substantial discretionary decisions, particularly in respect of the probability of the individual scenarios arising, the fungibility of the common stocks, and the consideration of risks and uncertainties. Reference is made to the information in Section C. "Disclosures on the consolidated balance sheet – (8) Financial assets".

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: € 5,125k; previous year: € 4,785k) 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: € 25,867k; previous year: € 25,477k). 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. Based on the sensitivity analyses performed for the impairment tests, STRATEC AG concluded that there were no indications of potential impairment in these assets over and above those outlined in Section C. "Disclosures on the consolidated balance sheet – (1) Goodwill and other intangible 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 (Impairment of Assets) (carrying amount as of December 31: € 223k; previous year: € 1,213k). 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 the stock appreciation rights (SARs) granted (carrying amount as of December 31: € 714k; previous year: € 0k) and determination of the resultant personnel expenses pursuant to IFRS 2 (Share-based Payment)

   The stock appreciation rights (SARs) granted have been measured by an independent surveyor specializing in option valuation. This surveyor used the binomial tree method to measure the SARs. The principal parameters subject to estimates (term, expected volatility, risk-free interest rate) have been presented in Section C. "Disclosures on the consolidated balance sheet – (13) Non-current and current financial liabilities – Stock appreciation rights (SARs)".

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: € 1,419k; previous year: € 1,587k), 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 did not lead to any material change 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 2015 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 2015 financial year:

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
Acquisition and manufacturing costs						
Balance at 12.31.2014	**4,785**	**7,708**	**431**	**32,743**	**3,799**	**49,466**
Change in scope of consolidation	0	0	0	0	0	0
Additions	0	0	0	2,962	464	3,426
Disposals	0	0	0	-60	-390	-450
Reclassifications	0	0	0	471	0	471
Currency differences	340	445	0	162	102	1,049
Balance at 12.31.2015	**5,125**	**8,153**	**431**	**36,278**	**3,975**	**53,962**

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
Accumulated amortization and impairments						
Balance at 12.31.2014	**0**	**7,314**	**245**	**8,220**	**3,425**	**19,204**
Change in scope of consolidation	0	0	0	0	0	0
Additions to amortization	0	198	49	1,953	328	2,528
Impairments	0	0	0	1,550	0	1,550
Write-ups	0	-450	0	0	0	-450
Disposals	0	0	0	-60	-390	-450
Currency differences	0	445	0	39	104	588
Balance at 12.31.2015	**0**	**7,507**	**294**	**11,702**	**3,467**	**22,970**
Carrying amounts at 12.31.2015	**5,125**	**646**	**137**	**24,576**	**508**	**30,992**

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 carrying amount for technologies includes expertise in the field of RNA/DNA purification identified upon the acquisition of STRATEC Molecular GmbH and technology in the field of contact-free measurement and capacity calculation methods identified upon the acquisition of STRATEC Biomedical USA, Inc.

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

The carrying amount for internally generated intangible assets includes both development expenses capitalized for proprietary development projects (€ 8,480k; previous year: € 6,517k) and development expenses capitalized for development cooperations (€ 16,096k; previous year: € 18,007k). Reference is made to the information in Section B. “Recognition of sales, cost of sales, research and development expenses”. The carrying amount for other rights and values includes software and licenses acquired.

In the 2015, impairment losses of € 1,550k were recognized under other operating expenses for internally generated assets in connection with development cooperations. These are attributable to the Instrumentation segment. The events and circumstances leading to this impairment relate to a customer's strategic decision not to continue the development cooperation for a platform-based appliance. The cooperation with this customer will be sustainably continued within other development cooperations and supply agreements. Following adjustment for customer-specific requirements, the platform developed up to that point in time can be put to further use by STRATEC AG. In the interests of an optimal allocation of resources in respect of development cooperations based on specific contracts, the management of STRATEC AG nevertheless decided to suspend marketing this platform and, if appropriate, only to continue with it at a later date.

Furthermore, a write-up of € 450k was recognized in the 2015 financial year on a contact-free measurement and capacity calculation method previously written down in the 2013 financial year. This write-up was recognized under other operating income. The impairment was originally recognized to account for the difficult market entry for contact-free measurement and capacity calculation methods at the time. In the past financial year, a sales agreement was concluded with a company that operates successfully in this market and has the sales structures needed to sustainably place the appliance based on the contact-free measurement and capacity calculation methods technology in the market. This technology is attributable to the Instrumentation segment.

In the 2014 financial year, impairment losses of € 1,358k were recognized under cost of sales on internally generated intangible assets in connection with proprietary development projects. These were 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 suspend development work on this platform, if applicable, only to continue with it at a later date.

In the consolidated statement of comprehensive income, amortization on internally generated intangible assets has been recognized under cost of sales, amortization on technologies and current R&D projects acquired under other operating expenses, and amortization on other rights and values within the individual functional divisions in line with its causation.

Individual intangible assets with carrying amounts of more than € 1.0 million at the balance sheet date on December 31, 2015 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 € 8,441k – expected remaining amortization period of 8.0 years; development cooperation B with a carrying amount of € 3,872k – expected remaining amortization period of 7.0 years; development cooperation C with a carrying amount of € 2,541k – expected remaining amortization period of 4.0 years.

Intangible assets developed as follows in the 2014 financial year:

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
Acquisition and manufacturing costs						
Balance at 12.31.2013	**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 € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
Accumulated amortization and impairments						
Balance at 12.31.2013	**0**	**6,554**	**196**	**5,919**	**3,061**	**15,730**
Change in scope of consolidation	0	0	0	0	0	0
Additions to amortization	0	291	49	3,493	324	4,157
Impairments	0	0	0	1,358	0	1,358
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**

(2) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows in the 2015 financial year:

in € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
Acquisition and manufacturing costs					
Balance at 12.31.2014	**14,038**	**1,088**	**17,596**	**294**	**33,016**
Change in scope of consolidation	0	0	0	0	0
Additions	459	302	1,178	3,499	5,438
Disposals	-4	-343	-868	0	-1,215
Reclassifications	0	0	355	-355	0
Currency differences	517	26	441	-46	938
Balance at 12.31.2015	**15,010**	**1,073**	**18,702**	**3,392**	**38,177**

in € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
Accumulated depreciation					
Balance at 12.31.2014	**3,246**	**616**	**13,200**	**0**	**17,062**
Change in scope of consolidation	0	0	0	0	0
Additions	426	148	1,580	0	2,154
Disposals	0	-275	-808	0	-1,083
Currency differences	76	8	365	0	449
Balance at 12.31.2015	**3,748**	**497**	**14,337**	**0**	**18,582**
Carrying amounts at 12.31.2015	**11,262**	**576**	**4,365**	**3,392**	**19,595**

As in the previous year, it was not necessary to capitalize any borrowing costs as a component of costs of acquisition or manufacturing pursuant to IAS 23 (Borrowing Costs) in the 2015 financial year.

As in the previous year, it was not necessary to recognize any impairment losses in the 2015 financial year.

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

in € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
Acquisition and manufacturing costs					
Balance at 12.31.2013	**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 € thousand	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
Accumulated depreciation					
Balance at 12.31.2013	**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**

(3) INVESTMENTS IN ASSOCIATES

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

in € thousand	2015	2014
Carrying amount at 01.01.	263	392
Addition	0	82
Impairments	0	-225
Change in scope of consolidation	-82	0
Currency differences	3	14
Carrying amount at 12.31.	**184**	**263**

The change in the scope of consolidation relates to the first-time full consolidation of STRATEC Services AG, Beringen, Switzerland. The impairments in the previous year were recognized on the carrying amount of the investment in Sanguin International Inc., Hamden, US.

(4) INVENTORIES

Raw materials and supplies

Expenses of € 55k (previous year: income of € 29k) were recognized through profit or loss under cost of materials in the year under report for write-downs (previous year: write-ups) of raw materials and supplies. The resultant earnings items arose on account of stock movements.

Unfinished products / unfinished services

These items are structured as follows:

in € thousand	12.31.2015	12.31.2014
Unfinished products	3,630	5,378
Unfinished services	223	1,213
	3,853	**6,591**

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 € thousand	12.31.2015	12.31.2014
Finished products	2,651	2,969
Merchandise	140	441
	2,791	**3,410**

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 (€ 24,045k; previous year: € 18,961k), an amount of € 22,740k (previous year: € 17,759k) is due for payment within one year. Customer credit balances have been recognized under financial liabilities.

The allowances schedule for trade receivables developed as follows:

in € thousand	2015	2014
Accumulated allowances at 01.01.	693	420
Expenses in period under report	20	218
Utilized	-25	0
Currency translation	63	55
Accumulated allowances at 12.31.	**751**	**693**

The gross amount of receivables for which individual allowances had been recognized at the balance sheet date amounted to € 751k (previous year: € 613k).

As in the previous year, no expenses were recognized through profit or loss in the 2015 financial year for the complete write-down of trade receivables. 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:

in € thousand	Carrying amount	of which: impaired	of which: neither impaired nor overdue at balance sheet date	of which: not impaired at balance sheet date, but overdue within the following time bands			
				up to 30 days	between 30 and 60 days	between 60 and 90 days	more than 90 days
12.31.2015	24,796	751	18,184	5,079	334	93	355
12.31.2014	19,574	613	15,566	2,398	346	259	393

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 necessary recognition of development cooperations as construction contracts pursuant to IAS 11 (Construction Contracts) has been provided in Section B. "Recognition of sales, cost of sales, research and development expenses".

Sales from construction contracts totaling € 5,243k have been recognized in the consolidated statement of comprehensive income for the 2015 financial year (previous year: € 3,715k). The sales recognized correspond to the costs incurred.

The future receivables from construction contracts recognized as of December 31, 2015 and as of the previous year's balance sheet date were neither impaired nor overdue. An amount of € 1,470k is due within one year (previous year: € 1,644k).

(7) RECEIVABLES FROM ASSOCIATES

These receivables are structured as follows:

Company providing service	Company receiving service	12.31.2015 in € thousand	12.31.2014 in € thousand
STRATEC AG	STRATEC Biomedical Inc.	1	4
STRATEC AG	STRATEC Biomedical (Taicang) Co. Ltd.	13	11
STRATEC Biomedical UK, Ltd.	Sanguin International Inc.	9	8
		23	**23**

As in the previous year, these receivables have remaining terms of less than one year. The loan receivable of € 150k due from STRATEC Biomedical Inc. was written down by the remaining 50% in the previous 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) FINANCIAL ASSETS

Financial assets are structured as follows:

in € thousand	12.31.2015	12.31.2014
Shares in listed companies	1,387	270
Option rights	1,271	608
Other	121	131
	2,779	**1,009**

Shares in listed companies have been measured at their closing prices on the stock market with the highest trading volumes at the balance sheet date. The income of € 117k resulting from measurement as of the balance sheet date (previous year: expenses of € 7k) has been recognized through profit or loss and under other financial income / expenses in the consolidated statement of comprehensive income. Securities were acquired at a cost of € 1,001k in the 2015 financial year. In the previous year, securities were sold at a disposal price of € 8k. The loss of € 37k resulting from this sale was recognized in the previous year 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 2015 financial year, STRATEC AG was not granted any further option rights to shares in Quanterix Corporation, US, in return for the achievement of milestones (previous year: 350,000). Quanterix Corporation, US, is a company that is not traded on an "active market". For the measurement of these option rights, STRATEC AG has received a survey in which an independent surveyor determined the value of the common stocks. At the balance sheet date on December 31, 2015, STRATEC AG possessed 1,300,000 option rights to preferred stocks in the A-3 series (previous year: 1,300,000). Unlike preferred stocks in the A-1, A-2, B, C, and C-1 series, the stocks in the A-3 series do not have rights to a cumulative dividend. In the event of a liquidation (in the sense used for companies financed by venture capital) of Quanterix Corporation, US, there are liquidation preferences for the different series and classes of shares. B, C, and C-1 series stocks thus have precedence over all others, while A-1, A-2, and A-3 series stocks have precedence over common stocks. In the event of an IPO at Quanterix Corporation, US, with a minimum share price of USD 10.00 per share and gross proceeds of at least USD 40.0 million, the preferred stocks are mandatorily converted at a ratio of 1:1 into common stocks. In measuring the common stocks, the surveyor applied a hybrid method accounting for two scenarios: on the one hand, an IPO scenario that would be followed by crossover financing and on the other a "remain private" scenario. Measurement for the IPO scenario uses a market-based valuation method, while measurement for the "remain private" scenario has been based on a DCF method. Each scenario was weighted on the basis of its likelihood as estimated by the Board of Management of Quanterix Corporation, US. Furthermore, the surveyor accounted for a discount for lack of marketability for the common stocks. As the option rights can be exercised at any time and the costs of exercising the rights are negligible, the Board of Management of STRATEC AG has based the valuation on the value of the common stocks as stated in the survey, while including an additional discount to account for the subjective, unverifiable discretionary decisions taken by the Board of Management of Quanterix Corporation, US. The Board of Management of STRATEC AG believes that any hypothetical market player would also include this type of discount to account for the risks and uncertainties resulting from such discretionary decisions. The discounts thereby recognized are therefore particularly subject to discretionary decisions. The change in the fair value of the option rights resulted in income of €663k in the 2015 financial year (previous year: €165k), which has been recognized in the "Other operating income" item in the consolidated 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 (Fair Value Measurement). If the Board of Management of STRATEC AG had not accounted for the subjective, unverifiable discretionary decisions by the Board of Management of Quanterix Corporation, US, by way of an additional discount, other operating income would have been €425k higher.

The "Other" line item mainly includes receives from employees of €31k (previous year: €21k), creditors with debit balances of €21k (previous year: €41k), and insurance claims of €8k (previous year: €65k). An impairment loss of €33k has been recognized for one creditor with a debit balance.

(9) OTHER RECEIVABLES AND ASSETS AND INCOME TAX RECEIVABLES

Other receivables and assets are structured as follows:

in € thousand	12.31.2015	12.31.2014
Other tax receivables	1,478	529
Deferred expenses	839	496
Other	41	10
	2,358	**1,035**

The other receivables and other assets are neither impaired nor overdue.

Income tax receivables of €5,038k (previous year: €2,635k) result from prepayments of taxes on income in Germany.

(10) SHAREHOLDERS' EQUITY

The individual components of shareholders' equity and their development in 2015 and 2014 have been presented in the consolidated statement of changes in equity.

Share capital

The share capital of STRATEC AG amounted to € 11,853k at the balance sheet date (previous year: € 11,795k). Based on the resolution adopted by the Annual General Meeting on May 22, 2015, the shares were converted after the close of trading on August 28, 2015 at a ratio of 1:1 from bearer shares with a nominal value of € 1.00 each into individual registered shares (no-par registered shares). The share capital is divided into 11,852,970 ordinary shares (previous year: 11,795,445 ordinary shares with a nominal value of € 1.00). The increase in the share capital by 57,525 ordinary shares was due to a conditional capital increase (previous year: 25,200 ordinary shares). The shares have been paid up in full and are registered shares (previous year: 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 May 21, 2020 by a maximum amount of up to € 5,500,000.00 by issuing up to a maximum of 5,500,000 new shares in return for cash or non-cash contributions **(Authorized Capital 2015/I)**. 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, 2015.

Conditional capital

§ 4 (4.6) Paragraph 1 of the Articles of Association provides for **Conditional Capital V/2009.** 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/2009 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/2009 amounted to € 87,325.00 as of December 31, 2015.

§ 4 (4.6) Paragraph 2 of the Articles of Association provides for **Conditional Capital VI/2013.** 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/2013 amounted to € 900,000.00 as of December 31, 2015.

Furthermore, § 4 (4.7) of the Articles of Association provides for **Conditional Capital VII/2015** of € 800,000.00. This conditional capital increase serves exclusively to grant up to 800,000 new shares to the bearers or creditors of convertible or warrant bonds issued by the company or by direct or indirect majority shareholders of the company by May 21, 2020 on the basis of the resolution adopted by the Annual General Meeting on May 22, 2015. Conditional Capital VII/2015 amounted to € 800,000.00 as of December 31, 2015.

Total conditional capital therefore amounted to € 1,787,325.00 as of December 31, 2015 (previous year: € 1,845,350.00).

Stock option programs

The company had two stock option programs (equity-settled share-based payment) as of December 31, 2015 (previous year: two). These programs are especially well-suited to provide a sustainable performance incentive for employees of the company, and 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. Since the 2015 financial year, the individual members of the Board of Management have no longer been granted any stock options. Rather than stock options, they are now granted stock appreciation rights (cash-settled share-based payment – SARs) as a variable compensation component of a long-term incentive nature. Further details of the structure of the stock appreciation rights (SARs) can be found in Section F. "Compensation report" in the group management report.

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 percent 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 percent of the stock options granted may be exercised provided that STRATEC's share has risen in value by at least fifteen percent 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	2015	2014	2013	2012	2011	2010
Option rights granted (number of shares)	19,850	56,100	92,600	96,100	58,100	17,100
Weighted exercise price (in €)	47.85	33.04	29.75	31.39	27.47	27.88
Expected share price volatility (in %)	31.93 to 39.77	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
Expected dividend yield (in %)	1.50	1.50	1.50	1.50	1.50	1.50
Risk-free interest rate (in %)	0.12 to 0.79	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
Assumed turnover of personnel entitled to subscribe (in %)	5.0	5.0	5.0	5.0	5.0	5.0
Fair value of option rights at date of being granted (in € thousand)	101	202	307	258	165	44

The weighted average share price has been accounted for at € 48.57 in the fair value calculation of the option rights granted in the financial year (previous year: € 34.29).

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 2014 to 2015 financial years:

in € thousand	Number of option rights	Weighted exercise price
Outstanding on 12.31.2013	**240,600**	**29.71**
Outstanding 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**
During the 2015 financial year		
granted	19,850	47.85
exercised	57,525	29.09
lapsed	0	n.a.
forfeited	2,000	n.a.
Outstanding on 12.31.2015	**230,825**	**32.37**
Exercisable on 12.31.2015	**76,550**	**31.47**

Of the stock options granted in the year under report, zero were allocated to members of the Board of Management of STRATEC AG (previous year: 40,000) and 19,850 to employees at STRATEC AG (previous year: 16,100). The average exercise prices amounted to € 47.85 for employees (previous year: € 35.96). In the previous year, the average exercise prices for members of the Board of Management amounted to € 31.87.

In the year under report, 15,000 stock options (previous year: 0) were exercised by members of the Board of Management at an average exercise price of € 27.11 per share. A total of 15,000 stock options (previous year: 17,500) were exercised by former members of the Board of Management of STRATEC AG at an average exercise price of € 31.27 per share (previous year: € 29.37). Employees of STRATEC AG exercised 27,525 stock options in the financial year under report (previous year: 7,700) at an average exercise price of € 28.98 per share (previous year: € 23.11). Of the stock options exercised by employees of STRATEC AG in the 2015 financial year, 4,750 stock options with an average exercise price of € 29.13 involved stock options granted to one member of the Board of Management prior to his appointment to the Board of Management.

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 € 144k in the 2015 financial year (previous year: € 250k). 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 76,550 stock option rights exercisable as of December 31, 2015 (previous year: 79,250) entitle their bearers to acquire a total of up to 76,550 shares (previous year: 79,250) at a total exercise price of € 2,409k (previous year: € 2,337k).

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 € 51.19 (previous year: € 42.85).

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:

2015 | Range in €	Number of Stock options	Weighted exercise price in €	Weighted remaining contractual term in months
25.01 – 30.00	69,100	28.19	52.8
30.01 – 35.00	134,525	31.87	53.0
35.01 – 40.00	4,600	39.34	62.1
40.01 – 45.00	4,250	41.45	71.0
45.01 – 50.00	12,850	46.77	77.6
50.01 – 55.00	5,500	50.63	83.2
Total	**230,825**	**32.37**	**55.5**

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**

Employee participation program

In August 2015, the Board of Management decided to offer an employee participation program (share-based compensation with the option of cash or equity settlement) to all permanent and temporary employees at STRATEC Biomedical AG, Birkenfeld, Germany. This is intended to enable them to participate in the future success of STRATEC AG. The program comprises the procurement of eight employee shares each in October 2015 and March 2016. Furthermore, those shareholders who have not sold the eight shares assigned to them in October 2015 by February 28, 2016 receive an additional three shares. Employees opting not to participate in the employee participation program automatically receive one-off payments corresponding to the value of eight employee shares in each case in October 2015 and March 2016. In October 2015, a total of 2,344 treasury stocks in STRATEC AG were assigned to the accounts of the employees participating in the program. An amount of € 254k was recognized as expenses and an amount of € 217k was recognized in the capital reserve in connection with the employee participation program in the 2015 financial year. Due to the assignment of treasury stock, the latter amount was subsequently reduced by € 40k.

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 and from the employee participation program recognized as expenses, as well as the differential amount from the buyback and reissue of treasury stock.

Revenue reserves

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

Revenue reserves are thus structured as follows:

in € thousand	12.31.2015	12.31.2014
Free revenue reserves	19,392	19,392
Accumulated net income	74,915	61,086
	94,307	**80,478**

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

in € thousand	
Accumulated net income at 12.31.2014	61,086
Change in scope of consolidation	-7
Consolidated net income in 2015	22,084
Distribution (dividend for 2014)	-8,248
Accumulated net income at 12.31.2015	**74,915**

Other equity

Other equity includes the currency translation reserve, accumulated actuarial gains and losses from the remeasurement of pension provisions, and the resultant deferred taxes.

The currency translation reserve of € 4,278k reported as of the balance sheet date (previous year: € 1,928k) relates to currency differences arising upon the translation of the separate financial statements of companies with functional currencies other than the euro, as well as to the translation of group-internal net investments within equity as of the balance sheet date.

Treasury stock

By resolution of the Annual General Meeting held on May 22, 2015, the company was authorized until May 21, 2020 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 22, 2015 and to use this for every purpose permitted within the statutory limitation and consistent with the respective conditions. The authorization may not be drawn on to trade in treasury stock. Together with the treasury stock already acquired and still possessed by the company, the treasury stock acquired on the basis of this authorization may not at any time account for more than ten percent of the respective share capital. The treasury stock may be acquired on the stock market, by way of a public request to submit sales offers, or by issuing pre-emptive rights to shareholders. As well as being sold on the stock market or by way of a public offer addressed to all, the treasury stock acquired on the basis of this and earlier authorizations may also be used as follows:

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

b) 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.

c) 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.

d) 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 (excluding disposal-related costs) 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.

e) The treasury stock may be issued to the exclusion of shareholders' subscription rights for the purpose of implementing a stock dividend.

In the case of authorizations b) to e), the number of stocks to be disposed of to the exclusion of shareholders' subscription rights may – together with new shares issued to the exclusion of shareholders' rights since the granting of this authorization pursuant to § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) – not exceed a total of ten percent of the company's share capital either at the time of this authorization becoming effective or, if lower, being exercised.

Authorizations a) to e) may be exercised in whole or in part, individually or collectively, and on one or several occasions. They also include the use of shares acquired on account of § 71d of the German Stock Corporation Act (AktG).

As in the previous year, STRATEC AG made no use of this authorization to acquire treasury stock in 2015. 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.

The development in treasury stock is as follows:

Treasury stock at 12.31.2014	12,223
Acquisition of treasury stock	0
Surrender of treasury stock	-2,344
Treasury stock at 12.31.2015	**9,879**

The surrender of treasury stock was executed in connection with the employee participation program.

The treasury stock has been recognized at cost at a total amount of € 172k (previous year: € 212k) as a separate item 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 2015 financial year, a dividend of €0.70 (previous year: €0.60) was paid per share with dividend entitlement for the 2014 financial year, corresponding to a total distribution of €8,248k (previous year: €7,055k).

With the approval of the Supervisory Board, the Board of Management proposes that, of the net income of €42,231k calculated for STRATEC AG in line with the German Commercial Code, an amount of €8,884,710.00, equivalent to €0.75 per share with dividend entitlement, should be distributed, and that the remaining amount of €33,346k 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, 2015, the Board of Management and Supervisory Board did not allocate any amount from the net income for 2015 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 €2,777k in the financial year under report (previous year: €2,711k). This total includes employer contributions of €1,758k to the German state pension system (previous year: €1,682k).

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:

in %	12.31.2015	12.31.2014
Discount factor	2.28	2.21
Future income increases	0.00	0.00
Future pension increases	0.00	0.00

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

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

in € thousand	2015	2014
Defined benefit obligations (DBO) as of 01.01.	**226**	**162**
Current service cost	14	10
Compounding of pension obligations	5	6
Remeasurement of pension obligations		
Actuarial gains (-)/losses (+) due to changes in		
financial assumptions	-3	50
demographic assumptions	0	0
experience adjustments	0	-2
Defined benefit obligations (DBO) as of 12.31.	**242**	**226**

in € thousand	2015	2014
Fair value of plan assets as of 01.01.	**165**	**148**
Employer contribution to plan assets	12	12
Interest income on plan assets	4	6
Remeasurement of plan assets		
expenses for plan assets (excluding interest income)	-2	-1
other	0	0
Fair value of plan assets as of 12.31.	**179**	**165**

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

in € thousand	12.31.2015	12.31.2014
Present value of pension obligations	242	226
Fair value of plan assets	179	165
Financing status = net obligation	**63**	**61**

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

in € thousand	2015	2014
Net obligation as of 01.01.	**61**	**14**
Share of pension expenses recognized in income statement	15	10
Amounts recognized in OCI	-1	49
Employer contribution to plan assets	-12	-12
Net obligation as of 12.31.	**63**	**61**

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

in € thousand	2015	2014
Current service cost	14	10
Compounding of pension obligations	5	6
Interest income on plan assets	-4	-6
Share of pension expenses recognized in income statement	**15**	**10**

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

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

in € thousand	2015	2014
Remeasurement of net obligation:		
Expenses for plan assets (excluding interest income)	2	1
Actuarial gains (-) / losses (+) due to changes in		
financial assumptions	-3	50
demographic assumptions	0	0
experience adjustments	0	-2
Amounts recognized in OCI	**-1**	**49**

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 € 19k (previous year: € 18k) or risen by € 20k (previous year: € 20k) respectively.

The average duration of the pension obligation amounted to 16.4 years at the end of the period under report (previous year: 17.4 years).

Plan asset endowments by STRATEC AG of € 12k (previous year: € 12k) are expected for the following 2016 and 2017 financial years. No outgoing payments from plan assets are expected.

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 € 1,053k as of December 31, 2015 (previous year: € 757k). 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 € 288k in the 2015 financial year (previous year: € 164k). As in the previous year, these contributions were all made for retirement pensions of current and former members of the Board of Management of STRATEC AG.

(12) TAXES ON INCOME

Taxes on income comprise the income taxes paid or owed and deferred taxes in the individual countries. Interest on back payments and reimbursements in connection with tax audits are recognized under net financial expenses.

Income tax expenses can be broken down in terms of their origin as follows:

in € thousand	2015	2014
Income taxes paid or owed		
Germany	1,615	-1,212
International	2,344	1,642
	3,959	**430**
Deferred taxes		
Germany	646	3,827
International	484	29
	1,130	**3,856**
Income tax expenses	**5,089**	**4,286**

Deferred taxes are recognized in balance sheet items as follows:

	2015		2014	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	1,913	7,015	830	6,871
Property, plant and equipment	17	15	0	27
Non-current financial assets	4	337	0	0
Inventories	39	116	82	93
Trade receivables	196	112	125	63
Receivables from associates	104	368	188	621
Current financial assets	18	256	126	70
Non-current financial liabilities	16	0	0	0
Provisions for pensions	14	0	14	0
Current financial liabilities	144	0	0	12
Other current liabilities	258	0	19	24
Provisions	21	4	44	0
Loss carryovers	116	0	2,245	0
Net investment in foreign operation	0	145	0	0
Currency translation	39	89	0	0
Consolidation items	0	0	126	323
Subtotal	**2,899**	**8,457**	**3,799**	**8,104**
Netting	-2,878	-2,878	-2,539	-2,539
Amount recognized in consolidated balance sheet	**21**	**5,579**	**1,260**	**5,565**

Of the deferred tax expenses of € 1,130k recognized in the consolidated statement of comprehensive income (previous year: € 3,856k), € -1,001k (previous year: € 1,858k) are attributable to temporary valuation differences, € 2k (previous year: € 2k) to the costs of capital increases, and € 2,129k (previous year: € -1,966k) to the recognition through profit or loss of deferred tax liabilities (previous year: deferred tax assets) on tax loss carryovers. Of the change in deferred tax assets recognized on loss carryovers, an amount of € 2,102k involves expenses resulting from the utilization of deferred tax assets on loss carryovers, € 131k relates to impairment losses, and € 104k involves income resulting from currency translation.

In the 2015 financial year, deferred tax assets on loss carryovers were recognized for STRATEC AG in an amount of € 0k (previous year: € 1,938k) and for one subsidiary (previous year: two subsidiaries) in an amount of € 116k (previous year: € 307k). At STRATEC Biomedical USA, Inc., deferred tax assets on tax loss carryovers amounting to € 131k were written down (previous year: € 451k). Given the existence of deferred tax liabilities, the deferred tax assets still recognized at this company are deemed to have retained their value. The nominal amount of loss carryovers for which no deferred tax assets were recognized amounts to € 1,009k (previous year: € 1,000k). The unused tax loss carryovers, which exclusively relate to STRATEC Biomedical USA, Inc., may be put to unlimited use for up to 20 years.

The tax expenses of € 5,089k reported for 2015 (previous year: € 4,286k) deviate by € 2,394k (previous year: € 2,337k) from the tax expenses of € 7,483k (previous year: € 6,623k) expected to result from application of the overall tax rate for STRATEC AG (27.53%; previous year: 27.53%) to the Group's earnings before taxes. The overall tax rate results from the corporate income tax rate of 15.00% (previous year: 15.00%), the solidarity surcharge of 5.50% of corporate income tax (previous year: 5.50%), and an average trade tax rate of 11.70% (previous year: 11.71%).

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

in € thousand	2015	2014
Earnings before taxes on income	27,173	24,054
Overall tax rate	27.53%	27.53%
Expected tax expenses (-)/income (+)	**-7,483**	**-6,623**
Deviations in German and foreign tax rates	1,993	3,541
Impact of increase in foreign tax rates	-44	-300
Tax-exempt income (+)/expenses (-) from the disposal of shareholdings, securities price gains/losses, and dividends	795	-312
Expenses not deductible for tax purposes less tax settlements	-34	-46
Personnel expenses IFRS (stock options)	-40	-69
Tax back payments/refunds for previous years and non-period tax expenses/income	-161	-16
Write-down of deferred tax assets on tax loss carryovers	-131	-451
Sundry	16	-10
Reported tax expenses (-)/income (+)	**-5,089**	**-4,286**

(13) NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Financial liabilities are structured as follows:

in € thousand	12.31.2015	12.31.2014
Liabilities to banks	5,106	6,932
Liabilities for personnel-related items	2,225	1,286
Accrued liabilities for merchandise and services	697	787
Supervisory Board compensation	84	111
Sundry	32	1
	8,144	**9,117**

Financial liabilities to banks

Of financial liabilities to banks, €0k (previous year: €2,079k) are denominated in Swiss francs.

As of December 31, 2015, the Group had total credit lines of €19,006k at its disposal (previous year: €8,032k). Of this total, an amount of €13,900k (previous year: €8,032k) was unutilized and thus available for borrowing.

The company land in Switzerland was encumbered in the previous year with land charges of €2,911k. In the previous year, these served as security for a mortgage loan taken up to cover the costs of constructing a company building. This was fully repaid in the 2015 financial year.

Financial liabilities for personnel-related items

Financial liabilities for personnel-related items chiefly comprise obligations of €2,206k in connection with profit participation schemes (previous year: €1,275k).

Obligations for profit participation schemes include obligations for the employee participation program (€17k; previous year: €0k), obligations for short-term performance-related compensation for employees (€401k; previous year: €443k), and obligations for short, medium, and long-term performance-related compensation for the Board of Management (€1,788k; previous year: €832k). The obligations for long-term performance-related compensation for the Board of Management (€714k; previous year: €0k) correspond to the fair value of the payments expected for the stock appreciation rights (SARs) granted. The fair value has been determined as an arbitrage-free valuation using the Black/Scholes method and with application of the binomial tree method. Further information about the structure of the short, medium, and long-term performance-related compensation for the Board of Management can be found in Section G. “Compensation report” in the group management report.

Stock appreciation rights (SARs)

The fair value of the stock appreciation rights (SARs) as of the measurement date on December 31, 2015 has been determined on the basis of the following parameters:

Stock appreciation rights (SARs) model parameters	Tranche 1 2015 financial year
Issue date	08.03.2015
Average share price on issue date	€ 50.53
Term	
Overall term	60.0 months
Remaining term as of 12.31.	55.1 months
Minimum qualifying period	
Overall term	24.0 months
Remaining term as of 12.31.	19.1 months
Share price at measurement date	€ 61.00
Expected volatility	34.5%
Risk-free interest rate	-0.24%
Fair value on issue date	**€ 11.28**
Fair value as of 12.31.	**€ 17.85**

The development in the total number of stock appreciation rights (SARs) in the reporting period is presented below:

Absolute figures	Total at 01.01.2015	Granted	Exercised Lapsed Forfeited	Total at 12.31.2015	Of which exercisable
Tranche 1 / 2015	0	40,000	0	40,000	0
Total	**0**	**40,000**	**0**	**40,000**	**0**

The total expenses recognized in the 2015 financial year for equity-settled share-based payments amounted to € 361k (previous year: € 250k) – further information can be found in "(10) Shareholders' equity" in this section – while total expenses for cash-settled share-based payments amounted to € 751k (previous year: € 0k).

Maturities

Financial liabilities have the following maturities:

Maturity [1] in € thousand	12.31.2015
2016	3,816
2017	1,823
2018	971
2019	383
2020	383
2021 and later	768
Total	**8,144**

Maturity in € thousand	12.31.2014
2015	4,634
2016	1,234
2017	851
2018	713
2019	125
2020 and later	1,560
Total	**9,117**

[1] The calculation of the maturity of stock appreciation rights (SAR) has been based on the shortest possible term for the rights in each case.

(14) TRADE PAYABLES / LIABILITIES TO ASSOCIATES

Trade payables mostly involve goods and services provided in November and December 2015. As in the previous year, these items are due for payment within one year.

Liabilities to associates, amounting to € 14k (previous year: € 41k), were due to STRATEC Biomedical (Taicang) Co. Ltd. (€ 14k; previous year: € 41k). All of these liabilities relate to the ongoing exchange of services and goods. As in the previous year, these items are due for payment within one year.

(15) NON-CURRENT AND CURRENT OTHER LIABILITIES

Other liabilities are structured as follows:

in € thousand	12.31.2015	12.31.2014
Liabilities for personnel-related items	1,610	1,736
Other tax liabilities	1,242	432
Social security liabilities	461	226
Prepayments received on orders	4,815	2,371
Other	285	191
	8,413	**4,956**

Liabilities for personnel-related items mainly consist of outstanding vacation (€ 1,044k; previous year: € 943k) and employee working time credits (€ 448k; previous year: € 412k).

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

Of prepayments received on orders, an amount of € 4,815k (previous year: € 1,282k) relates to development cooperations. Reference is made to Section B. “Recognition of sales, cost of sales, research and development expenses.

Other liabilities have the following maturities:

Maturity in € thousand	12.31.2015
2016	8,391
2017	22
2018	0
2019	0
2020	0
2021 and later	0
Total	**8,413**

Maturity in € thousand	12.31.2014
2015	4,956
2016	0
2017	0
2018	0
2019	0
2020 and later	0
Total	**4,956**

(16) PROVISIONS AND INCOME TAX LIABILITIES

Current provisions relate to provisions for guarantees and warrantees (€ 1,419k; previous year: € 1,587k) and for an onerous rental agreement (€ 89k; previous year: € 144k). These items developed as follows:

in € thousand	2015	2014
01.01.	1,731	679
Currency translation	-5	27
Utilized	-1,651	-683
Reversed	0	0
Added	1,433	1,708
12.31.	**1,508**	**1,731**

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 (€ 1,502k; previous year: € 1,411k) relate to current income tax obligations.

D. DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(17) SALES

Sales mainly relate to:

in € thousand	2015	2014
1. Product range	94,229	96,109
2. Maintenance and spare parts	35,623	33,839
3. Development and other services	16,399	14,564
4. Sundry	635	348
	146,886	**144,860**

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

in € thousand	2015	2014
1. Germany	21,158	16,160
2. European Union	54,276	57,901
3. Other	71,452	70,799
	146,886	**144,860**

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

in € thousand	2015	2014
Italy	5,928	7,911
France	3,956	5,451
Brazil	392	1,152
Belgium	15,086	17,978
US	19,797	22,069
China	5,485	1,517
UK	6,888	13,644

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.

List of major customers pursuant to IFRS 8.34: €35.6 million (previous year: €40.4 million), €31.6 million (previous year: €34.1 million), €22.3 million (previous year: €27.4 million). These figures in all cases include sales for several analyzer system lines, development activities, and services and consumables. The sales generated with these customers are allocable to the Instrumentation segment.

(18) COST OF SALES

Cost of sales, amounting to €91,854k (previous year: €99,924k), 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) totaled to €8,336k (previous year: €5,016k) and mainly involved cost of materials and personnel expenses.

Gross development expenses were structured as follows:

in € thousand	2015	2014
Research and development expenses	20,981	19,348
of which development expenses recognized as revenues or capitalized	-12,645	-14,332
	8,336	**5,016**

(20) SALES-RELATED EXPENSES

Sales-related expenses amounted to € 6,607k (previous year: € 5,887k) 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) GENERAL ADMINISTRATION EXPENSES

At € 11,788k (previous year: € 11,227k), 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 R&D.

(22) OTHER OPERATING INCOME AND EXPENSES

The other operating income of € 6,874k (previous year: € 4,176k) and other operating expenses of € 8,300k (previous year: € 2,930k) mainly consist of income and expenses for currency translation. Other than that, other operating income and other operating expenses also include numerous items that, viewed individually, are only of subordinate significance.

(23) NET FINANCIAL EXPENSES

Financial income is structured as follows:

in € thousand	2015	2014
Interest income on cash and cash equivalents	278	145
Interest income on receivables from associates	4	4
Interest income from compounding of receivables	70	67
Other interest income	9	11
	361	**227**

Financial expenses are structured as follows:

in € thousand	2015	2014
Interest expenses on loan liabilities to banks	139	182
Interest expenses on liabilities to associates	0	6
Interest expenses for compounding of pension provisions	5	6
Interest expenses for compounding of liabilities and provisions	20	24
Other interest expenses	16	0
	180	**218**

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

in € thousand	2015	2014
Gains / losses on financial assets measured at fair value **through profit or loss:**		
Gains / losses on retirement	0	0
Gains / losses on measurement at balance sheet date	117	-7
Other financial income / expenses	**117**	**-7**

(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 11,810,284 (previous year: 11,769,624).

Pursuant to IAS 33 (Earnings per Share), the consolidated net income of € 22,084k (previous year: € 19,768k) 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, 2015, both basic earnings per share (€ 1.85; previous year: € 1.67) and diluted earnings per share (€ 1.85; previous year: € 1.67) 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 11,919,473 (previous year: 11,834,452).

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

Cost of materials

The functional divisions include the following cost of materials:

in € thousand	2015	2014
Costs of raw materials and supplies	61,229	70,462
Costs of purchased services	2,543	2,351
	63,772	**72,813**

Personnel expenses

The functional divisions include the following personnel expenses:

in € thousand	2015	2014
Wages and salaries	32,917	30,354
Social security contributions and pension and welfare expenses	5,016	5,067
	37,933	**35,421**

Wages and salaries include expenses of € 2,395k (previous year: € 1,791k) 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:

	2015	2014
Employees	496	486
Trainees	16	12
Employees in permanent employment	512	498
Temporary employees	43	42
Total	**555**	**540**

Of permanent employees, 343 (previous year: 334) were in Germany, and 153 (previous year: 152) abroad. Of temporary employees, 34 (previous year: 39) were in Germany, and 9 (previous year: 3) abroad.

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

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

in € thousand	2015	2014
Fee for		
a) Auditing	249	476
b) Other certification services	0	0
c) Tax advisory services	0	0
d) Other services	0	0
Total auditor's fee	**249**	**476**

The total fee for 2015 includes an amount of € 52k for auditing services performed by the auditor for the previous year, Wirtschaftstreuhand GmbH, Stuttgart. These relate to the 2014 financial year.

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

E. DISCLOSURES ON THE CONSOLIDATED CASH FLOW STATEMENT

General disclosures

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

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

Inflow of funds from operating activities

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

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

in € thousand	2015	2014
Expenses		
Currency translation losses from measurement of cash and cash equivalents at balance sheet date	291	20
Personnel expenses in connection with the granting of stock option rights	143	250
Personnel expenses in connection with employee participation programs	218	0
Exchange rate differences for foreign currency receivables/liabilities	26	15
Increase in impairment of inventories	136	0
Expenses for fair value measurement of securities held for trading	3	7
Allocations to impairments of receivables	20	242
Write-down of loan to STRATEC Biomedical Inc.	0	53
Loss from sale of securities	0	37
Other	32	0
	869	**624**

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

in € thousand	2015	2014
Income:		
Currency translation gains from measurement of cash and cash equivalents at balance sheet date	32	421
Exchange rate differences for foreign currency receivables / liabilities	296	250
Reduction in impairments of receivables	85	29
Fair value measurement of options in connection with development cooperations	663	165
Income from fair value measurement of securities held for trading	120	0
Write-ups to non-current assets	450	0
Income from reversal of other provisions and liabilities	32	159
Reversal of impairments of receivables	0	25
Other	6	7
	1,684	**1,056**

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 € 8,710k was expended on investing activities (previous year: € 6,818k). Of this sum, € 8,864k was channeled into the acquisition of property, plant and equipment and intangible assets (previous year: € 6,689k).

Inflow / outflow of funds from financing activities

Financing activities led to an outflow of funds of € 8,661k (previous year: € 8,012k). Net repayments of loans amounted to € 2,087k (previous year: € 1,649k). Dividend payments accounted for an outflow of € 8,248k (previous year: € 7,056k).

(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, 2015, cash and cash equivalents amounted to € 56,415k (previous year: € 46,636k).

F. SEGMENT REPORT

For internal management purposes, reference is chiefly made to the individual areas of activity of the STRATEC Group. These therefore basically represent the operating segments as defined in IFRS 8 (Operating Segments). 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 pools the development of workflow software for networking several analyzer systems, the development and sale of scientific materials and technologies such as nucleic acid purification, and investments in other companies.

Segment data by operating segment for 2015

in € thousand	Instrumentation	All other segments	Reconciliation	Total
Sales with external customers	136,181	11,008	-303	146,886
Inter-segmental sales	1,265	1,507	-2,772	0
Depreciation and amortization	4,498	285	-100	4,682
EBIT [1]	24,971	2,377	-473	26,875
Interest income	404	8	-51	361
Interest expenses	186	45	-51	180
Assets	162,099	10,740	-13,900	158,939
Additions to non-current assets	7,925	1,388	-450	8,864

[1] prior to consolidation

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, € 36,791k are located in the country of origin of STRATEC AG and € 10,579k in other countries. Further disclosures on company level have been presented in Section D. “Disclosures on the consolidated statement of comprehensive income – (17) Sales”.

Furthermore, impairments of € 1,550k and write-ups of € 450k have been allocated to the Instrumentation segment. Reference is made in this respect to Section C. “Disclosures on the consolidated balance sheet – (1) Goodwill and other intangible assets”.

Segment data by operating segment for 2014

in € thousand	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".

Information about the impairment loss of €1,358k recognized in the Instrumentation segment in the 2014 financial year can be found in Section C. "Disclosures on the consolidated balance sheet – (1) Goodwill and other intangible assets".

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 financial liabilities also include the financial instruments covered by IFRS 2 (Share-based Payment), which are exempted from the scope of IFRS 7 (Financial Instruments: Disclosures), the "Not covered by IFRS 7" column provides a corresponding reconciliation of these items.

Abbreviations for IAS 39 measurement categories (Financial Instruments: Recognition and Measurement)

LaR	Loans and receivables
AfS	Available-for-sale financial assets
FVTPL	Assets measured at fair value through profit or loss
FAHfT	Financial assets held for trading
FLAC	Financial liabilities measured at amortized cost

12.31.2015 (12.31.2014) in € thousand	IAS 39 category	Carrying amount	Amortized cost	Fair value through profit or loss	Total	Not covered by IFRS 7	Fair value
Non-current assets							
Investments in associates		184	184		184		
	AfS	(263)	(263)		(263)		
Current assets							
Trade receivables		24,045	24,045		24,045		24,045
	LaR	(18,961)	(18,961)		(18,961)		(18,961)
Receivables from construction contracts		1,470	1,470		1,470		1,470
	LaR	(1,644)	(1,644)		(1,644)		(1,644)
Receivables from associates		23	23		23		23
	LaR	(23)	(23)		(23)		(23)
Financial assets		2,779	121	2,658	2,779		2,779
		(1,009)	(131)	(878)	(1,009)		(1,009)
Financial instruments measured at fair value through profit or loss		1,271		1,271	1,271		1,271
	FVTPL	(608)		(608)	(608)		(608)
Assets held for trading		1,387		1,387	1,387		1,387
	FAHfT	(270)		(270)	(270)		(270)
Loans and receivables		121	121		121		121
	LaR	(131)	(131)		(131)		(131)
Cash and cash equivalents		56,415	56,415		56,415		56,415
	LaR	(46,636)	(46,636)		(46,636)		(46,636)
Non-current debt							
Financial liabilities		4,328	3,614		3,614	714	3,646
	FLAC	(4,483)	(4,483)		(4,483)	(0)	(5,155)
Current debt							
Financial liabilities		3,816	3,799		3,799	17	3,873
	FLAC	(4,634)	(4,634)		(4,634)	(0)	(5,002)
Trade payables		3,436	3,436		3,436		3,436
	FLAC	(2,815)	(2,815)		(2,815)		(2,815)
Liabilities to associates		14	14		14		14
	FLAC	(41)	(41)		(41)		(41)

Investments in associates are allocated to the available-for-sale financial assets category. Pursuant to IAS 39.46 (c), investments in associates have been measured at cost.

The fair value of loans, receivables, and 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 predominantly short-term maturities of loans and receivables and of trade payables and liabilities to associates, their carrying amounts as of the balance sheet date do not deviate significantly from their fair values. The fair value of financial liabilities is determined by discounting future cash flows. Discounting is based on a market interest rate with a congruent term and risk structure.

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

				From subsequent measurement				
2015 in € thousand	IAS 39 category	From investments	From interest	At fair value through profit or loss	Currency translation	Impairment	From disposals	Net result
Available-for-sale financial assets	AfS	0	4	0	0	0	0	4
Loans and receivables	LaR	0	348	0	319	-20	0	646
Financial assets measured at fair value	FVTPL	0	0	663	0	0	0	663
Financial assets held for trading	FAHFT	4	0	117	0	0	0	121
Financial liabilities at amortized cost	FLAC	0	-159	0	55	0	0	-104
Total		**4**	**192**	**780**	**374**	**-20**	**0**	**1,330**

		From subsequent measurement				
2014 in € thousand	From interest and dividends	At fair value through profit or loss	Currency translation	Discounting/compounding	Impairment	From disposals	Net result
Loans and receivables	11		247	67	-270	0	55
Financial assets held for trading	4	158				-37	125
Cash and cash equivalents	145		401				546
Financial liabilities at amortized cost	-188		-1	-30		166	-63
Total	**-28**	**158**	**637**	**37**	**-270**	**129**	**663**

No interest income or interest expenses were generated or incurred in connection with financial instruments measured at fair value through profit or loss. Of the net result for financial instruments measured at fair value, an amount of € 117k has been recognized in other financial income / expenses (previous year: € -7k) and an amount of € 663k (previous year: € 165k) in other operating income. The interest income from impaired financial assets amounts to € 4k (previous year: € 4k). Reference is made to the information in Section C. "Disclosures on the consolidated balance sheet – (8) Financial assets" and with regard to the individual components of net financial expenses to Section D. "Disclosures on the statement of comprehensive income – (23) Net financial expenses".

The income and expenses 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 € 32k (previous year: € 421k) recognized through profit or loss under other operating income. Currency expenses of € 291k (previous year: € 20k) 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 (Fair Value Measurement) 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) he 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.

Any events or changes in circumstances necessitating reclassification to a different measurement level result in reclassification at the end of the respective reporting period.

Financial assets measured at fair value have been allocated to the three input factor levels as follows:

12.31.2015 (12.31.2014) in € thousand	**Total carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Current assets				
Financial assets	2,658			2,658
	(878)			(878)

As in the previous year, no items were reclassified within the three input factor levels in the 2015 financial year.

Information about the fair value measurement of derivative financial instruments recognized under other financial assets can be found in Section C. “Disclosures on the consolidated balance sheet – (8) Financial assets”.

Maturity analysis

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

in € thousand	Carrying amount 12.31.2015	Cash flows 2016		Cash flows 2017		Cash flows 2018 – 2019		Cash flows 2020 et seq.	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities	8,144	87	3,816	58	1,823	53	1,354	24	1,151
Trade payables	3,436	0	3,436	0	0	0	0	0	0
Liabilities to associates	14	0	14	0	0	0	0	0	0
Total	**11,594**	**87**	**7,266**	**58**	**1,823**	**53**	**1,354**	**24**	**1,151**

in € thousand	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	9,117	123	4,634	75	1,234	80	1,564	33	1,685
Trade payables	2,815	0	2,815	0	0	0	0	0	0
Liabilities to associates	41	0	41	0	0	0	0	0	0
Total	**11,973**	**123**	**7,489**	**75**	**1,234**	**80**	**1,564**	**33**	**1,685**

Loans with remaining terms of up to five years charge interest at a weighted average of 2.94% (previous year: 2.59%). Loans with remaining terms of more than five years charge interest at a weighted average of 1,28% (previous year: 0.67%).

H. RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

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

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

Financial instruments could in principle give rise to the following risks for the company:

LIQUIDITY RISKS

For the STRATEC Group, liquidity risks involve the risk of not being able to meet payment obligations due to insufficient cash and cash equivalents. To safeguard the company's solvency, sufficient liquid funds are reserved on the basis of rolling liquidity planning, as are unlimited and limited credit lines.

The STRATEC Group had cash and cash equivalents of €56,415k at the balance sheet date (previous year: €46,636k).

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 and intercompany loan relationships in US dollars. 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" and Section E. "Opportunity and risk report: 4. Risk reporting in respect of 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 € thousand	12.31.2015				12.31.2014		
	GBP	CHF	EUR	USD	GBP	CHF	USD
Cash and cash equivalents	38	9,333	863	0	100	1,783	14,171
Trade receivables and other receivables	0	0	0	0	10	500	2,270
Receivables from associates	477	0	0	0	0	0	12
Trade payables	0	0	0	0	-35	-166	-294
Liabilities to associates	0	0	-1,021	0	0	0	0
Financial liabilities	0	0	0	0	0	-2,079	0
Other liabilities	0	0	0	0	-226	-145	-249
Provisions	0	0	0	0	0	-1,070	-144
Net risk exposure	**515**	**9,333**	**-158**	**0**	**-151**	**-1,177**	**15,766**

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:

in € thousand	12.31.2015				12.31.2014		
	GBP	CHF	EUR	USD	GBP	CHF	USD
Change in currency by +10%							
Change in consolidated net income	-47	-848	14	0	14	107	-1,393
Change in currency by -10%							
Change in consolidated net income	57	1,037	-32	0	-17	-131	1,703

In the 2015 financial year, the translation of transactions with third parties and within intercompany relationships led to the recognition through profit or loss of income from currency translation totaling € 5,081k (previous year: € 3,273k) and expenses for currency translation totaling € 4,701k (previous year: € 600k). 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 following analysis. However, any rise in interest rates would have a positive impact on earnings.

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

in € thousand	2015	2014
Interest-bearing financial assets	20	20
of which with floating interest rates	0	0
of which with fixed interest rates	20	20
Interest-charging financial liabilities	3,614	4,483
of which with floating interest rates	0	1,248
of which with fixed interest rates	3,614	3,235

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. As the STRATEC Group did not have any financial liabilities with floating interest rates at the balance sheet date as of December 31, 2015, it is not necessary to present a sensitivity analysis

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

	Carrying amount	Cash flows 2015		Cash flows 2016		Cash flows 2017 et seq.	
in € thousand	12.31.2014	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 corresponds to the hypothetical impact on earnings in the statement of comprehensive income. As the 3-month LIBOR was below 0.3% at the end of the 2014 financial year, no “downward” sensitivity analysis has been presented.

OTHER PRICE RISKS

The financial assets requiring measurement at fair value are subject to price risks. Had fair values been 10% higher (lower) than their balance sheet date levels, then consolidated net income would have been € 266k (previous year: € 88k) 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 € 130.3 million as of December 31, 2015, as against € 112.1 million at the equivalent date in the previous year. The equity ratio amounted to 82.0% at December 31, 2015 (previous year: 81.3%). The medium-term target corridor for this figure amounts to between 50 percent and 75 percent.

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 2015 financial year, STRATEC AG generated interest income of € 4k from a loan granted to STRATEC Biomedical Inc., Hamden (previous year: € 4k). This loan receivable was 100% impaired as of December 31, 2015 (previous year: 100%). In the 2015 financial year, STRATEC AG generated revenues of € 2k (previous year: € 4k) from transactions with STRATEC Biomedical (Taicang) Co. Ltd. and purchased services of € 427k (previous year: € 396k) from this company.

In the 2014 financial year, STRATEC Biomedical USA, Inc. paid interest of € 6k for a loan received from Sanguin International Inc. The loan was fully repaid as of December 31, 2014.

In the 2014 financial year, STRATEC Biomedical Switzerland AG performed services of € 4k for STRATEC Services AG. Since the 2015 financial year, STRATEC Services AG has been included by way of full consolidation in the consolidated financial statements of STRATEC 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 68k via Hermann Leistner in the financial year under report (previous year: CHF 133k). 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 (Related Party Disclosures) via the Leistner family. In the 2015 financial year, STRATEC AG generated revenues of € 2k from transactions with DITABIS Digital Biomedical Imaging Systems AG (previous year: € 5k). As in the previous year, the company had no receivables due from or liabilities due to DITABIS Digital Biomedical Imaging Systems AG at the balance sheet date. In the financial year under report, STRATEC AG generated no revenues from transactions with LITRON GmbH (previous year: € 8k) and purchased no services from this company (previous year: € 2k). As in the previous year, the company had no receivables due from or liabilities due to LITRON GmbH at the balance sheet date. Services were performed on customary contractual conditions.

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)
Graduate in Chemistry

The Chairman of the Board of Management, Marcus Wolfinger, is authorized to solely represent the company.

Marcus Wolfinger has been a member of the management of STRATEC Capital GmbH since November 2015. Dr. Robert Siegle has been a member of the management of STRATEC Molecular GmbH since December 2012, a member of the Administrative Board of STRATEC Biomedical Switzerland AG since March 2014, and a member of the Administrative Board at STRATEC Services AG since November 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) can be found in Section G. "Compensation report" in the group management report.

Moreover, members of the Board of Management are entitled to participate in the stock option program subject to the limitation that no further stock options may be granted to them from the 2015 financial year onwards. Among other conditions, the exercising of the options is dependent on the achievement of performance targets outlined in greater detail in Section C. "Disclosures on the consolidated balance sheet – (10) Shareholders' equity – Stock option programs". Rather than being granted stock options, members of the Board of Management now receive stock appreciation rights (SARs). Detailed information about the structure of this program can be found in Section F "Compensation report" in the group management report.

The members of the Board of Management received total compensation of € 1,874k for their activity on the Board of Management in the 2015 financial year (previous year: € 1,572k). As of December 31, 2015, the net balance of performance-related payments outstanding for members of the Board of Management amounted to € 1,788k (previous year: € 832k).

Members of the Board of Management were not granted any stock options in the 2015 financial year. In the 2014 financial year, a total of 40,000 stock options with an average exercise price of € 31.87 and an arithmetical total value of € 145k were issued to members of the Board of Management. No stock options were issued to former members of the Board of Management in the 2014 financial year.

One former member of the Board of Management received total compensation of € 318k in the 2015 financial year (previous year: € 220k).

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 Care Innovation, Fresenius Medical Care Deutschland GmbH

Prof. Dr. Stefanie Remmele, Landshut
Professor of Medical Technology at the University of Applied Sciences in Landshut

No Supervisory Board members hold positions on any other supervisory boards or supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG).

The Supervisory Board members received total compensation of € 128k in the 2015 financial year for their activities on the Supervisory Board (previous year: € 128k). The specific structure of overall compensation was as follows:

in € thousand	2015	2014
Fixed compensation	113	115
Meeting allowance	15	13
Total	**128**	**128**

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 € 76,948k (previous year: € 50,468k). Of this total, € 350k relates to property, plant and equipment (previous year: € 551k), and € 14k to intangible assets (previous year: € 0k).

The rental and leasing contracts for buildings, vehicles, and office and other equipment have terms of up to 5.5 years. The leasing contracts provide for conditional leasing payments dependent on the number of kilometers traveled or the number of copies made. Payments of € 954k were made for rental and leasing contracts in the 2015 financial year (previous year: € 954k). The contracts provide for extension and purchase options in some cases.

The income and expenses recognized for rental and leasing contracts are structured as follows:

in € thousand	2015	2014
Minimum leasing payments	954	954
Conditional leasing payments	3	0
Less leasing income from subletting arrangements	-446	0
Total	**511**	**954**

Undiscounted future minimum leasing and rental payments in connection with operating leases amounted to € 3,362k as of the balance sheet date (previous year: € 2,270k). One key individual item within operating leases is the rental agreement for the company building used by STRATEC Biomedical USA, Inc. This rental agreement had a remaining term of 4.5 years at the balance sheet date. No price adjustment clauses or extension and purchase options have been agreed.

The future leasing payments resulting from the rental agreement for the company building used by STRATEC Biomedical USA, Inc. are structured as follows:

in € thousand	2015	2014
Future minimum leasing payments		
Due within one year	335	336
Due in between one and five years	1,175	1,344
Due in more than five years	0	168
Total future minimum leasing payments	1,510	1,848
Less leasing income from subletting arrangements	-446	0
Net minimum leasing payments	**1,064**	**1,848**

Part of the company building used by STRATEC Biomedical USA, Inc. was sublet in the 2015 financial year. The subletting arrangement had a remaining term of 4.5 years at the balance sheet date. No price adjustment clauses or extension and purchase options have been agreed.

The future leasing payments due to be received from the subletting contract for the company building used by STRATEC Biomedical USA, Inc. are structured as follows:

in € thousand	2015	2014
Future minimum leasing payments		
Due within one year	99	0
Due in between one and five years	347	0
Due in more than five years	0	0
Total future minimum leasing payments	**446**	**0**

STRATEC AG lets out sections of some properties recognized under property, plant and equipment. Future leasing payments from non-terminable rental agreements are structured as follows:

in € thousand	2015	2014
Future minimum leasing payments		
Due within one year	74	74
Due in between one and five years	53	106
Due in more than five years	0	0
Total future minimum leasing payments	**126**	**179**

Other financial payment obligations mature as follows:

in € thousand	2015	2014
Due within one year	62,591	46,498
of which for operating leases	950	645
Due within one and five years	17,694	6,072
of which for operating leases	1,830	1,458
Due in more than five years	582	168
of which for operating leases	582	168
Total	**80,921**	**52,738**
of which for operating leases	3,362	2,271

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

CONTINGENT RECEIVABLES AND LIABILITIES

As in the previous year, the Group has no contingent receivables or liabilities.

DISCLOSURES PURSUANT TO § 160 (1) NO. 8 AKTG

STRATEC Biomedical AG received the following voting right notifications pursuant to § 21 of the German Securities Trading act (WpHG):

Notification dated January 19, 2015

BNP Paribas Investment Partners S.A., Paris, France notified us pursuant to § 21 (1) WpHG on January 15, 2015, that on January 15, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE0007289001 exceeded the threshold of 3% and that the percentage of voting rights on that day amounted to 3.02% (356,478 voting rights).

Of these voting rights 3.02% (356,478 voting rights) are attributable to BNP Paribas Investment Partners S.A., pursuant to § 22 (1) Sentence 1, No. 1 WpHG.

Also, of these voting rights 2.95% (347,651 voting rights) are attributable to BNP Paribas Investment Partners S.A., pursuant to § 22 (1) Sentence 1, No 6 in connection with Sentence 2 WpHG.

Notification dated April 7, 2015

1. BNP Paribas Investment Partners UK Limited

BNP Paribas Investment Partners UK Limited, London, UK, notified us pursuant to § 21 (1) WpHG on March 31, 2015, that on March 30, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE0007289001 exceeded the threshold of 3% and that the percentage of voting rights on that day amounted to 3.06% (360,672 voting rights). BNP Paribas Investment Partners UK Limited has notified us that these voting rights of 3.06% (360,672 voting rights) are attributable to BNP Paribas Investment Partners UK Limited pursuant to § 22 (1) Sentence 1; No. 6 WpHG.

The voting rights were attributed to BNP Paribas Investment Partners UK Limited inter alia from BNP Paribas Investment Partners Belgium S.A., being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

2. BNP Paribas Investment Partners Belgium S.A.
BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium, notified us pursuant to § 21 (1) WpHG on March 31, 2015, that on March 30, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE0007289001 exceeded the threshold of 3% and that the percentage of voting rights on that day amounted to 3.06% (360,672 voting rights).

Notification dated April 16, 2015

1. Allianz Asset Management AG
Allianz SE, Munich, Germany, notified us pursuant to § 21 (1) in conjunction with § 24 WpHG that the share of voting rights held by Allianz Asset Management AG, Munich, Germany, in STRATEC Biomedical AG, Birkenfeld, Germany, fell below the thresholds of 5% and 3% on April 7, 2015 and amounted to 0.29% (33,846 voting rights). These voting rights are attributed pursuant to § 22 (1) Sentence 1, No. 6 in conjunction with Sentence 2 WpHG.

2. Allianz Global Investors GmbH
Allianz SE, Munich, Germany, notified us pursuant to § 21 (1) in conjunction with § 24 of the German Securities Trading Act (WpHG) that the share of voting rights held by Allianz Global Investors GmbH, Munich, Germany, in STRATEC Biomedical AG, Birkenfeld, Germany, fell below the thresholds of 5% and 3% on April 7, 2015 and amounted to 0.33% (39,430 voting rights). 0.30% (35,380 voting rights) are attributed pursuant to § 22 (1) Sentence 1, No. 6 of the German Securities Trading Act (WpHG).

Notification dated July 8, 2015
Ameriprise International Holdings GmbH, Zug, Switzerland, notified us on July 3, 2015 pursuant to § 21 (1) WpHG that on June 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE0007289001, exceeded the threshold of 3% and amounted on that day to 4.87% (575,168 voting rights). Pursuant to § 22 (1) Sentence 1, No. 6 WpHG, all voting rights are attributable to Threadneedle Investment Funds ICVC.

Notification dated July 8, 2015

Correction of the release dated July 8, 2015
Ameriprise International Holdings GmbH, Zug, Switzerland, notified us on July 3, 2015 pursuant to § 21 (1) WpHG that on June 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE0007289001, exceeded the threshold of 3% and amounted on that day to 4.87% (575,168 voting rights). The voting rights are attributable pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG. Shareholder whose voting rights are attributed and equal or exceed 3%: Threadneedle Investment Funds ICVC.

Notification dated July 24, 2015

1. Oppenheimer Acquisition Corp.
On July 21, 2015, Oppenheimer Acquisition Corp., New York, NY, USA has informed us according to § 21 (1) WpHG that via shares its voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, fell below the 3% threshold of the voting rights on July 21, 2015 and on that day amounted to 0% (this corresponds to 0 voting rights). There is no attribution of voting rights pursuant to § 29a (3) WpHG and § 94 (4) KAGB.

2. MM Asset Management Holding LLC
On July 21, 2015, MM Asset Management Holding LLC, Springfield, MA, USA informed us according to § 21 (1) WpHG that via shares its voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, fell below the 3% threshold of the voting rights on July 21, 2015 and on that day amounted to 0% (this corresponds to 0 voting rights). There is no attribution of voting rights pursuant to § 29a (3) WpHG and § 94 (4) KAGB.

3. MassMutual Holding LLC
On July 21, 2015, MassMutual Holding LLC, Springfield, MA, USA informed us according to § 21 (1) WpHG that via shares its voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, fell below the 3% threshold of the voting rights on July 21, 2015 and on that day amounted to 0% (this corresponds to 0 voting rights). There is no attribution of voting rights pursuant to § 29a (3) WpHG and § 94 (4) KAGB.

4. Massachusetts Mutual Life Insurance Company
On July 21, 2015, Massachusetts Mutual Life Insurance Company, Springfield, MA, USA informed us according to § 21 (1) WpHG that via shares its voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, fell below the 3% threshold of the voting rights on July 21, 2015 and on that day amounted to 0% (this corresponds to 0 voting rights). There is no attribution of voting rights pursuant to § 29a (3) WpHG and § 94 (4) KAGB.

Notification dated November 9, 2015

1. Ameriprise Financial, Inc.
Ameriprise Financial, Inc., Minneapolis, Minnesota, USA, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 exceeded the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). Ameriprise Financial, Inc. notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to Ameriprise Financial, Inc. pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG.

The voting rights were attributed to Ameriprise Financial, Inc. inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

2. Threadneedle Asset Management Holdings SARL
Threadneedle Asset Management Holdings SARL, Luxembourg, Luxembourg, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 exceeded the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). Threadneedle Asset Management Holdings SARL notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to Threadneedle Asset Management Holdings SARL pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG.

The voting rights were attributed to Threadneedle Asset Management Holdings SARL inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

3. Threadneedle Holdings Limited
Threadneedle Holdings Limited, London, UK, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 exceeded the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). Threadneedle Holdings Limited notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to Threadneedle Holdings Limited pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG.

The voting rights were attributed to Threadneedle Holdings Limited inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

4. TAM UK Holdings Limited
TAM UK Holdings Limited, London, UK, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 exceeded the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). TAM UK Holdings Limited notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to TAM UK Holdings Limited pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG.

The voting rights were attributed to TAM UK Holdings Limited inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

5. Threadneedle Asset Management Holdings Limited
Threadneedle Asset Management Holdings Limited, London, UK, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 went above the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). Threadneedle Asset Management Holdings Limited notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to Threadneedle Asset Management Holdings Limited pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG.

The voting rights were attributed to Threadneedle Asset Management Holdings Limited inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

6. TC Financing Limited
TC Financing Limited, London, UK, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 exceeded the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). TC Financing Limited notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to TC Financing Limited pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG.

The voting rights were attributed to TC Financing Limited inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

7. Threadneedle Asset Management Limited
Threadneedle Asset Management Limited, London, UK, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 exceeded the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). Threadneedle Asset Management Limited notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to Threadneedle Asset Management Limited pursuant to § 22 (1) Sentence 1, No. 6 WpHG.

The voting rights were attributed to Threadneedle Asset Management Limited inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

8. Ameriprise International Holdings GmbH

Ameriprise International Holdings GmbH, Zug, Switzerland, notified us pursuant to § 21 (1) WpHG on November 2, 2015, that on October 29, 2015 the share of voting rights in STRATEC Biomedical AG, Birkenfeld, Germany, ISIN: DE000STRA555 exceeded the threshold of 5% and that the percentage of voting rights on that day amounted to 5.0003% (592,361 voting rights). Ameriprise International Holdings GmbH notified us that these voting rights of 5.0003% (592,361 voting rights) are attributable to Ameriprise International Holdings GmbH pursuant to § 22 (1) Sentence 1, No. 6 in connection with Sentence 2 WpHG.

The voting rights were attributed to Ameriprise International Holdings GmbH inter alia from Threadneedle Investment Funds ICVC, being a shareholder holding 3% or more of the voting rights in STRATEC Biomedical AG.

EVENTS AFTER THE BALANCE SHEET DATE

By way of an ad-hoc release published on March 15, 2016, STRATEC corrected its medium-term forecast and in particular the market expectations derived on that basis. Accordingly, the medium-term sales outlook, which previously provided for growth of more than 8% accompanied by rising profitability, was adjusted to growth of around 6%. For the 2016 financial year, sales are expected to amount to between € 150 million and € 154 million, with an EBIT margin at around the previous year's level. The correction in the medium-term outlook was triggered by reductions in orders and in call-up forecasts and expectations with reference to the more difficult economic climate, particularly in specific regions.

On March 23, 2016, STRATEC and The Riverside Company, a private equity company based in New York and Cleveland, US, announced by ad-hoc release that they had reached agreement for STRATEC to acquire 100% of Diatron MI PLC, based in Budapest, Hungary, its US affiliate Diatron US Inc., based in Delaware, US, and the superordinate holding structure, comprising Medical Analyzers Holding GmbH, based in Zug, Switzerland, and RE Medical Analyzers LUX 2 S.à.r.l., based in Luxembourg. The takeover was executed on March 31, 2016 with retrospective effect as of January 1, 2016.

The Diatron Group produces analyzer systems and complementary products, such as consumables and services, for use in human and veterinary diagnostics and supplies these to more than 100 countries. Its customers include prestigious life science companies with global operations. Based on pro-forma consolidated financial statements, the Diatron Group generated sales equivalent to around € 34 million in the past financial year and had around 200 employees at locations in Hungary and the US. The transaction was based on an overall company valuation of around twice its sales.

With this takeover of the Diatron Group, a highly innovative OEM supplier, STRATEC is extending its product and customer range in the field of hematology. Synergies between STRATEC and the Diatron Group will arise in terms of development, the supply chain, and production.

The date on which the Diatron Group was acquired was after the balance sheet date and prior to approval of STRATEC's consolidated financial statements for publication. However, the initial consolidation was not yet complete upon this approval. Specifically, no data is yet available from the preliminary purchase price allocation, as the takeover was only executed as of March 31, 2016. To this extent, application has been made of the relief provided in IFRS 3.B66.

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) has been submitted by the Board of Management and Supervisory Board of STRATEC AG and has been made permanently available to shareholders in the Investors section of the company's website (www.stratec.com).

Birkenfeld, April 4, 2016

STRATEC Biomedical AG

The Board of Management

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

RESPONSIBILITY STATEMENT

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

Birkenfeld, April 4, 2016

STRATEC Biomedical AG

The Board of Management

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

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STRATEC Biomedical AG, Birkenfeld, comprising the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows, segment reporting and the notes to the consolidated financial statements, together with the Group Management report, of STRATEC Biomedical AG, for the financial year from January 01 to December 31, 2015. The preparation of the consolidated financial statements and Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB and supplementary provisions of the articles of association is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the combined Management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit in a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements and in the combined Management report in accordance with the applicable financial reporting framework are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the combined Management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by Management as well as evaluating the overall presentation of the consolidated financial statements and the combined Management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to sect 315a (1) HGB and supplementary articles of association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined Management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, April 4, 2016

Ebner Stolz GmbH & Co. KG
Chartered Accountants
Tax Consultants

Christian Fuchs
Chartered Accountant

Linda Schwachulla
Chartered Accountant

FINANCIAL CALENDAR 2016

April 14, 2016	Annual Financial Report 2015
April 26, 2016	Quarterly Statement (Q1/2016)
June 9, 2016	Annual General Meeting, Pforzheim, Germany
July 21, 2016	Half-yearly Financial Report (Q2/2016)
October 27, 2016	Quarterly Statement (Q3/2016)
November 21–23, 2016	German Equity Forum, Frankfurt/Main, Germany

Subject to amendment

The German Securities Trading Act (§ 15 WpHG) obliges issuers to publish without delay any information with the potential to materially influence their share prices. The company might therefore publish its quarterly and annual results ahead of the aforementioned dates.

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Notice

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

This annual report contains various disclosures that from an economic point of view are not required by the relevant accounting standards. These disclosures should be regarded as a supplement, rather than a substitute for the IFRS disclosures.

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

This annual report is available in both German and English. Both versions can be downloaded from the company's website at www.stratec.com. In the event of any discrepancies between the two, the German report is the definitive version.

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