

2011

ANNUAL REPORT

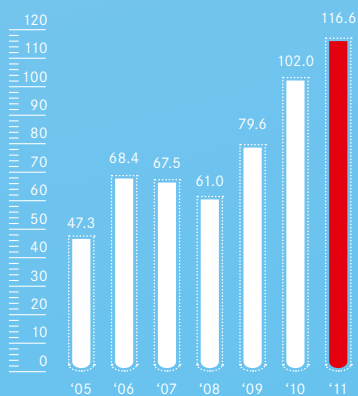


# LOCATIONS

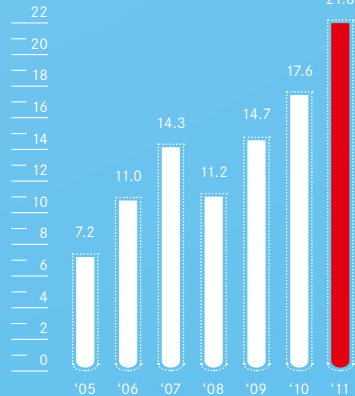


## KEY FIGURES AT A GLANCE

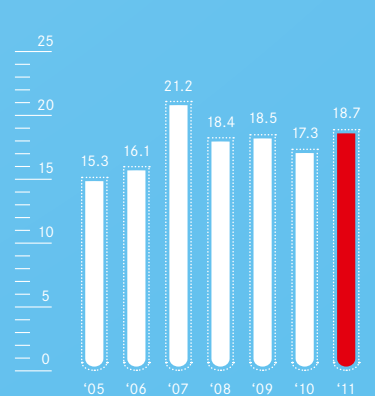
Sales in € million



EBIT in € million

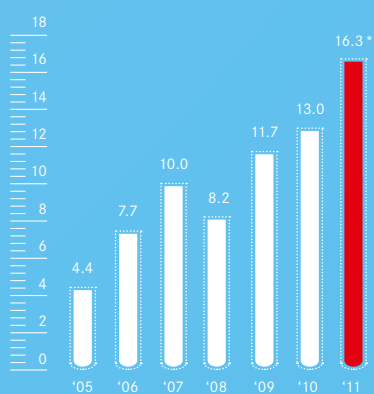


EBIT margin in %

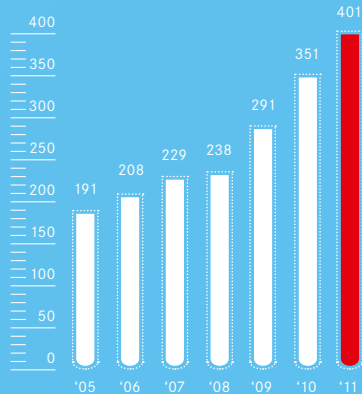




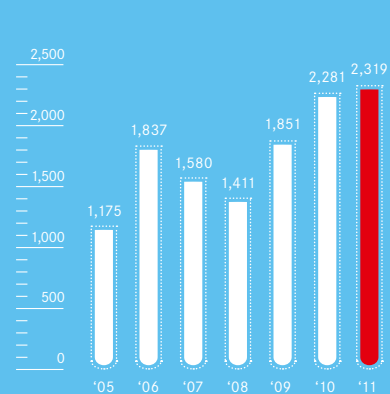
Consolidated net income in € million



Employees (annual average)



Analyzer systems delivered



\* excluding a one-off item in 2011 resulting from routine tax audit for 2005 to 2008 financial years. Including this item, "Consolidated net income" in 2011 amounts to € 15.3 million.

# 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 FULFIL 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.



# REPORT OF THE BOARD OF MANAGEMENT

Dear Shareholders,  
Dear Friends and Partners of STRATEC,

We look back on a successful financial year 2011, one in which we reached the targets we set ourselves and introduced a company structure adapted to the growth we have seen over the past two years and aligned towards that expected in the coming years.

STRATEC now works on behalf of its partners with 500 employees in five different countries, at six locations. We have created a strong internal structure that enables us to offer our services at high levels of cost efficiency and within optimized development and production schedules. Given the continuous growth in the number of systems delivered, and the ever stricter standards placed in system development quality, we have analyzed our logistics and production processes and further optimized these in cooperation with our suppliers. This also involved integrating our subsidiaries more closely within the STRATEC Group and its work processes. Furthermore, we have set ourselves the goal of continuing to be the dynamic, reliable and economically attractive partner our customers have come to expect by achieving major development milestones, coupled with innovative solutions, thus providing a key contribution to their success. Alongside these strategically important measures, we also delivered solid double-digit percentage growth in our sales and earnings.

On an operating level the 2011 financial year was very positive. Although some of our customers reported temporary declines in the number of diagnostics tests performed, this did not have any significant impact on the number of systems we supplied – reaching a new record of 2,319 systems. Our sales grew by 14.3% in 2011 compared with 2010, itself already a record year. Some of our customers' recent market launches will lead to substantial sales contributions in the course of 2012 and 2013 due to the different periods of approval by the respective authorities. Viewed over a longer period, STRATEC has also performed strongly, with average annual sales growth of 24% since the 2000 financial year. In addition, based on the projects in development, as well as on our customers' statements and the promising talks we are holding for new contracts, we expect to generate clear double-digit growth in the coming years.

We would like our shareholders to participate in the company's positive performance by further raising our dividend. We are therefore proposing a dividend of € 0.55 per share for approval by the Annual General Meeting. Given this increased distribution, we nevertheless have ensured that we still have sufficient liquid funds available at the company to enable us to react flexibly at all times to any growth opportunities that may arise.



**Marcus Wolfinger** (44),  
Chairman of the  
Board of Management  
(centre)

**Dr. Robert Siegle** (44),  
Member of the  
Board of Management,  
Human Resources,  
Compliance and  
Legal Affairs  
(left)

**Bernd M. Steidle** (58),  
Member of the  
Board of Management,  
Marketing and Sales  
(right)

The in-vitro diagnostics industry is currently undergoing a continuous change in which leading global players are increasingly focusing on their core competencies and outsourcing automation solutions that until recently still formed part of their own core businesses. As one of the few companies worldwide able to offer proven solutions and innovative technologies from a single source, and covering the entire value chain, STRATEC is superbly placed for this development in the industry. We already demonstrate this ability on a daily basis on behalf of global in-vitro diagnostics leaders. We see these new requirements as an opportunity for us to demonstrate our competence and motivation, and to do so faster, better and more innovatively than our competitors. We thank you on behalf of the entire company for the trust you have placed in us and would be delighted if you – our shareholders, customers and partners – would continue to accompany us on this exciting journey.

Birkenfeld, March 2012

The Board of Management of  
STRATEC Biomedical AG

Marcus Wolfinger

Dr. Robert Siegle

Bernd M. Steidle



# REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the 2011 financial year, the Supervisory Board accompanied and advised the Board of Management in its running of the company, supervising its management and performing the duties required by law, the Articles of Association, its Code of Procedure and the German Corporate Governance Code. The Supervisory Board was directly involved in all decisions or measures of fundamental significance, particularly relating to the corporate strategy, group-related matters and the net asset, financial and earnings position of the company and the Group, as well as in those transactions requiring its approval listed in the relevant catalog in the Code of Procedure for the Board of Management. The Board of Management provided the Supervisory Board with regular, timely and comprehensive written and oral information concerning all issues of relevance to the company.

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

## **Meetings and focus of deliberations**

Alongside the four scheduled meetings held on February 25, 2011, June 27, 2011, September 23, 2011, and December 13, 2011, at which the Supervisory Board dealt in particular with the risk handbook, compliance management, the Group's sales and earnings performance, its financial position, the status of individual development projects at the company and the Group, deliberations concerning the subsidiaries, the company's organizational structure, and the implications of new legislative requirements, the Supervisory Board also held unscheduled meetings, two of which by telephone conference.

At its unscheduled meeting on May 20, 2011, the Supervisory Board reallocated responsibilities within the Board and dealt in particular with the development of the company's strategy.

At the telephone conference on October 13, 2011, the Supervisory Board approved the agreement aimed at by the Board of Management with the fiscal authorities concerning the routine external tax audit for the 2005 to 2008 financial years.

At the telephone conference on November 11, 2011, the Supervisory Board approved the adjustment and amendment of the company's Articles of Association to account for shares issued for subscription within existing stock option programs in 2011.

Moreover, at its scheduled meeting on February 25, 2011, 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 2010 financial year. It approved the agenda for the Annual General Meeting on April 14, 2011, and endorsed the proposal made by the Board of Management concerning the distribution of a dividend of € 0.50 per ordinary bearer share with dividend entitlement.





**Fred K. Brückner** (69),  
Chairman of the  
Supervisory Board  
(middle)

**Wolfgang Wehmeyer** (53),  
Deputy Chairman of the  
Supervisory Board  
(left)

**Prof. Dr. Hugo Hämmerle** (60),  
Member of the  
Supervisory Board  
(right)

### Corporate governance and Declaration of Conformity

Furthermore, at its meeting on December 13, 2011, the Supervisory Board addressed the German Corporate Governance Code in its version dated May 26, 2010. To monitor compliance with the German Corporate Governance Code, the Supervisory Board reviewed implementation of the recommendations at STRATEC Biomedical AG and the efficiency of its own work. This resulted in the Supervisory Board and Board of Management renewing their Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) on this date and making this permanently available to shareholders at the company's homepage.

### Committees

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

### **Composition of the Board of Management and Supervisory Board**

The change previously announced and already prepared in the composition of the Board of Management took effect as of April 1, 2011. Given the decision on the part of Hermann Leistner to retire from his active role after more than 30 years, most recently as Chairman of the Board of Management, and to conclude his professional career at STRATEC Biomedical AG, at its unscheduled meeting on December 9, 2010 the Supervisory Board decided to appoint Marcus Wolfinger, already a member of the Board of Management for the previous eleven years, to be Chairman of the Board of Management as of April 1, 2011. Furthermore, the Supervisory Board resolved to supplement the Board of Management by appointing Dr. Robert Siegle, Deputy Chairman of the Supervisory Board upon the adoption of the resolution, to the Board of Management as of February 1, 2011. Dr. Robert Siegle then retired from his position on the Supervisory Board as of December 31, 2010. On January 21, 2011, Mannheim District Court appointed Wolfgang Wehmeyer, Senior Vice President International Marketing & Medicine at the DAX company Fresenius Medical Care, to succeed Dr. Robert Siegle on the Supervisory Board. The Annual General Meeting on April 14, 2011 confirmed Wolfgang Wehmeyer as a member of the Supervisory Board and elected him through to the conclusion of the 2014 election period. Within the Supervisory Board, he has assumed the roles of Deputy Chairman and of independent financial expert. Fred K. Brückner is still Supervisory Board Chairman.

The Supervisory Board is exceptionally grateful to Hermann Leistner for his outstanding record of service to the company, his unfailing commitment, and the many years of working together on a basis of trust, and is delighted that he will continue to accompany STRATEC in an advisory capacity.

### **Audit of annual and consolidated financial statements for 2010 financial year**

Based on the resolution adopted by the Annual General Meeting on April 14, 2011, the Supervisory Board appointed Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, to conduct the audit of the annual and consolidated financial statements for the 2011 financial year. The audit included the annual financial statements of STRATEC Biomedical AG prepared pursuant to German commercial law and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as well as the management reports of STRATEC Biomedical AG and the Group.

The annual financial statements and management report of STRATEC Biomedical AG based on German commercial law, the consolidated financial statements and group management report prepared on the basis of IFRS for the 2011 financial year, and the company's accounts were audited by the auditor, Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, and provided in each case with an unqualified audit opinion. The auditor confirmed that the consolidated financial statements and group management report prepared in accordance with IFRS were consistent with IFRS regulations as applicable in the EU and with the provisions of commercial law requiring supplementary application pursuant to § 315 a (1) of the German Commercial Code (HGB), and that the Board of Management had introduced an effective risk management system consistent with legal requirements. The auditor performed its audit taking due account of the principles of proper auditing promulgated by the German Institute of Auditors (IDW).

The financial statements and management reports were discussed in detail at the meeting of the Supervisory Board on March 19, 2012. This meeting was attended by the auditor, who reported on the audit and answered all questions on the part of the Supervisory Board. Moreover, the year-on-year variances in items in the balance sheet and income statement were discussed in detail.

Following its own examination, the Supervisory Board raised no objections to the financial statements and management reports thereby presented and, based on the conclusive results of its own audit, concurred with the findings of the auditor. The Supervisory Board approved the annual financial statements and management report prepared by the Board of Management, as well as the consolidated financial statements and group management report of STRATEC Biomedical AG prepared by the Board of Management for the 2011 financial year. The annual financial statements of STRATEC Biomedical AG are thus adopted. The Supervisory Board concurs in its assessment of the situation of the company and the Group with the presentation of such by the Board of Management in the management report and group management report.

Following its own review, the Supervisory Board also endorses the Board of Management's proposal in respect of the appropriation of profits.

At its meeting on March 19, 2012, the Supervisory Board addressed the disclosures required by § 289 (4) and § 315 (4) of the German Commercial Code (HGB) and the report on these disclosures in the group management report. Reference is made to the corresponding comments in the group management report, Section 14 "Supplementary disclosures in accordance with the Takeover Directive Implementing Act of July 8, 2006". These comments have been audited and adopted by the Supervisory Board.

### Thanks of the Supervisory Board

The Supervisory Board would like to thank the Board of Management, the management teams and all employees at the companies of the STRATEC Group for their great personal dedication and their successful work in the past year.

Birkenfeld, March 19, 2012

On behalf of the Supervisory Board

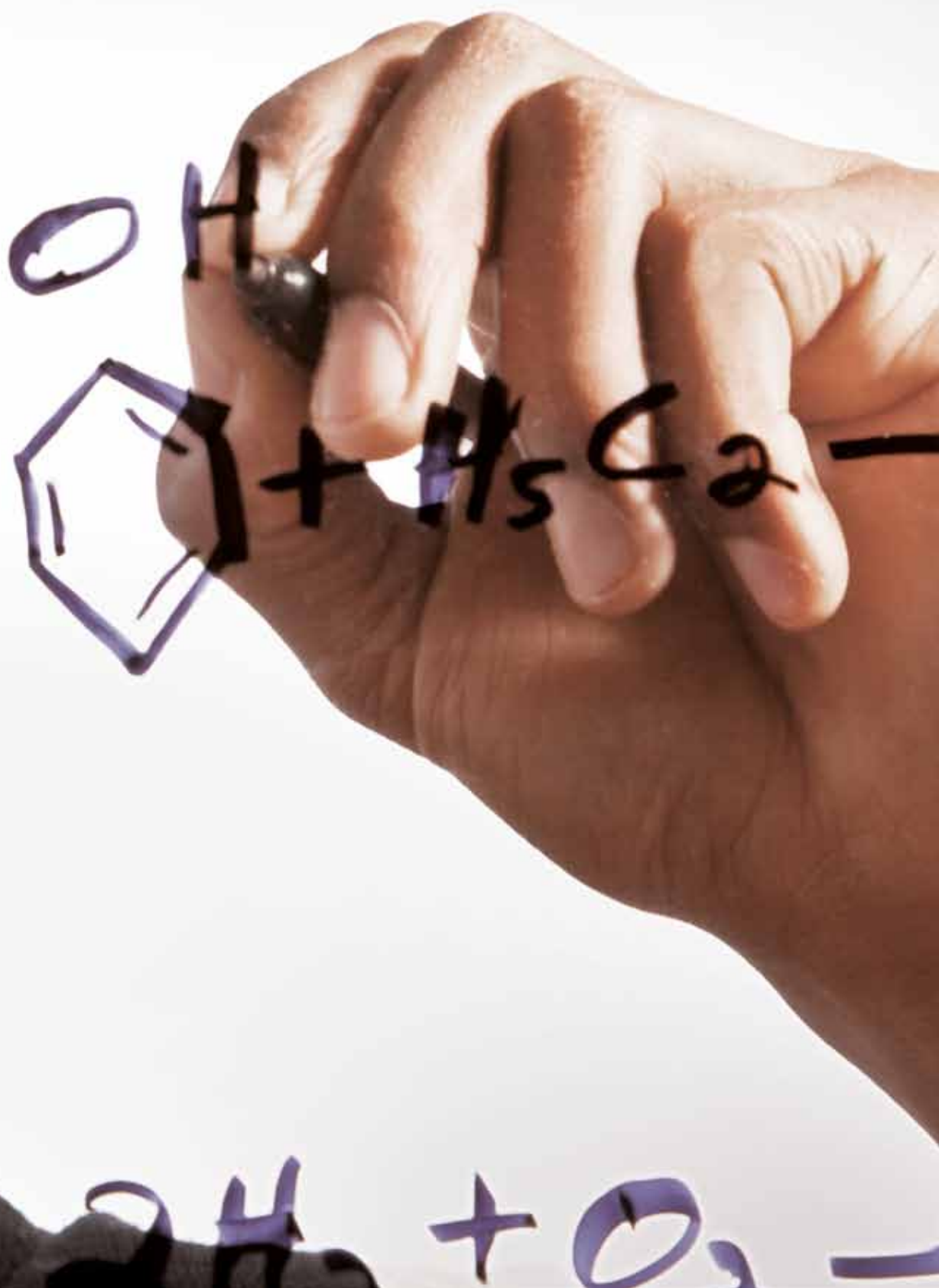


Fred K. Brückner  
Chairman





# THE DEVELOPMENT OF AN ANALYZER SYSTEM



The global in-vitro diagnostics (IVD) market is dominated by the ten top diagnostics companies, which account for around 85% of the market. This high degree of concentration means that any changes arising in the market, such as trends towards new testing methods or new technologies, can generally be recognized at an early stage. Newly developed tests and technological innovations are leading to the establishment of novel diagnostics methods, such as molecular diagnostics and cellular diagnostics. These in turn are opening up wholly new possibilities of detecting and monitoring diseases. This transformation is being accelerated by companies focusing on developing and optimizing innovative technologies.

In their early days, in-vitro diagnostics tests were generally performed manually. In the second half of the last century, methods automating individual steps of the testing process became increasingly established. Over time, this not only improved the efficiency and reliability of the results, it also made it safer for the laboratory staff performing the tests to handle some of the infectious samples involved, including viruses such as HIV or bird flu.

## **MORE THAN 10,000 STRATEC ANALYZER SYSTEMS WORLDWIDE NOW DELIVER MORE THAN 2,000,000 DIAGNOSTICS RESULTS EVERY DAY**



Today, the great majority of IVD tests are performed using fully automated methods. The benefits in terms of efficiency and safety, coupled with increasingly strict market regulation, have increased the pressure on providers to convert any tests still performed semi-manually to fully automated processes. Whereas most leading global diagnostics companies originally developed their own systems and automation solutions for their tests internally, the landscape is now changing and such systems are gradually being outsourced to external partners specializing in this field.

Companies such as STRATEC develop and optimize methods and technologies for virtually all in-vitro diagnostic applications, offering the potential for increasingly precise and meaningful diagnostics results. IVD companies in turn are increasingly focusing on researching, developing and optimizing the reagents used to perform the tests, as well as on global market access and service for their customers.

The following example, illustrating STRATEC's cooperation with a potential partner, outlines the development of a new system with a company previously inexperienced in the field of instrumentation. In practice, and depending on the use of existing technology components, such development activity usually lasts between two and four years.







A young, innovative diagnostics company has made great progress in developing reagents designed to detect specific viruses in humans, and has received promising feedback from potential partners and key opinion leaders. The highly complex existing manual test method is now to be reviewed in terms of its potential for automation, in order to allow widespread adoption and commercialization.

During a visit to the company, the processes and results of the newly developed reagents are presented to STRATEC. Both companies are convinced of the potential for successfully commercializing the test menu and decide to undertake a joint project feasibility review. Here, the customer's science specialists present the various steps involved in the test process.

A group of STRATEC experts, consisting of employees from the relevant construction, mechanics, development, electronics, software, biochemistry, quality management and documentation departments, verifies the individual work steps in terms of their capacity for automation. During this process, the partners jointly compile an Assay Protocol. This sets out the specific steps necessary to prepare samples, perform the test and measure the final results, and stipulates in detail how these steps should be performed. Among other factors, this includes specifying the frequency and duration of individual process steps and laying down subsequent framework conditions, such as temperature or the volume of respective reagents.

## **MORE THAN 80 EMPLOYEES WORK IN THE PROJECT TEAMS IN THE COURSE OF A SYSTEM DEVELOPMENT PROJECT**

A typical process flowchart might involve the following steps, which could also be carried out in a different order with some steps being repeated several times: purification, centrifuging, separating, washing, pipetting, shaking, incubating and measuring. Once these steps have been documented, the framework conditions for target users, the actual end users of the analyzer system in laboratories, are laid down in the User Protocol. Here, a distinction is made between analyzer systems dealing, for example, with time-critical test parameters (such as those relevant for stroke patients, which will be used on the patient directly at the "point of need" in the emergency room) or analyzer systems destined for use in large laboratories, blood banks or central hospitals (where individual processing times play a less important role and the cost per test result is the key factor). System development requirements, such as hourly test throughput rate, system size, usability, or number of samples and reagents per appliance load, are then determined in line with these factors.

In the next stage, the customer's employees work together with STRATEC's experts to compile a reagents and consumables concept. The reagents concept sets out the definitions and specifications of the different types of reagents to be used in subsequent tests. On the one hand, these include specific reagents, such as the antibodies used to trigger the test reaction. On the other hand, virtually all IVD tests also work with generic reagents, such as those used to purify or stabilize samples. Depending on the required field of application, it is important to determine the type, volume, qualities and even the packaging unit of the respective reagents when compiling this concept to ensure that they can be put to error-free, user-friendly and commercially viable use further down the line.

A similar procedure is adopted for consumables, such as pipettes, reaction vessels, and canisters, whose type, qualities and volumes are already being defined during this stage. Here, it must be decided whether these items should be developed internally, or whether it would make more sense to procure cheaper, mass-produced products from external suppliers.

Based on the relevant assay and marketing requirements, and drawing on the insights gained during the concept design stage, STRATEC then supports its customer in compiling a Product Design Requirement (PDR). This describes the process steps and system architecture in detail. On this basis, STRATEC develops detailed specifications and requirements presenting the logical configuration of the modules. These then serve as a basis for later development work. Due account is taken both of the process steps and of the framework conditions such as the target throughput rate. While compiling the PDR, the partners often perform feasibility studies to prove the viability of the insights gained to date and to exclude technological risks from the outset.

## 60 MAN-YEARS OF SOFTWARE DEVELOPMENT THROUGH TO MARKET LAUNCH

During this stage, the key data is defined and ready for the development and supply agreement to be concluded by the two companies. STRATEC's longstanding experience, and the modular nature of the technologies to be used, means that it is already in a position to stipulate the development timeframe, development budget and subsequent transfer price of the individual systems. These figures then serve as a basis for the partners to negotiate the contractual contents and sign the agreement.









The actual system development process can be subdivided into three stages – prototype creation, validation unit construction, and serial system production. In the first stage – prototype creation – the individual modules, sub-units and processes are identified and allocated to the relevant groups of specialists. Corresponding expert teams and project teams are then established. For technologies due to be newly developed, so-called breadboards are produced. These represent very early prototypes enabling the technical feasibility of individual process steps to be tested and continually optimized. By linking up several breadboards, the teams can then portray the entire process chain and simulate the overall architecture of the subsequent systems.

One key factor in successful development, and at the same time one of the greatest challenges, involves coordinating the interaction of the relevant hardware, software and reagents processes. This system integration, a crucial stage within the overall process, requires the two partners to cooperate very closely. Specialists from both companies work together on further developing the assays to prepare them for the automation process, and to optimize them by drawing on the insights gained to date. Here the chemical reactions are integrated into the hardware and software system. At this stage, the final requirements in terms of the functionality of the relevant assays should already have been met more or less in full. Great importance is attached to software design development. This enables all of the process steps to be managed effectively and also ensures that the application software is user-friendly and consistent with the customers' design scheme. One of the key challenges here involves ensuring problem-free interaction between the embedded software, which operates and controls the individual systems, and the user interface.

## **UP TO 20,000 INDIVIDUAL REQUIREMENT CRITERIA IN A DEVELOPMENT PROJECT**

Once the prototypes have been accepted by the customer, the next stage involves constructing the validation systems. Here, the process steps are optimized, the design is refined, and the test results are validated. Due care has to be taken both of the customer's requirements and of the relevant regulatory framework. In view of this, the process structure and test results should already be largely consistent at this stage with those in the final serial system. Validation systems are used by the partner to generate data for regulatory submission or to perform specified tests and market research at select customers. The end of the development stage is followed by the design transfer process. This marks the transition from development to serial production.









In the final stage, when the analyzer system enters serial production, the definitive appearance of the system is finalized in line with the customer's corporate design scheme. In parallel, production and logistics processes are prepared and coordinated for serial production both internally and at suppliers. Test fixtures are prepared to review the functionality of individual components and modules, as well as the relevant processes, and protocols are compiled. In general, STRATEC must ensure that the customer's acceptance forecasts can be met immediately following successful approval, and that the systems can be flawlessly produced and supplied. These steps are accompanied by parallel measures, such as training service personnel and setting up a customer support and customer management system. This way, a replacement parts service can be established and future feedback can be accounted for in the form of amendments in software and hardware updates.

As soon as serial production begins, each individual system undergoes a precisely defined test stage in "virtually real laboratory conditions" upon completion. Here, various tests are performed and the functions are fine-tuned in line with customer requirements. Once the necessary test parameters have been met, the system is packed together with the necessary documents and forwarded to one of the customer's central warehouses. From here, the systems are shipped to their final destinations around the world.

## **AN ANALYZER SYSTEM CONSISTS OF UP TO 12,000 INDIVIDUAL PARTS**

Documentation and quality management are two factors that play a key role throughout the entire development process. Documentation and the preparation of the relevant protocols are the main foundation for subsequent system approval. They also serve as the basis for service staff user guidelines and potential error elimination. Quality management takes due account of the directives and laws requiring compliance during the development, production and deployment stages of medical technology products. Not only that, it also ensures that the prerequisites are met for establishing a complaints management system, and for the handling of error reports and implementation of corrective measures.

Depending on the project in question, a partnership between STRATEC and its customers may often last more than 20 years from the start of development through the serial production stage and until the replacement part and consumables supply period is completed. This experience then often provides a basis for jointly developing further analyzer systems and subsequent system generations.

# THE SHARE

## 2011 on the stock markets

European stock markets can look back on a turbulent year. Among the negative keywords for stock market players in 2011 were the Japanese crisis, the debt crisis and the euro crisis.

Markets were shaken by the escalation in the sovereign debt crisis and fear of recession, leading the DAX and TecDAX indices, for example, to post double-digit losses (-14.7% and -19.5% respectively).

A rare degree of volatility was observable on the markets. At the beginning of October 2011, the VDAX volatility barometer, also known as the “fear barometer”, reached its highest level since January 2009 (three months after the insolvency of the US investment bank Lehman Brothers). It was especially clear in 2011 that pleasing corporate news offered no guarantee of share price growth at the company in question.

## STRATEC's share performance

STRATEC's share price moved sideways in 2011 and was marked by a high degree of volatility. Starting at € 31.91 (XETRA: closing price on December 30, 2010), STRATEC's share reached its annual high at € 34.00 on July 27, 2011 (XETRA, Intraday), thus falling only € 0.14 short of its all-time high in December 2010.

The share then posted its annual low at € 24.80 on September 22, 2011 (XETRA, Intraday). STRATEC's share closed at € 31.75 on December 30, 2011, thus ending the extremely volatile stock market year virtually unchanged on the previous year.

## PERFORMANCE COMPARISON OF STRATEC'S SHARE (indexed, January to December 2011) in %



**KEY FIGURES FOR STRATEC'S SHARE**

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Year-end price previous year in €	31.91	26.58	13.55	20.75	22.00
Annual low in €	24.80	22.11	8.00	10.56	17.16
Annual high in €	34.00	34.14	28.14	22.00	29.53
Year-end price in €	31.75	31.91	26.58	13.55	20.75
Year-on-year performance comparison in €	-0.16	+5.33	+13.03	-7.20	-1.25
Year-on-year performance comparison in %	-0.50	+20.05	+96.2	-34.7	-5.7
Share capital in € million	11.7	11.7	11.4	11.4	11.4
Number of shares in millions	11.7	11.7	11.4	11.4	11.4
Market capitalization (total) in € million	370.7	369.2	304.2	154.8	236.9
Trading volumes * € million	132.2	127.1	61.8	104.6	176.0
Average volume per trading day * numbers	17,232	17,643	12,937	26,597	30,641
Average volume per trading day * in €	514,502	496,439	243,383	411,813	698,570

\* trading volumes of STRATEC shares across all German marketplaces

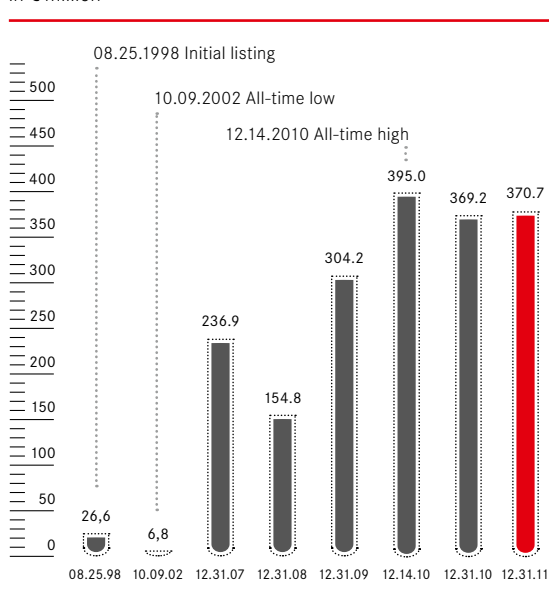
**Share capital**

The share capital amounted to € 11,674,895 as of December 31, 2011, and was divided into 11,674,895 ordinary bearer shares. These shares are evidenced in global notes. The Articles of Association exclude any claims on the part of shareholders to the certification of their shares. Pursuant to § 15 No. 15.3. of the Articles of Association of STRATEC AG, each share entitles its bearer to one vote.

### Market capitalization

The company's market capitalization rose year-on-year by 0.4% from € 369.2 million to € 370.7 million.

MARKET CAPITALIZATION OF STRATEC'S SHARE  
in € million



### Trading volumes

STRATEC's shares are traded on XETRA and in floor trading at the Frankfurt, Stuttgart, Munich, Berlin-Bremen and Düsseldorf stock exchanges. Measured in terms of gross order book turnover, STRATEC shares worth € 132.2 million changed hands on German marketplaces in 2011 (previous year: € 127.1 million). Of this total, the XETRA and Frankfurt marketplaces alone accounted for 89.7% (previous year: 93%).

### German Stock Exchange stock index ranking

STRATEC's shares are listed in the Prime Standard, a segment of the Regulated Market of the Frankfurt Stock Exchange. The German Stock Exchange (Deutsche Börse), the company which operates the Frankfurt Stock Exchange, publishes stock index rankings at the beginning of each month. These serve as the basis for the decisions taken at meetings of the Stock Index Working Group with regard to the composition of the DAX, MDAX, SDAX and TecDAX indices. At the time of each such review, the ranking is compiled based on selection criteria consisting of order book turnover on the XETRA trading platform and in floor trading in Frankfurt in the past twelve months and the market capitalization based on the free float of the relevant share class.

Given the sector in which it operates, STRATEC is classified by the German Stock Exchange as a technology stock. Upon meeting the relevant criteria, technology stocks may be promoted to the TecDAX and DAX indices, both of which consist of 30 stocks, but may not be listed in the SDAX and MDAX indices, which are reserved for traditional stocks.

Over the past years, STRATEC's share has continually improved its position within the TecDAX ranking and, following an unscheduled change in the composition of this index, was admitted into the TecDAX as of November 19, 2010.

As of December 31, 2011, STRATEC occupied 22<sup>nd</sup> position in terms of its free float market capitalization (previous year: 27<sup>th</sup>) and 34<sup>th</sup> position in terms of order book turnover (previous year: 36<sup>th</sup>).

### KEY FIGURES FOR STRATEC'S SHARE

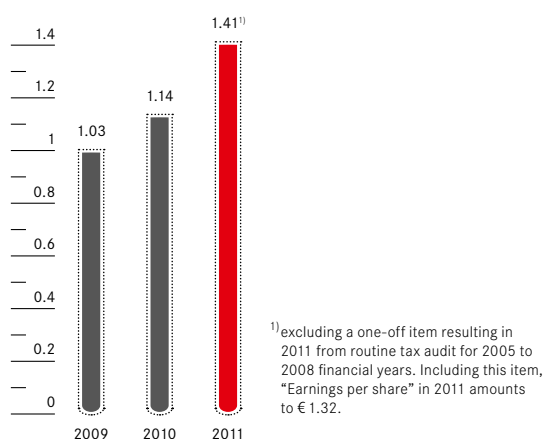
	2011	2010	2009	2008	2007
Market capitalization (free float weighted) in € million	203.09	208.64	170.1	84.3	130.6
Market capitalization (free float weighted) rank	22	27	25	33	46
Trading volumes in past 12 months* in € million	118.7	117.9	59.2	100.6	163.6
Trading volumes in past 12 months* rank	34	36	40	43	48

\* trading volumes of STRATEC shares on XETRA and in floor trading in Frankfurt

## Earnings per share

Earnings per share (EPS) are calculated by dividing the annual net surplus of STRATEC AG by the weighted average number of shares in circulation during the financial year. An average of 11,615,762 shares were in circulation in 2011 (previous year: 11,469,713 shares). EPS amounted to € 1.41 <sup>1)</sup> in 2011 (previous year: € 1.14).

### EARNINGS PER SHARE in €



## Dividend

The Supervisory Board and Board of Management will be proposing the distribution to shareholders of a dividend of € 0.55 per share with dividend entitlement for approval by the Annual General Meeting on May 16, 2011 (previous year: € 0.50). Subject to approval by the Annual General Meeting, this would correspond to a total distribution of € 6.4 million (previous year: € 5.8 million).

DIVIDEND PAYMENT	2011	2010	2009	2008	2007
Dividend per share in €	0.55 <sup>2)</sup>	0.50	0.45	0.35	0.22
Distribution total in € million	6.4 <sup>2)</sup>	5.8	5.1	4.0	2.5
Dividend yield in %	1.7 <sup>2)</sup>	1.6	1.7	2.6	1.1

<sup>2)</sup> Proposal to Annual General Meeting



## KEY DATA FOR STRATEC'S SHARE

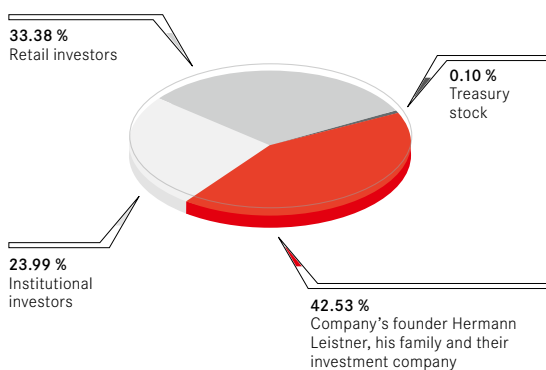
ISIN	DE0007289001
WKN	728900
Deutsche Börse ticker	SBS
Reuters Instrument Code	SBSG.DE
Bloomberg ticker	SBS:GR
Sector	DAXsector All Pharma & Healthcare
Transparency level	Prime Standard
Market segment	Regulated market
Select index	TecDAX since November 19, 2010
Currency	€
Class	Ordinary bearer shares
Share capital in €	11,674,895.00
Share capital (numbers)	11,674,895
Initial listing	August 25, 1998
Marketplaces	XETRA; Frankfurt and further German trading floors
Designated sponsors	Commerzbank AG, WestLB AG (until 12.31.2011)
Average stock turnover per trading day in 2011	17,232 shares / € 514,502

## Shareholder structure

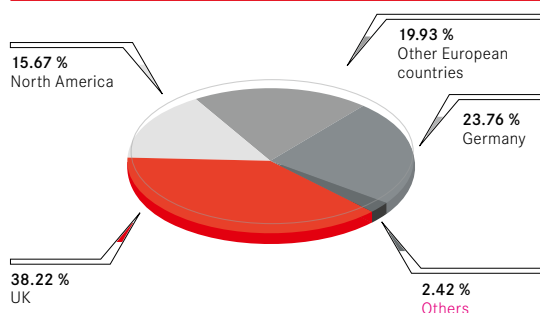
As in previous years, there were only minor changes in the shareholder structure of STRATEC AG in 2011. STRATEC's shares are in widespread ownership. The free float share (based on the German Stock Exchange definition) amounts to 57.37% and is spread across a broad group of private and institutional investors in Germany and abroad.

42.63% of the shares are in fixed ownership. Of these, 0.10% are treasury stock owned by the company itself and therefore do not have any voting or dividend rights. 42.53% of the shares are attributable to the company's founder, Hermann Leistner, and to his family and their investment company. This group of shareholders pursues a long-term investment strategy and currently has no plans to change its investments.

DISTRIBUTION OF SHARE OWNERSHIP  
BY INVESTOR GROUP



DISTRIBUTION OF INSTITUTIONAL INVESTOR  
SHARE OWNERSHIP BY REGION



## Investor Relations

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

Our financial calendar, which is published in the annual report, quarterly reports and on our company's homepage, allows shareholders to inform themselves of important dates regularly and with sufficient notice. In the 2011 financial year, STRATEC published eight press releases, one extensive annual report and three interim reports. Via our electronic newsletter, we drew readers' attention to the publication of press releases, as well as to special events relating to STRATEC.

One core component of our investor relations activities involves the teleconferences held upon publication of our interim reports, as well as upon publication of any other important news about the company. Alongside these, we also hold numerous one-to-one meetings every year and give presentations at capital market events in which the Board of Management presents the company and outlines its underlying business model in great detail to investors from Germany and abroad.

Analysts' recommendations are one of the key instruments in helping shareholders and investors to reach an opinion about a share. Eight institutions regularly reported on STRATEC in extensive studies and brief analyses in the 2011 financial year. Alongside Berenberg Bank, Commerzbank, Crédit Agricole Cheuvreux, HSBC Trinkaus & Burkhardt, Landesbank Baden-Württemberg, and WestLB, Deutsche Bank and DZ Bank are now also regularly compiling reports about STRATEC.

Up-to-date information about STRATEC is available to interested parties around the clock at our company's homepage at [www.stratec.com](http://www.stratec.com).



# CORPORATE GOVERNANCE BERICHT

Corporate governance involves high-quality, responsible corporate management and supervision aimed at generating long-term value growth. The guidelines compiled to assist German companies in enhancing their corporate governance have been summarized in the German Corporate Governance Code (DCGK), which was most recently updated by the German Corporate Governance Code Government Commission in May 2010.

At STRATEC Biomedical AG, the Board of Management and Supervisory Board attach great importance to clear, efficient rules governing the management and supervision of the company, as well as to the recommendations made by the German Corporate Governance Code. The Supervisory Board and Board of Management act in the awareness that high-quality corporate governance is in the interests of the capital markets and that it provides an important foundation for the success of the company, and thus also of its employees. What's more, compliance with corporate governance regulations represents a significant factor in enhancing the trust placed in the company by the general public.

To enhance clarity of presentation, the company will not publish its now very extensive Corporate Governance Report in the Annual Report in its entirety, but rather only that section containing explanations of deviations from the recommendations made in the German Corporate Governance Code.

The complete version of the Corporate Governance Report has been published on the company's internet site at [www.stratec.com](http://www.stratec.com) > Investor Relations > Corporate Governance.

Excerpts from the Declaration of Conformity of the Board of Management and the Supervisory Board of STRATEC Biomedical AG with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) as of December 13, 2011:

STRATEC Biomedical AG has complied with the recommendations made by the German Corporate Governance Code government commission concerning the management and supervision of German listed companies in the version dated May 26, 2010 since submitting its previous Declaration of Conformity on December 17, 2010 – with the exceptions outlined in that declaration. STRATEC Biomedical AG will comply in future with the recommendations made by the German Corporate Governance Code government commission concerning the management and supervision of German listed companies in the version dated May 26, 2010 with the following exceptions:

The company's Articles of Association have to date not accounted for the possibility of postal voting. The company believes that postal voting has not yet been sufficiently tested. Postal voting involves difficulties, particularly in determining the authenticity of the votes thereby cast. Furthermore, the company already offers its shareholders the opportunity of authorizing a voting proxy appointed by the company to exercise their voting rights. Shareholders are thus already enabled to cast their votes prior to the date of the Annual General Meeting, as a result of which the additional possibility of postal voting would not offer them any further assistance in exercising their rights as shareholders. (Deviation from Point 2.3.3)

New legal requirements have been introduced to govern the deductible in any D&O policy taken out for members of the Board of Management. Since July 1, 2010, the company's D&O policy for members of its Board of Management has included a deductible in the amount recommended by the Code.

No deductible has been agreed in the D&O policy for the Supervisory Board. The Board of Management and Supervisory Board are of the opinion that the members of the Supervisory Board perform their duties in due awareness of their responsibilities without the need for any such deductible. (Deviation from Point 3.8)

To enhance clarity of presentation, the company will not publish its now extensive Corporate Governance Report in the Annual Report in its entirety. The Annual Report will list the company's deviations from the Code and the reasons for such. The company will publish its complete Corporate Governance Report on its internet site, where Declarations of Conformity with the Code that are no longer up-to-date are also made available for at least five years. (Deviation from Point 3.10)

The Supervisory Board has not agreed any cap for the stock options issued to the Board of Management, as these would otherwise fail to provide the element of risk / opportunity required, especially for variable compensation components, and would also fail to provide the necessary incentive, particularly when compared with practices in other countries. (Deviation from Point 4.2.3)

In its Annual Report, the company will publish its Compensation Report solely as a component of its Management Report. (Deviation from Point 4.2.5)

The Supervisory Board of the company consists of the minimum legal requirement of three members and, in view of its size, has not formed any committees to date. (Deviation from Points 5.2, and 5.3.1 to 5.3.5)

The compensation, broken down into its constituent components, has been and continues to be reported as an aggregate total for all members of the Supervisory Board. The transparency requirements of this Code recommendation are largely accounted for by disclosure of the composition of Supervisory Board compensation in § 13 of the company's Articles of Association. (Deviation from Point 5.4.6)

# GROUP MANAGEMENT REPORT

for the 2011 Financial Year  
of STRATEC Biomedical AG

OVERVIEW OF BUSINESS PERFORMANCE AND EARNINGS	29
MARKET AND SECTOR	29
FINANCIAL POSITION AND INVESTMENTS	33
EARNINGS POSITION	33
ASSET AND CAPITAL STRUCTURE	34
DEVELOPMENT	35
EMPLOYEES	35
COMPENSATION REPORT	36
PROCUREMENT	39
SYSTEM ASSEMBLY AND INSPECTION	39
SALES LOGISTICS	39
CORPORATE COMPLIANCE	40
RISK REPORT	41
SUPPLEMENTARY DISCLOSURES IN ACCORDANCE WITH THE TAKEOVER DIRECTIVE IMPLEMENTING ACT OF JULY 8, 2006	44
DECLARATION ON CORPORATE GOVERNANCE	45
SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE AND EXPECTED DEVELOPMENT OF THE STRATEC GROUP	45

## 1. OVERVIEW OF BUSINESS PERFORMANCE AND EARNINGS

The STRATEC Group has posted further record results for the 2011 financial year. This growth has chiefly been driven by the analyzer systems newly launched onto the market in the past 24 months. To account for this expansion, as well as for the growth expected from new contracts concluded in 2011, in terms of its production, the company has further expanded its production capacities. STRATEC Biomedical USA, a group company acquired in 2010 and now fully integrated, and the group companies STRATEC Biomedical UK and STRATEC Molecular also agreed major contracts with new and established customers in 2011. The Group's positive business performance gave STRATEC reason to issue an upward adjustment in its 2011 sales budget in May. The key figures of the STRATEC Group are as follows:

- Sales growth of 14.3% to € 116.6 million
- Significant increase in EBIT margin to 18.7% (previous year: 17.3%)
- Solid equity ratio of 75.0% (previous year: 72.7%)
- Earnings per share of € 1.41, up from € 1.14 in previous year \*
- Earnings after taxes of € 15.3 million, up from € 13.0 million in previous year
- Proposed dividend of € 0.55 per share (previous year: € 0.50)
- Significant rise in positive cash flow from operating activities from € 1.4 million to € 10.7 million
- Two major new development and supply agreements concluded

\* excluding a one-off item resulting from routine tax audit for 2005 to 2008 financial years. Including this item, "Earnings per share" amounts to € 1.32.

## 2. MARKET AND SECTOR

### Market and sector:

#### Overview

STRATEC designs and produces automation solutions and technologies, particularly for use in laboratory diagnostics (in-vitro diagnostics – IVD).

In recent years, the in-vitro diagnostics market has generated average growth in a medium single-digit percentage range. External experts and STRATEC itself expect to see ongoing strong growth in the sector in future as well. Based on various estimates, STRATEC's main market is expected to show medium-term annual growth of between 5% and 7% through to 2016. Individual market segments, such as molecular diagnostics, a field in which STRATEC also has significant projects, are expected to generate growth rates twice as high as this over the same period.

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

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

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

Given the clear benefits of outsourcing compared with in-house instrumentation development, several of the large diagnostics group have decided, particularly in recent years, to outsource the development and production of system solutions to companies specialized in this area, such as STRATEC. This trend, which has increasingly gained in speed and scope, has particularly benefited STRATEC.

#### **Market and sector:**

##### **The market position of the STRATEC Group**

Nowadays, in-vitro diagnostic tests are performed almost exclusively using automated processes. On the one hand, these are less costly than manual processes. On the other hand, they offer greater reliability in terms of the results and higher safety levels for laboratory staff. Not only that, ongoing miniaturization means that manual processes are increasingly no longer applicable.

With average annual sales growth of around 24% over the past eleven years, STRATEC has grown significantly faster than the diagnostics market. The company expects to outperform the market in future as well. This development is being significantly driven by the increasing pace at which automation solutions are being outsourced by diagnostics manufacturers.

Sales in the IVD instrumentation market are currently estimated at around six billion US dollars a year. Around 70% of this volume is attributable to projects performed by diagnostics players themselves. Experts expect the overall market to grow to around eight billion US dollars by 2015. Here, the share of outsourced instrumentation development work is set to rise from around 30% currently to around 35%.

Independent providers who have focused on development activities and associated logistics and quality management processes are able to supply completely developed systems with substantial cost and time benefits. Their high degree of specialism has enabled these companies to achieve highly dynamic technological progress.

STRATEC is the leading independent provider of these so-called OEM system solutions (original equipment manufacturer / marketed via partners) for laboratory diagnostics (IVD).

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

Alongside the aforementioned reasons for further growth in the in-vitro diagnostics market, outsourcing and OEM solutions in the IVD industry also stand to benefit from:

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

Alongside these factors driving automation growth within the in-vitro diagnostics sector, it remains apparent that individual market segments are generating significantly above-average rates of organic growth. Examples of these high-growth segments include molecular diagnostics (expected annualized market growth of around 15% between 2010 and 2015), near-patient diagnostics (near patient testing or bedside testing), and diagnostics using luminescence immune-assays (currently the method offering one of the best rates of value for money).

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

### Market and sector:

#### Key success factors

**Reliability** – Compliance with schedules, development expenses and the guaranteed transfer price are crucially important for the overall success of interdisciplinary development projects involving several development partners, as is the dependability of any statements made.

As the system partners supplied by STRATEC operate in competitive markets, it is important for them, and thus for us, that no expertise should be shared between projects that may possibly have to compete with each other during the marketing stage.

This reliability in terms of protecting expertise is reflected in our processes, established procedures, Chinese walls, project team selection, and contractual commitments.

**Quality of development results** – The reliability of analyzer systems as experienced by end users is determined by the quality of development results and the achievement of a balanced relationship between price-sensitive specific development work and recycling technology. Furthermore, great significance is also accorded to factors such as the consistency of development measures, taking due account of the relevant reliability criteria and ease of servicing factors for the system solution, and the complexity of the biochemical processes to be automated in the respective analyzer system.

As quality enhancements introduced at a later stage during serial production mean that customers are often obliged due to regulatory requirements to undertake a renewed audit of the entire analytical process, the success of an analyzer system family is determined by two aspects – high-quality development consistent with regulatory requirements and rapid market access. At STRATEC, we have established processes and methods enabling us to do justice to the need for speed of development, economic effectiveness and reliability.

### Meeting of regulatory requirements for global marketing

– Particularly in recent years, several of the large diagnostics companies which previously developed their instrumentation internally have relied on outsourcing solutions, and have chosen STRATEC as their development partner. One unique selling point has provided these customers with a clear criterion on which to base their decisions between proprietary, internal development and outsourcing to companies within the STRATEC Group. By meeting global regulatory requirements, the STRATEC Group provides its customers with the possibility of developing innovative analyzer systems meeting the needs of their customers and the markets alike, as well as of achieving market approval at above-average speed in markets shaped by regional regulatory frameworks.

**Transparency** – The expertise STRATEC has built up over many years enables us to define development costs and transfer prices for the analyzer systems to be developed at the beginning of the development project already. Once the specifications for an automation solution have been determined, the parties contractually agree fixed prices for the use of STRATEC technology and the transfer price per analyzer system. By additionally defining minimum purchase volumes for each system family, we are able to submit highly detailed offers to our customers and provide them with a solid costing basis within a favorable, attractive structure.

The overall economic package we offer our customers consists of the technologies, established processes, high degree of expertise, development, development transfer and production available under one roof at STRATEC, coupled with the relevant logistics structures.

**Broad range of technology and services on offer** – STRATEC is increasingly boosting its presence among market and technology leaders in the diagnostics industry. Agreements concluded with these market-leading companies may have terms of up to 20 years for individual projects, from the definition of basic requirements through to the decommissioning of the last analyzer system. As well as acquiring new market and technology leaders as customers, one of the STRATEC Group's declared aims is therefore to handle follow-up projects for existing customers, and thus to already start work on the development of successor systems during the peak stage of the product lifecycle. In general, STRATEC only announces major contract agreements, such as most recently announced in August 2011.

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

**Rapid transfer to production** – Our customers view our speed of development and the virtually seamless transition to the launch of production for the newly developed analyzer systems as one of our most important characteristics. The rapid market launch of new products requires individual production departments and suppliers to be involved at an early stage.

The dovetailing of processes at STRATEC helps reduce development times and accelerate project handling. Greater efficiency is achieved, for example, by having specially qualified production departments undertake feasibility studies, test functional modules, or take over all of the tasks involved in building and documenting prototypes. Moreover, they also support the production departments in designing testing equipment.

**Dual development process** – STRATEC pursues two basic development principles:

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

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

**Expansion of product range** – The companies STRATEC has taken over in recent years mainly served to expand its technology pool and extend its value chain coverage. The fully integrated and now renamed subsidiaries – STRATEC Biomedical UK (formerly: Sanguin International), STRATEC Biomedical USA (formerly: Ballista), and STRATEC Molecular (formerly: Invitek Gesellschaft für Biotechnik & Bio-design) – already had their own business relationships with many of STRATEC's current customers. Alongside the extended range of services now offered to these customers, it has been possible to acquire new contracts based on a completely integrated range of services. Since integrating these subsidiaries, the STRATEC Group has, as part of the corresponding automation solutions, also offered extensive workflow software solutions, trial sample preparation technology and specialist opto-mechanic components that, alongside IVD applications, are also targeted at other customer groups in the fields of diagnostics, life sciences, and research.



**Program management** – Due to the large number of development projects brought to a successful conclusion, STRATEC's employees can draw on a large technology pool and broad range of solutions for diagnostics applications, one that is constantly being extended to include current development projects. Not only that, STRATEC's management also promotes the development of innovative solutions by working with systematic and heuristic approaches.

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

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

### 3. FINANCIAL POSITION AND INVESTMENTS

Due to the lower increase in working capital, the inflow of funds from operating activities grew significantly from € 1.4 million to € 10.7 million.

With an outflow of € 2.4 million for development-related and product-related property, plant and equipment, the volume of investment activity was less marked than in previous years, as the key investment drivers in the previous year, namely the new buildings in Germany and Switzerland, have now been completed and occupied.

Financing activities led to an overall outflow of funds of € 2.4 million in 2011. This figure includes an outflow of funds of € 5.8 million for the distribution of the dividend for the 2010 financial year and outgoing payments of € 0.6 million for the repayment of financial liabilities. These items were countered by amounts of € 2.5 million from the taking up of new financial liabilities in the form of innovation loans and € 1.4 million from the issuing of shares in connection with employee stock option programs.

The net total of all inflows and outflows of funds in 2011 led to a currency-adjusted increase in liquid funds by € 6.3 million to € 19.5 million as of December 31, 2011.

### 4. EARNINGS POSITION

STRATEC's performance is mainly dependent on micro-economic factors. As in previous years, the Group was not affected to any significant extent by the volatilities in key macroeconomic figures in 2011 (e.g. high levels of public debt, uncertainties on international financial markets).

The STRATEC Group managed to increase its sales by 14.3% from € 102.0 million in the previous year to € 116.6 million. Together with the high volume of development work on current customer projects and the resultant increase in volumes of unfinished services, this led the overall performance to rise from € 106.7 million to € 122.2 million.

The Group was only affected by exchange rate movements to a minor extent, here mainly due to the Swiss franc. The fluctuations in the US dollar and British pound did not have any implications for the STRATEC Group in 2011.

The increase in cost of materials from € 53.1 million to € 59.5 million is directly linked to the sales growth generated by the Group. At 48.5% on the other hand, the materials ratio declined slightly as a proportion of the Group's overall performance (previous year: 49.7%).

The stepping up in development activities and further expansion in production capacities led to a 16.8% increase in personnel expenses. The personnel expense ratio, by contrast, only rose slightly from 24.0% to 24.5%. This was also accompanied by an increase in other operating expenses from € 9.0 million to € 9.4 million.

Amortization of intangible assets and depreciation of property, plant and equipment grew from € 3.3 million to € 3.9 million in 2011 due to the Group's increased investment activity in previous years. EBIT amounted to € 21.8 million in the year under report, as against € 17.6 million in the 2010.

Due mainly to a higher interest charge on financial debt and to currency fluctuations, net financial expenses amounted to € -0.7 million, as against € -0.1 million in the previous year.

Taxes on income amounted to € 5.8 million in 2011, compared with € 4.5 million one year earlier. The tax rate for the financial year thus decreased from 25.7% to 21.7%. As a result, consolidated net income grew to € 15.3 million, up from € 13.0 million in the previous year.

## 5. ASSET AND CAPITAL STRUCTURE

Total assets grew to € 111.0 million, an increase of € 12.2 million on the previous year. Non-current assets increased from € 27.2 million to € 28.7 million.

Intangible assets rose slightly from € 10.2 million to € 10.5 million.

As a result of the investments made in development-related and product-related items, property, plant and equipment increased from € 16.4 million to € 17.2 million.

Current assets grew by € 10.7 million to € 82.3 million. Due to the substantial rise in supply volumes and development activities, raw materials and supplies grew by € 0.6 million, while unfinished products and unfinished services increased from € 26.8 million to € 30.4 million.

Enhanced efficiency in terms of receivables management enabled trade receivables to be reduced by € 0.5 million to € 15.3 million. Future receivables from construction contracts, on the other hand, showed a slight increase to € 6.0 million.

The securities acquired for trading purposes were reported with a value of € 0.2 million as of the balance sheet date.

Notwithstanding the dividend payment of € 5.8 million, shareholders' equity grew from € 71.9 million to € 83.2 million. As of December 31, 2011, the equity ratio amounted to 75.0% and the return on equity to 21.3%.

Due in particular to the utilization of new refinancing terms for the new buildings at STRATEC Biomedical AG, non-current debt rose from € 9.8 million to € 10.5 million. Trade payables rose from € 2.8 million to € 4.0 million in the course of the year under report, while other current liabilities reduced from € 11.0 million to € 10.3 million. Income tax liabilities decreased from € 1.2 million to € 0.7 million.

## 6. DEVELOPMENT

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

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

- **Development of platform technologies**

A further focus of our development activities involves working on platform technologies for our systems. These platform technologies are of key significance. After all, they are not only the main factor determining the performance of our appliances, but also account for the greatest cost item within system production.

- **Development of new technologies**

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

- **Development of new systems for our customers**

STRATEC's growth is chiefly driven by its constantly growing range of new OEM products. These therefore represent a key focus of development work.

- **Support for existing systems to extend lifecycles**

The extremely long lifecycles of our systems on the market require us to undertake permanent system modernization. Within development, this factor is accounted for above all in our software and verification activities. This is one of the main reasons for the disproportionate growth in these development areas.

The overall package of proprietary platform technologies, a good understanding of the in-vitro diagnostics environment, and the tools and processes developed for this area enables us to offer exceptionally short development periods compared with industry standards, and to retain control of key industrial property rights for the systems we develop, thus also ensuring long-term retention of our customers. Total expenses for the personnel and material outlays for research and development activities at consolidated group companies amounted to around € 19.7 million in the 2011 financial year.

## 7. EMPLOYEES

The overall workforce of the STRATEC Group grew by 61 new employees in the 2011 financial year. Including the personnel hired from a temporary employment agency, the STRATEC Group had 503 employees as of December 31, 2011 (previous year: 440). The average number of personnel (excluding temporary personnel) employed at the STRATEC Group (including group companies) increased to 401 (previous year: 351).

Consistent with the ongoing growth in the STRATEC Group's development and production activities, there was a further significant increase in the number of employees working in development and production departments. By increasing the number of highly qualified employees and boosting our production and development departments, we are investing in the Group's further growth and in enhancing our high level of technological competence. The largest share of STRATEC's team works directly on the Group's numerous development projects. The future growth of the STRATEC Group can be derived from the duration of development projects, which as a general rule last 36 months, and the growth in personnel totals working on development projects. Today's teams are working on products scheduled for market launches between 2012 and 2015 and which will facilitate the company's growth far beyond those dates.

Personnel expenses at the STRATEC Group rose overall by 16.8% in the year under report (previous year: 23.8%) to € 29.9 million (previous year: € 25.6m). The increase in personnel expenses was chiefly driven by the higher number of employees working in development and production departments.

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

We would like to thank our employees for the work they performed and the great commitment they showed in the past year.

## 8. COMPENSATION REPORT

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

### Basic features of the compensation system for the Board of Management

The Supervisory Board lays down the compensation of individual members of the Board of Management, as well as determining and regularly reviewing the compensation system. As of January 1, 2011, the Supervisory Board of STRATEC AG introduced a new compensation system for members of the Board of Management.

In determining compensation, the Supervisory Board takes particular account both of the duties and performance of the individual member, as well as of the economic situation and future development of STRATEC AG.

The compensation of the Board of Management consists of the following components:

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

**Variable compensation for each financial year (short-term incentive)** – This includes target achievement and discretionary 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 discretionary component lies within the due discretion of the Supervisory Board and is determined by the Supervisory Board in order to honor any outstanding performance on the part of the Board of Management. The target achievement component is paid out following the Annual General Statement of STRATEC AG for the 2011 financial year. Members of the Board of Management are entitled to a mutually agreed monthly prepayment of this component. Payment of the discretionary component, if granted, is made following expiry of the 2011 financial year.

### Variable compensation based on the financial year and the two following years (mid-term incentive)

– This compensation consists in equal shares of two linked components, an individual component and a discretionary component. The components are based on achievement of targets set for the financial year (2011) and the two following years (2012 to 2013), as well as on a target bonus, i.e. the amount paid in the event of 100% achievement for all components. The targets determined for the linked components are based on consolidated sales and consolidated EBIT, while the individual components refer to criteria based on the sustainability of STRATEC's business performance, such as enhancement of its market position and customer and employee satisfaction. Payment is due following the Annual General meeting of STRATEC AG for the 2013 financial year. However, prepayments based on the respective achievement of individual and interim targets are made, subject to the due discretion of the Supervisory Board, at the end of each financial year.

### Long-term share-based compensation (long-term incentive)

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

**Caps** – Variable compensation components are subject to requirements governing them both individually and in combination in terms of their value and the degree of target achievement. Compensation based on the target components within the “short-term incentive” and “mid-term incentive” schemes, for example, is limited to a maximum of 1.5 times basic salary plus ancillary benefits and pension commitments. Furthermore, the Supervisory Board is entitled in specific cases to adjust individual parameters of variable compensation retrospectively and at its own due discretion.

#### Individual compensation of Board of Management

The individual members of the Board of Management received the compensation set out below for their activities on the Board of Management in the 2011 financial year. Given the resolution adopted by the Annual General Meeting on June 23, 2006, which allowed the publication of individual compensation packages to be waived through to the 2010 financial year, individual compensation packages for the previous year have not been disclosed.

In the 2011 financial year, Hermann Leistner was not granted any stock options through to his retirement, Marcus Wolfinger was granted 15,000 stock options at an average exercise price of € 27.11, Dr. Robert Siegle was granted 15,000 stock options at an average exercise price of € 27.11, and Bernd M. Steidle was granted 15,000 stock options at an average exercise price of € 27.11.

In the 2011 financial year, Hermann Leistner did not exercise any stock options through to his retirement, Marcus Wolfinger exercised 30,000 stock options at an average exercise price of € 12.51, Bernd M. Seidle exercised 30,000 stock options at an average exercise price of € 12.51, while Dr. Robert Siegle did not exercise any stock options.

As of December 31, 2011, Marcus Wolfinger had 32,500 stock options outstanding (of which exercisable: 0 stock options) at an average exercise price of € 19.45 and a weighted remaining contract term of 63.5 months, Bernd M. Seidle had 32,500 stock options outstanding (of which exercisable: 0 stock options) at an average exercise price of € 19.45 and a weighted remaining contract term of 63.5 months, and Dr. Robert Siegle had 15,000 stock options outstanding (of which exercisable: 0 stock options) at an average exercise price of € 27.11 and a weighted remaining contract term of 75.7 months.

The following amounts were recognized as expenses in this respect in the 2011 financial year: € 31k for Hermann Leistner, € 38k for Marcus Wolfinger, € 14k for Dr. Robert Siegle, and € 38k for Bernd M. Steidle.

in T€	Non-performance related components		Performance-related components	Components with long-term incentive nature <sup>2)</sup>	Total
	Basic amount	Other <sup>1)</sup>			
Hermann Leistner (until March 31, 2011)	69	1	24	0	94
Marcus Wolfinger	192	10	199	44	445
Dr. Robert Siegle (since February 1, 2011)	149	7	151	44	351
Bernd M. Steidle	142	16	132	44	334
Total	552	34	506	132	1,224
(previous year)	(572)	(607)	(438)	(0)	(1,617)

<sup>1)</sup> The “Other” disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits.

<sup>2)</sup> The amount disclosed corresponds to the fair value of stock options issued in the 2011 financial year upon issue, calculated in accordance with IFRS 2 (Share-based payment), even though these were not yet vested as of the balance sheet date.

### Regulations governing regular termination of activity on Board of Management

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

**Pension provision** – Members of the Board of Management receive pension provision from STRATEC AG when they have reached pensionable age, i.e. between the age of 60 and the age of 65, and have concluded their activity as members of the Board of Management. Members have the option of receiving a one-off lump sum or ongoing pension payments for the rest of their lives. Pension claims remain valid on a prorated basis in cases where members terminate their employment with the company before reaching pensionable age. STRATEC AG finances the pension claims both as defined benefit and as defined contribution plans. Alongside the aforementioned benefits, the company has also agreed surviving dependants provision with Marcus Wolfinger. The company recognized expenses or provisions of € 45k for Marcus Wolfinger, € 42k for Dr. Robert Siegle, and € 113k for Bernd M. Steidle in connection with the benefits thereby committed in the 2011 financial year. The present values of the capital claims acquired in connection with the benefits thereby committed as of December 31, 2011 amounted to € 195k for Marcus Wolfinger, € 38k for Dr. Robert Siegle, and € 117k for Bernd M. Steidle. Due in particular to future financing amounts, the actual benefits will turn out higher than presented here.

**Retrospective prohibition on competition** – For the duration of the twelve-month retrospective prohibition on competition, each member of the Board of Management receives compensation amounting to 50% of his or her most recent contractually agreed compensation excluding the discretionary component of the short-term incentive. The nominal amounts of compensation payable for the retrospective prohibition on competition are € 263k for Marcus Wolfinger, € 216k for Dr. Robert Siegle, and € 238k for Bernd M. Steidle. It can be assumed that actual compensation payments for the retrospective prohibition on competition will differ from the amounts presented here. This is due in particular to the currently indeterminable nature of the respective dates and amounts of compensation involved.

### Regulations governing premature termination of activity on Board of Management

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

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

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

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



### Basic features of the compensation system for the Supervisory Board

The compensation of the Supervisory Board is governed by 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.

In accordance with § 13 of the Articles of Association of STRATEC AG, in addition to the reimbursement of his or her expenses and the benefits of pecuniary loss liability insurance policy concluded by the company for members of the Supervisory Board at its own expense and at suitable conditions customary to the market, each member of the Supervisory Board receives fixed compensation of € 8,000.00. Furthermore, each member of the Supervisory Board receives performance-related compensation for each financial year, the total amount of which is capped at double (i.e. twice) the level of fixed compensation. The variable compensation is structured as follows:

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

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

## 9. PROCUREMENT

Unlike its development activities, which cover virtually 100% of the development chain, STRATEC is still characterized by a low production depth. This enables resources to be focused on the complex share of production generating the greatest value.

We procure the necessary functional modules from a small number of strategic suppliers. This enables us to focus on their expertise and, by involving the suppliers in product development at an early stage, provides us with access to the latest production methods and processes. These suppliers stand out on account of their quality management and a process orientation compatible with STRATEC's.

Price reliability and supply capabilities are secured by way of long-term master agreements. Use is made here of strategic instruments, such as Kanban supply, C-parts management, and consignment stores.

This approach assists STRATEC in its ongoing development and provides it with the flexibility necessary to offer innovative solutions on economic terms. One of our aims for 2012 is to intensify this approach further.

## 10. SYSTEM ASSEMBLY AND INSPECTION

The necessary assembly, quality assurance and inspection processes are performed by highly qualified and excellently trained personnel.

In our laboratories, we replicate the environments in which the STRATEC analyzer systems will actually be put to use at later dates.

In response to the company's focus on production processes that are complex and necessary from a regulatory perspective, we have developed an infrastructure suitable to these requirements.

This approach enables us to achieve an optimal balance between economic efficiency and high quality, while at the same time ensuring supply reliability to our customers.

## 11. SALES LOGISTICS

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

## 12. CORPORATE COMPLIANCE

In all of its activities, the company endeavors to ensure that each individual employee within the STRATEC Group acts responsibly and in accordance with the relevant legal requirements. Wherever STRATEC has business operations, it accords priority to ensuring compliance both with laws, regulations and codes of conduct, as well as with its own internal group-wide regulations, and here in particular with the STRATEC Corporate Compliance Policy.

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

Furthermore, STRATEC is unreservedly committed to corporate compliance as summarized in its Corporate Compliance Policy. This involves avoiding any business activities that contravene these principles, introducing suitable organizational measures, and highlighting topics which, should the relevant legal framework be infringed, could have severe negative consequences for the company as a whole, as well for individual employees in particular. The principles set out in this policy are intended to guide employees in their business activities and assist them in avoiding any misconduct.

Core elements of STRATEC's Corporate Compliance Policy include:

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

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

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

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.

## 13. RISK REPORT

### Risk report:

#### Risk management system

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

The main risks requiring analysis include market risks, project risks, investment risks, logistics risks, IT risks, personnel risks, financial risks and legal risks.

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

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

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

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

### Risk report:

#### Market and customer-related risks

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

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

The STRATEC Group has reacted to the increase in development expenses, particularly for high complexity and throughput systems, by introducing strict project controlling procedures coupled with an effective target cost management system. The complexity of production processes means that, for reasons of economy and to safeguard quality levels, the STRATEC Group focuses on a small number of suppliers. The high cost of supervising logistics activities, such as safeguarding procurement prices in the long term, and of monitoring quality standards necessitates this degree of concentration in terms of suppliers. This risk is knowingly entered into, 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.

#### **Risk report:**

##### **Financial instruments / risk management**

Financial instruments are contractually regulated financial transactions involving a claim to payment. A distinction is made in this respect 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 cost or at fair value in line with their respective category.

Apart from investments reported under financial assets and marketable securities, the short-term nature of receivables and liquid funds means that there are no material variances between the respective carrying amounts and fair values.

Changes in the fair value of financial instruments available for sale are recognized in equity up to the realization of the respective financial instrument. However, permanent impairments in the value of such instruments are recognized through profit or loss. Changes in the fair value of financial instruments held for trading are recognized through profit or loss.

Financial risks can in principle arise from currency and interest rate fluctuations.

Currency risks in procurement and sales markets are still of subordinate significance for the STRATEC Group, as on the one hand the majority of its procurement markets are located within the euro area and on the other hand group companies also still mainly denominate their invoices in euros. For reasons of economy, the company currently only deploys derivative hedging instruments to cover currency fluctuations to a minor extent. The managers responsible for cash management review the expediency of currency hedging transactions at regular intervals. Given the group structure, the internationalization of procurement activities and in particular the high volume of currency holdings, the Group is facing significantly increased risks in terms of currency fluctuations.

Following the acquisition of Ballista Inc. (now STRATEC Biomedical USA, Inc.), it is planned to expand business activities in the US market, and especially in the fields of production and procurement, not least to enable the Group to minimize its net currency exposure.

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.

Further details can be found in Section VII "Financial instruments / Risk management" in the notes to the consolidated financial statements.

## Risk report:

### Other risks

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

- Recruitment and retention of well-qualified staff with appropriate industry experience
- Use of suitable IT tools to integrate customer information from the market and other IT systems
- Problems associated with project delays (time-to-market)
- Implications of reductions or delays in sales at customers due to postponement of market launches (e.g. product launch, different geographical scope, or with incomplete reagents portfolio)
- Changes in market due to process of consolidation within customer market
- Supply capacity risks for components relevant for regulatory approval or for highly complex proprietary components

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

## Internal control system in respect of the financial reporting process

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

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

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

- Process-integrated checks suitable to the size and structure of the Group, defined agreement processes, separation of functions, dual control principle, access restrictions and payment guidelines, to name just a few examples
- Ensuring uniform accounting treatment by way of group-wide standards
- 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 thereby taken over and assist with any complex questions thereby arising. The consolidated accounts are prepared centrally 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.

#### 14. SUPPLEMENTARY DISCLOSURES IN ACCORDANCE WITH THE TAKEOVER DIRECTIVE IMPLEMENTING ACT OF JULY 8, 2006

The share capital is divided into 11,674,895 ordinary shares with a nominal value of € 1.00 each (previous year: 11,445,736 ordinary shares). The shares are bearer shares.

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

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

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

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

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

The Annual General Meeting held on May 14, 2011 authorized the Board of Management until April 13, 2016, subject to approval by the Supervisory Board, pursuant to § 4 (4.5) of the Articles of Association, to increase the company's share capital by issuing new shares with a nominal value of € 1.00 each in return for non-cash or cash contributions on one or more occasions by a maximum total of up to € 5,500,000.00 (Authorized Capital). Shareholders must generally be granted subscription rights. In certain circumstances set out in the Articles of Association, however, the Board of Management is entitled to exclude such subscription rights.

In accordance with the provisions of the Articles of Association (§ 4 Paragraphs 4.6 and 4.7), the company has various conditional capitals (Conditional Capitals I – V) with a total value of € 1.6 million as of December 31, 2011. Conditional Capitals I – III and V (amounting to € 0.8 million) only authorize the company to increase its capital to the extent that bearers of stock options exercise their subscription rights. The new shares have profit participation rights from the beginning of the financial year in which they are issued. Conditional Capital IV authorizes the company to increase its share capital by up to € 500,000 by issuing up to 500,000 new ordinary bearer shares. This conditional capital serves exclusively to issue new shares to the bearers or creditors of warrant or convertible bonds issued by the company or by subsidiaries in which the company holds direct or indirect majority shareholdings in accordance with the resolution adopted by the Annual General Meeting on June 23, 2006.



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

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

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

Based on the notifications received, the shareholdings held by Doris Leistner and Hermann Leistner each exceed 10% of the voting rights in the company. Here, jointly held shareholdings have been accounted for twice.

## 15. 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), in the Investor Relations / Corporate Governance section of its internet site at [www.stratec.com](http://www.stratec.com).

## 16. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE AND EXPECTED DEVELOPMENT OF THE STRATEC GROUP

### Events after the balance sheet date

There have been no events of particular significance since the end of the financial year which could have any material implications for the business performance of our Group.

### Business strategy

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

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

### Financial strategy

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

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

Although the use of optimizing financial derivatives would appear expedient in specific situations, we did not deploy such instruments in 2011. Derivative financial instruments are generally deployed in cases where it is necessary to hedge risks in the operating business. The conclusion of such transactions is governed by very strict standards laid down in the Code of Procedure for the Board of Management. We use derivative financial instruments to optimize interest rates in cases where financing needs render such measures opportune and where they relate to a general transaction. No transactions with optimized derivative financial instruments were concluded in 2011. There were no open positions as of the balance sheet date on December 31, 2011.

#### Expected development of the STRATEC Group

Our budgets are based on the assumption that our component prices will continue to show slight increases. The company intends to offset this factor with benefits of scale and logistics measures.

Due to economic and timing (time-to-market) considerations, our customers are increasingly focusing on their core business of reagent development. The resultant need to outsource instrumentation development and production, supplemented by our technological leadership and superb reputation, and in particular the further increase in the number of our development projects and customers inquiries, reinforce our assumption that we will continue to be able to grow considerably faster than the market. Our development quota, expressed in the ratio of development work to gross profit, remains considerably higher than that of comparable companies. In view of the projects currently in the initiation and development stages, we assume that we will continue to be able to generate substantial double-digit percentage growth in the coming years.

Our efforts to increase our margins in the medium term are principally based on the following factors:

- Further growth in the base of STRATEC analyzer systems already installed and further turnover growth in 2012 with the service components and consumables required for the high volume of appliances placed between 2009 and 2011
- Introduction of new analyzer systems and follow-up approval with significant quantity effects and benefits of scale.
- Further intensification in fixed cost degression factors due to additional volume growth and the introduction of line production concepts.

Our indicators, such as new orders, our customers' forecasts, and the market launches already implemented for new analyzer systems, point to ongoing pleasing developments in sales. The structure of our contracts, which include purchase forecasts and forecasting systems, provides us with visibility concerning our logistics and a very good budgeting horizon for analyzer system sales volumes over far-reaching customer-specific periods. Notwithstanding this visibility, 2012 will be affected by uncertainties due to the macroeconomic climate, developments in global healthcare policies, the changing structure of competition within the diagnostics sector, ongoing efforts at consolidation on the part of individual market players, and unforeseeable delays in the granting of market approval and follow-up approval. The development in our margins will continue to be affected by degression factors in respect of development expenses and the relative share of total sales attributable to maintenance parts.

Despite the aforementioned challenges, none of which lies within STRATEC's control, our indicators, such as the positive forecasts provided by our customers and new product launches, show that we have the potential to generate further substantial growth. The customer structure, development and new contract pipeline, and youthful nature of STRATEC's product portfolio will secure the company's positive performance for the years ahead.

Our aim is for STRATEC to achieve at least twice the rate of growth in the diagnostics market in terms of its average performance in 2012 and 2013.

Birkenfeld, March 12, 2012

STRATEC Biomedical AG

The Board of Management



Marcus Wolfinger



Dr. Robert Siegle



Bernd M. Steidle

# CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2011  
of STRATEC Biomedical AG

CONSOLIDATED BALANCE SHEET	48
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	50
CONSOLIDATED CASH FLOW STATEMENT	51
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	52
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	54
RESPONSIBILITY STATEMENT	116
AUDITOR'S REPORT	117
BOARD OF DIRECTORS	118
FINANCIAL CALENDAR	120

# CONSOLIDATED BALANCE SHEET

as of December 31, 2011  
of STRATEC Biomedical AG

ASSETS	Note	12.31.2011 in €	12.31.2010 in € thousand
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>	(1)		
Goodwill		4,583,941.53	4,480
Other intangible assets		5,874,192.85	5,678
		<b>10,458,134.38</b>	<b>10,158</b>
<b>Property, plant and equipment</b>	(2)	<b>17,211,427.10</b>	<b>16,358</b>
<b>Financial assets</b>			
Interests in associates	(3)	351,347.95	342
<b>Deferred taxes</b>	(12)	<b>630,259.52</b>	<b>333</b>
		<b>28,651,168.95</b>	<b>27,191</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>	(4)		
Raw materials and supplies		8,269,117.97	7,731
Unfinished products, unfinished services		30,408,752.46	26,838
Finished products and merchandise		773,849.89	589
Prepayments made		0.00	3
		<b>39,451,720.32</b>	<b>35,161</b>
<b>Receivables and other assets</b>			
Trade receivables	(5)	15,330,862.61	15,817
Future receivables from construction contracts	(6)	5,991,727.62	5,629
Receivables from associates	(7)	121,625.76	103
Income tax receivables		720.51	0
Other receivables and other assets	(8)	1,678,412.25	1,187
		<b>23,123,348.75</b>	<b>22,736</b>
<b>Securities</b>	(9)	<b>222,388.05</b>	<b>526</b>
<b>Cash and cash equivalents</b>	(25)	<b>19,547,913.49</b>	<b>13,222</b>
		<b>82,345,370.61</b>	<b>71,645</b>
<b>TOTAL ASSETS</b>		<b>110,996,539.56</b>	<b>98,836</b>

SHAREHOLDERS' EQUITY AND DEBT	Note	12.31.2011 in €	12.31.2010 in € thousand
<b>SHAREHOLDERS' EQUITY</b>	(10)		
Share capital		11,674,895.00	11,569
Capital reserve		15,306,630.29	13,915
Revenue reserves		40,097,787.74	32,985
Consolidated net income		15,281,660.48	13,039
Other equity		869,849.76	371
		83,230,823.27	71,879
<b>DEBT</b>			
<b>Non-current debt</b>			
Non-current financial liabilities	(13)	9,166,748.67	7,420
Pension provisions	(11)	0.00	321
Deferred taxes	(12)	1,352,432.17	2,055
		10,519,180.84	9,796
<b>Current debt</b>			
Current financial liabilities	(13)	776,762.39	588
Trade payables	(14)	3,954,632.63	2,842
Liabilities to associates	(14)	39,627.05	88
Other current liabilities	(15)	10,314,202.28	10,952
Current provisions	(16)	1,426,775.94	1,496
Income tax liabilities	(16)	710,494.80	1,195
		17,222,495.09	17,161
<b>Passive Rechnungsabgrenzung</b>		24,040.36	0
<b>TOTAL SHAREHOLDERS' EQUITY AND DEBT</b>		110,996,539.56	98,836



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2011  
of STRATEC Biomedical AG

	Note	2011 in €	2010 in € thousand
Sales	(17)	116,558,386.17	101,978
Increase in volume of finished and unfinished products and unfinished services	(18)	3,580,096.08	2,726
Other own work capitalized	(2)	2,058,331.74	2,028
<b>Overall performance</b>		<b>122,196,813.99</b>	<b>106,732</b>
Other operating income	(19)	2,127,200.94	1,842
Cost of materials			
a) Cost of raw materials and supplies		57,124,214.72	51,507
b) Cost of purchased services		2,128,262.88	1,578
		<b>59,252,477.60</b>	<b>53,085</b>
Personnel expenses	(20)		
a) Wages and salaries		26,304,378.67	22,349
b) Social security contributions, pension expenses and other benefits		3,627,104.80	3,288
		<b>29,931,483.47</b>	<b>25,637</b>
Amortization of intangible assets and depreciation of property, plant and equipment	(21)	3,858,746.22	3,267
Other operating expenses	(22)	9,437,086.11	8,976
Income from profit transfer agreements		-20,243.99	-17
Financial income		189,305.51	130
Financial expenses		578,947.75	279
Other financial income / expenses		-303,834.39	109
<b>Net financial expenses</b>	(23)	<b>-713,720.62</b>	<b>-57</b>
<b>Operating result (EBT)</b>		<b>21,130,500.91</b>	<b>17,552</b>
Taxes on income	(12)		
a) Current tax expenses		6,860,546.85	4,739
b) Deferred tax income		-1,011,706.43	-226
		<b>5,848,840.42</b>	<b>4,513</b>
<b>Consolidated net income</b>		<b>15,281,660.48</b>	<b>13,039</b>
Income and expenses recognized directly in equity (after taxes)			
Currency translation of foreign financial statements		294,000.67	1,223
<b>Comprehensive income</b>		<b>15,575,661.15</b>	<b>14,262</b>
<b>Earnings per share in Euro</b>	(24)	<b>1.32</b>	<b>1.14</b>
No. of shares used as basis		11,615,762	11,469,713
<b>Diluted earnings per share in Euro</b>	(24)	<b>1.31</b>	<b>1.12</b>
No. of shares used as basis (diluted)		11,708,408	11,667,298

# CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2011  
of STRATEC Biomedical AG

in € thousand	Note	2011	2010
<b>I. Operations</b>			
Consolidated net income (after taxes)		15,282	13,039
Depreciation and amortization	(21)	3,859	3,267
Current income tax expenses		6,861	4,739
Income taxes paid less income taxes received		-7,417	-3,157
Financial income		-208	-130
Financial expenses		560	279
Interest paid		-513	-235
Interest received		143	102
Other non-cash expenses		672	481
Other non-cash income		-2,656	-2,546
Change in net pension provisions	(11)	-321	216
<b>Cash flow</b>		<b>16,262</b>	<b>16,055</b>
Change in deferred taxes through profit or loss		-1,012	-153
Profit (previous year: loss) on disposals of non-current assets		-126	16
Increase in inventories, trade receivables and other assets		-4,784	-9,481
Increase (previous year: decrease) in trade payables and other liabilities		367	-4,989
<b>Inflow of funds from operating activities</b>		<b>10,707</b>	<b>1,448</b>
<b>II. Investments</b>			
Incoming payments from disposals of non-current assets			
Property, plant and equipment		159	19
Outgoing payments for investments in non-current assets			
Intangible assets		-249	-357
Property, plant and equipment		-2,184	-7,241
Prepayments made / assets under construction		-131	-283
Financial assets		0	-19
Outgoing payments for acquisition of consolidated companies, less cash and cash equivalents taken over		0	-421
<b>Outflow of funds for investing activities</b>		<b>-2,405</b>	<b>-8,302</b>
<b>III. Financing</b>			
Incoming payments from taking up of financial liabilities		2,500	2,386
Outgoing payments for repayment of financial liabilities		-610	-888
Incoming payments from issues of shares for employee stock option programs		1,407	2,230
Dividend payments		-5,778	-5,122
<b>Outflow of funds for financing activities</b>		<b>-2,481</b>	<b>-1,394</b>
<b>IV. Cash-effective change in cash and cash equivalents (Balance of I-III)</b>		<b>5,821</b>	<b>-8,248</b>
Cash and cash equivalents at start of period		13,222	21,187
Change in cash and cash equivalents due to changes in exchange rates		505	283
<b>Cash and cash equivalents at end of period</b>	<b>(25)</b>	<b>19,548</b>	<b>13,222</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2011 Financial Year  
of STRATEC Biomedical AG

in € thousand	Share capital	Capital reserve
<b>December 31, 2009</b>	<b>11,446</b>	<b>11,167</b>
Equity transactions with owners		
Dividend payment		
Issue of subscription shares from stock option programs, less costs of capital issue after taxes	123	2,101
Allocations due to stock option plans		192
Allocations to free revenue reserves		
Profit carried forward		
Disposal of treasury stock		455
Comprehensive income in 2010		
<b>December 31, 2010</b>	<b>11,569</b>	<b>13,915</b>
<b>December 31, 2010</b>	<b>11,569</b>	<b>13,915</b>
Equity transactions with owners		
Dividend payment		
Issue of subscription shares from stock option programs, less costs of capital issue after taxes	106	1,237
Allocations due to stock option plans		154
Allocations to free revenue reserves		
Profit carried forward		
Disposal of treasury stock		
Comprehensive income in 2011		
<b>December 31, 2011</b>	<b>11,675</b>	<b>15,306</b>

\* pursuant to § 58 (2) of the German Stock Corporation Act (AktG),  
allocations to free revenue reserves are presented in the year in which the relevant resolution is adopted.

Revenue reserves			Other equity		Group equity
Accumulated net income	Free revenue reserves*	Consolidated net income	Treasury stock	Currency translation	
18,893	7,540	11,674	-998	-435	59,287
		-5,122			-5,122
					2,224
					192
	3,000	-3,000			0
3,552		-3,552			0
			581		1,036
		13,039		1,223	14,262
22,445	10,540	13,039	-417	788	71,879
22,445	10,540	13,039	-417	788	71,879
		-5,778			-5,778
					1,343
					154
	3,000	-3,000			0
4,261		-4,261			0
	-148		205		57
		15,282		294	15,576
26,706	13,392	15,282	-212	1,082	83,231

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2011 financial year  
of STRATEC Biomedical AG

## A. GENERAL DISCLOSURES

### GENERAL INFORMATION

By resolution adopted at the Annual General Meeting on April 14, 2011, the company's name was changed from STRATEC Biomedical Systems AG to STRATEC Biomedical AG (hereinafter "STRATEC AG").

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

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

The Board of Management of STRATEC AG prepared the consolidated financial statements on March 12, 2012 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 March 19, 2012. The consolidated financial statements and group management report as of December 31, 2011 will be published in the electronic Federal Official Gazette (Bundesanzeiger).

### BASIS OF PREPARATION

The consolidated financial statements compiled by STRATEC AG as the topmost parent company as of December 31, 2011 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.

The consolidated financial statements of STRATEC AG provide a true and fair view of the net asset, financial and earnings position, as well as of the cash flows, of the Group for the year under report in accordance with the applicable accounting principles.

The consolidated financial statements have been compiled in euros. Unless otherwise stated, the amounts reported in the notes are denominated in thousand euros (€ 000s).

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

The financial statements have in principle been prepared based on amortized cost, apart from financial assets and financial liabilities, including derivative financial instruments, which have been measured at fair value through profit or loss.

The consolidated statement of comprehensive income has been prepared using the total cost 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 12 (Income Taxes), deferred taxes must in principle be recognized as non-current items.

## SUCCESSFUL COMPLETION OF DPR PROCESS

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

During its audit, the DPR provided recommendations on specific financial reporting topics. The Board of Management of STRATEC AG reviewed these directly and in detail and has already implemented the majority of these recommendations in the 2011 consolidated financial statements. On the one hand, these involve the subdivision within the segment report into "Instrumentation" and "All other segments" reporting segments presented from the 2011 financial year onwards (c.f. Page 103 onwards). On the other hand, the recommendations concerning the delineation of cash-generating units for the goodwill impairment test performed pursuant to IAS 36 (Impairment of Assets) have been implemented. This has – neither prospectively nor retrospectively – resulted in any implications for the consolidated financial statements.

The recommendations issued concerning the accounting treatment of development cooperations are significantly more complex in terms of their "technical" implementation (in particular the distinction made between new and existing cases), as these would basically represent an amended accounting treatment affecting the "core business" of STRATEC AG. The Board of Management of STRATEC AG has therefore decided not yet to implement these recommendations in the 2011 consolidated financial statements. The envisaged implementation in the consolidated financial statements as of December 31, 2012 can be expected to result in particular in implications for the consolidated balance sheet structure in the form of a reduction in the "Inventories" balance sheet item and a corresponding increase in the "Other intangible assets" balance sheet item. This would produce corresponding follow-up effects in the form of shifts within individual items in the consolidated statement of comprehensive income, such as changes in the volume of finished and unfinished products and unfinished services, depreciation and amortization, and current and deferred taxes. Furthermore, changes would also arise in individual items in the consolidated cash flow statement.

## ACCOUNTING STANDARDS REQUIRING MANDATORY APPLICATION FOR THE FIRST TIME IN THE YEAR UNDER REPORT

The following accounting standards and interpretations required mandatory application for the first time in the 2011 financial year.

The application of these standards and interpretations in the 2011 financial year has been based on the relevant transitional requirements. Unless expressly required in individual standards and interpretations, and described separately below, the standards and interpretations have been applied retrospectively, i.e. the information has been presented as if the new accounting policies had always been applied. In these cases, the comparative figures have been adjusted as appropriate.

Standard	Title *	IASB publication	Effective date**	EU endorsement
<b>New interpretation</b>				
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	11.26.2009	07.01.2010	07.24.2010
<b>Revised standards and interpretations (Amendments)</b>				
IAS 32	Financial Instruments: Presentation (Classification of Rights Issues)	10.08.2009	02.01.2010	12.23.2009
IAS 24	Related Party Disclosures	11.04.2009	01.01.2011	07.20.2010
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	11.26.2009	01.01.2011	07.20.2010
Diverse	IFRS Improvements (Annual Improvement Project 2008 – 2010)	05.06.2010	01.01.2011	02.19.2011

\* due to lack of materiality for STRATEC AG, amendments to IFRS 1 have not been presented in the table.

\*\* for financial years beginning on or after this date

First-time application of the aforementioned requirements has not had any material influence on the presentation of the net asset, financial and earnings position, or on earnings per share.

## 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, among other factors, dependent on their being accepted by the European Union within its IFRS endorsement procedure.

Standard	Title *	IASB publication	Effective date **	EU-endorsement
<b>New standards and interpretations</b>				
IFRS 9	Financial Instruments	11.12.2009	01.01.2015	Outstanding
IFRS 10	Consolidated Financial Statements	05.12.2011	01.01.2013	Expected Q3-2012
IFRS 11	Joint Arrangements	05.12.2011	01.01.2013	Expected Q3-2012
IFRS 12	Disclosures of Interests in Other Entities	05.12.2011	01.01.2013	Expected Q3-2012
IFRS 13	Fair Value Measurement	05.12.2011	01.01.2013	Expected Q3-2012
IAS 27 (2011)	Separate Financial Statements	05.12.2011	01.01.2013	Expected Q3-2012
IAS 28 (2011)	Investments in Associates and Joint Ventures	05.12.2011	01.01.2013	Expected Q3-2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	10.19.2011	01.01.2013	Expected Q2-2012
<b>Revised standards and interpretations (Amendments)</b>				
IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	10.07.2010	01.07.2011	11.23.2011
IAS 12	Income Taxes – Recovery of Underlying Assets	10.20.2010	01.01.2012	Expected Q2-2012
IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	06.16.2011	07.01.2012	Expected Q1-2012
IAS 19	Employee Benefits	06.16.2011	01.01.2013	Expected Q1-2012
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	12.16.2011	01.01.2013	Expected Q3-2012
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	12.16.2011	01.01.2014	Expected Q3-2012

\* due to lack of materiality for STRATEC AG, amendments to IFRS 1 have not been presented in the table.

\*\* for financial years beginning on or after this date

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

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

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

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

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

In December 2011, the IASB issued the amendment "Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)" in which the effective date of IFRS 9 is amended to financial years beginning on or after January 1, 2005. Furthermore, the alleviatory regulations concerning comparative figures and related IFRS 7 disclosures were also amended.

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

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

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

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

The accounting implications for STRATEC AG resulting from the amendments to IAS 32 and IFRS 7 are currently assessed as negligible.

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

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

The principal requirements of the new standards are as follows:

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

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

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

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

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

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

At STRATEC AG, these five new standards will result in extended disclosures in the notes to the consolidated financial statements. Other than this, the implications resulting from application of the new standards have not yet been analyzed in detail. Accordingly, the extent of these implications has also not been quantified.



## **IFRS 13 (FAIR VALUE MEASUREMENT)**

IFRS 13 pools uniform standards governing measurement at fair value and the resultant disclosure obligations. The standard defines the concept of fair value, provides a framework for measuring fair value, and sets out the necessary disclosures. The scope of application for IFRS 13 is far-reaching and covers both financial and non-financial items. With certain exceptions, IFRS 13 will have to be applied in all cases where another IFRS requires or permits fair value measurement, or requires disclosures on fair value measurement. In general, the disclosure obligations under IFRS 13 are significantly more far-reaching than in the currently valid standards.

The quantitative and qualitative disclosures made on the basis of the three-level fair value hierarchy, for example, have been extended. Currently, these are solely required for financial instruments recognized under IFRS 7, but are extended by IFRS 13 to all assets and liabilities falling within the standard's scope of application.

STRATEC AG expects first-time application of IFRS 13 to result in extended disclosures in the notes to its consolidated financial statements. No reliable assessment is currently possible as to whether application will also affect the values recognized in the consolidated financial statements.

## **AMENDMENTS TO IAS 1 (PRESENTATION OF FINANCIAL STATEMENTS)**

The IASB issued amendments to IAS 1 in June 2011. The amendments introduce new requirements for the presentation of other comprehensive income. The option of providing one or two presentations is retained in the amendments. However, the presentation of other comprehensive income has been changed in that subtotals are now required for items capable of "recycling" (e.g. cash flow hedges, foreign currency translations), and those not capable of "recycling" (e.g. specified items to be recognized under other comprehensive income pursuant to IFRS 9 Financial Instruments, or recognition of the remeasurement component pursuant to IAS 19 (2011) Employee Benefits).

The presentation of items within other comprehensive income will be amended as appropriate upon application of the amendments in future periods.

## **AMENDMENTS TO IAS 19 (EMPLOYEE BENEFITS)**

The IASB issued amendments to IAS 19 in June 2011. The most important amendment here is that future unexpected fluctuations in pension obligations and any plan asset holdings, the so-called remeasurement component, previously actuarial gains and losses, must be recognized directly in other comprehensive income. The previous option between immediate recognition through profit or loss, in other comprehensive income, or deferred recognition using the corridor method has been abolished.

A second amendment to IAS 19 is that in future the return on plan assets may no longer be estimated based on the asset allocation and in line with the expected return, but that income resulting from the expected return on plan assets may only be recognized at the level of the discount rate.

Thirdly, the amended version of IAS 19 calls for more extensive disclosures. In future, it will thus be necessary to provide disclosures concerning the pension plan financing strategy. The financing risks to which the plans are exposed must be described and quantified. Among other factors, it will be necessary in future to provide a sensitivity analysis showing the extent to which pension obligations fluctuate upon changes in key valuation assumptions. It will also be necessary in future to disclose the average remaining term of the pension obligations.

Furthermore, the treatment of termination benefits in IAS 19 has also been amended. This applies in particular to the point in time at which companies are required to recognize a liability for termination benefits. With these amendments, the corresponding requirements under US-GAAP have been adopted, albeit not literally (such as the requirement to inform individual employees). Above all, the timeframe for recognition may be longer in some cases. Furthermore, in respect of the recognition of termination benefits, the distinction between benefits paid in exchange for service performed and benefits paid in exchange for termination of employment has been amended. This could have implications for the recognition and measurement of termination benefits.

STRATEC AG currently assesses the implications of the amended standards for its group accounting as being of minor significance.

## **B. ACCOUNTING POLICIES APPLIED**

### **CONSOLIDATION PRINCIPLES**

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

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

### **SCOPE OF CONSOLIDATION**

The consolidated financial statements of STRATEC AG basically include all companies where STRATEC AG has the possibility of determining the financial and business policy (control relationship). Inclusion of these companies begins as of the acquisition date, i.e. from the date on which STRATEC AG first gains the possibility of exercising control and ends when STRATEC AG no longer exercises control. Shareholdings whose implications for the net asset, financial and earnings position are of immaterial significance both individually and aggregately are included in the consolidated financial statements at cost, less any impairments, and recognized as interests 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.

In addition to STRATEC AG, the consolidated financial statements as of December 31, 2011 include the following subsidiaries by way of full consolidation:

- STRATEC Biomedical Switzerland AG, Beringen, Switzerland
- STRATEC Biomedical UK, Ltd. (formerly: Sanguin International Ltd.), Burton upon Trent, UK
- STRATEC Molecular GmbH (formerly: InViTek Gesellschaft für Biotechnik & Biodesign mbH), Berlin, Germany
- STRATEC Biomedical USA, Inc., Newbury Park, USA

The level of shareholding held as of December 31, 2011 amounted to 100% of voting capital at each of the companies.

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

	Share capital	Shareholding %	Annual earnings*
STRATEC NewGen GmbH, Birkenfeld, Germany	25,000 EUR	100.0	-20,244 EUR
STRATEC Biomedical Inc., Hamden, CT, USA	15,000 USD	100.0	-26,186 USD
Sanguin International Inc., Hamden, CT, USA	1,000 USD	100.0	-77,098 USD
STRATEC Biomedical S.R.L. (formerly: STRATEC Biomedical Systems S.R.L), Cluj-Napoca, Romania	87,750 RON	100.0	38,215 RON

\* The earnings figures reported are based on the annual financial statements prepared in accordance with respective national accounting requirements as of December 31, 2011.

## COMPANY ACQUISITIONS

Company acquisitions are recognized using the purchase method, which involves measuring the assets and liabilities thereby acquired at fair value as of the date of initial control. No company acquisitions were made in the 2011 financial year.

### THE FOLLOWING ACQUISITIONS WERE REPORTED IN ACCORDANCE WITH THE REQUIREMENTS OF IFRS 3 (BUSINESS COMBINATIONS) IN THE PREVIOUS YEAR:

On July 8, 2010, STRATEC AG acquired 100% of the shares in the US company Ballista Inc. based in Newbury Park, USA, for € 2,710k (USD 3,431k). Following acquisition, this company was renamed as STRATEC Biomedical USA, Inc.

The total consideration paid for the acquisition was structured as follows:

in € thousand	
Purchase price paid upon acquisition	271
Granting of shares in STRATEC Biomedical AG (35,790 shares)	1,038
Purchase price installments	746
Security deposit	224
Performance-related payments	127
Development milestone payments	304
<b>Total</b>	<b>2,710</b>

STRATEC Biomedical USA, Inc. was included in the consolidated financial statements of STRATEC AG as of the acquisition date (July 8, 2010).

The shares thereby issued were measured at the closing price of the shares on the XETRA trading platform of the Frankfurt Stock Exchange on the date of acquisition.

The purchase price installments, with a total nominal amount of USD 1,000k, were and are payable in 36 monthly installments starting on July 8, 2010. The security deposit with a nominal total of USD 300k was due for payment on December 31, 2011.

The performance-related and development-related purchase price components with a nominal total of up to USD 950k were and are dependent on the achievement of specified development, sales and EBIT targets. Key performance dates here were and are December 31, 2010, March 31, 2011, June 30, 2011 and June 30, 2013. The amounts recognized represent the estimated fair values of these obligations at the date of acquisition.

The present values of unconditional future components have been calculated using the congruent market debt interest rate as of the valuation date (3.77% - 4.11%). To calculate the present value of the contingent components, reference was made to the risk-adjusted company-specific discount rate (WACC) of 15.90% after taxes.

The fair values of the assets and liabilities taken over at STRATEC Biomedical USA, Inc. as recognized upon acquisition and their carrying amounts directly before the business combination have been presented in the following table:

in € thousand	Fair value upon acquisition	Carrying amounts directly before business combination
<b>Current assets</b>		
Cash and cash equivalents	17	17
Trade receivables and other assets	323	323
Inventories	102	102
	<b>442</b>	<b>442</b>
<b>Non-current assets</b>		
Intangible assets	3,627	4
of which goodwill	2,448	0
of which technology	1,175	0
of which other intangible assets	4	4
Property, plant and equipment	272	272
	<b>3,899</b>	<b>276</b>
<b>Total assets</b>	<b>4,341</b>	<b>718</b>

in € thousand	Fair value upon acquisition	Carrying amounts directly before business combination
<b>Current debt</b>		
Financial liabilities	446	446
Trade payables and other liabilities	801	801
	<b>1,247</b>	<b>1,247</b>
<b>Non-current debt</b>		
Deferred tax liabilities	384	0
<b>Total debt</b>	<b>1,631</b>	<b>1,247</b>

Goodwill chiefly represents the synergies expected to be generated by pooling the technological expertise at the company acquired with the core competency at STRATEC AG in the field of automation solutions. Furthermore, due to greater market access and the integration and increased professionalism of the sales network, goodwill also reflects the overall growth opportunities available in the laboratory automation business field. These benefits have not been recognized as a separate item as they do not satisfy the requirements governing recognition of intangible assets.

The fair values as of the acquisition date of the assets and liabilities taken over at STRATEC Biomedical USA, Inc. did not require any adjustment in the 2011 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.

### 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, economical 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:

1 EUR /	Reporting date rate		Average rate	
	2011	2010	2011	2010
GBP UK	0.84	0.86	0.87	0.86
USD USA	1.29	1.34	1.39	1.33
CHF Switzerland	1.22	1.25	1.23	1.38

## OTHER INTANGIBLE ASSETS

Other intangible assets are recognized upon addition at acquisition or manufacturing costs. Acquisition costs comprise the acquisition price, ancillary costs and retrospective acquisition costs, less any reductions in the acquisition price. Manufacturing costs comprise all directly allocable costs incurred to design, manufacture and otherwise prepare the asset for the use intended for it by the management. Other intangible assets with limited useful lives have been amortized in accordance with these, generally using the straight-line method unless the actual decline in their value requires another form of amortization. Impairments have been accounted for by recognizing impairment losses (c.f. "Impairment tests"). Where the reasons for impairment no longer apply, the respective assets have been written back to a maximum of amortized cost.



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

	Useful lives in years
Technologies	3 – 8
Customer relationships acquired	5
Current R&D projects acquired	9
Software and licenses	3

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been measured at acquisition or manufacturing cost and, where depreciable, include scheduled depreciation. Scheduled depreciation has generally been performed using the straight-line method, unless the actual decline in value requires a use-based form of depreciation. Impairments have been accounted for by recognizing impairment losses (c.f. “Impairment tests”). Where the reasons for impairment losses no longer apply, these assets have been written back to a maximum of amortized cost.

Acquisition costs comprise the acquisition price, ancillary costs and retrospective acquisition costs, less any reductions in the acquisition price.

Manufacturing costs for internally generated assets comprise all directly allocable costs incurred to prepare the asset for its intended use.

Where the construction or manufacturing stage for items of property, plant and equipment extends over a longer period, borrowing costs incurred through to completion have been capitalized as a component of acquisition or manufacturing costs in accordance with the requirements of IAS 23 (Borrowing Costs).

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 acquisition or manufacturing costs.

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

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

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

Investment property includes land and buildings held to generate rental income or for the purpose of value growth, 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 minor extent of these surfaces, they have not been recognized in a separate item. The resultant rental income has been presented separately in Section “D. Disclosures on the consolidated statement of comprehensive income – (19) Other operating income”.

## **SUBSIDIES AND GRANTS**

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

## **LEASES**

A leasing arrangement is classified as an operating lease in cases where all major risks and rewards relating to ownership remain with the lessor. Within the STRATEC Group there are operating leases where the STRATEC Group acts as lessee. The corresponding 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 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 reversed as appropriate.

The cash generating units determined for goodwill impairment testing are “laboratory automation”, “workflow software” (previous year: “software”), “nucleic acid purification” and “contact-free measurement and capacity calculation methods” (previous year: “development and production of optics and opto-mechanical components”).

The determination of the recoverable amount for the cash generating units as of December 31, 2011 has been based on their value in use, defined as the present value of future net inflows of cash. The forecast future net inflows of cash have been based on current budgets at the STRATEC Group covering a detailed budget period of three years. The budgets have in turn been based on assumptions concerning future sales volumes and sales prices, as well as on expected costs. Net inflows of cash beyond the detailed budget period have been presented as perpetuity, taking due account of growth rates based on current market information.

Growth rates of 1.5% to 2.2% (previous year: 2.0% to 2.3%) have been used for those cash generating units attributable overall to the “healthcare products and services” market or industry.

Capital costs of cash generating units have been calculated as the weighted average of their equity and debt capital costs (WACC). The respective capital structures and costs of equity and debt capital have been based on comparable companies operating in the same industry and have been derived by reference to available capital market information.

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

Cash generating unit in %	Growth rate beyond detailed budget period	Pre-tax WACC
<b>Laboratory automation</b>		
2011	1.5	9.74
2010	2.0	9.53
<b>Workflow-Software</b>		
2011	1.5	9.49
2010	2.0	10.14
<b>Nucleic acid purification</b>		
2011	1.5	10.37
2010	2.0	10.50
<b>Contact-free measurement and capacity calculation methods</b>		
2011	2.2	24.29
2010	2.3	23.60

Of the goodwill recognized, € 694k results from the acquisition of STRATEC Biomedical UK, Ltd in the 2006 financial year, € 1,488k from the acquisition of STRATEC Molecular GmbH in the 2009 financial year, and € 2,402k from the acquisition of STRATEC Biomedical USA, Inc. in the 2010 financial year. For impairment test purposes, the goodwill has been allocated to those cash generating units benefiting from the synergies. In the 2010 financial year, goodwill was reallocated on the basis of the ratios of the respective EBIT margins of the cash generating units.

Pursuant to IAS 36 (Impairment of Assets), the company performed the annual impairment test for these goodwill items as of December 31, 2011.

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

in € thousand	Laboratory automation		Workflow-Software	
	2011	2010	2011	2010
Carrying amount of goodwill	4,385	4,285	102	99
Carrying amount of CGU including goodwill	70,208	60,587	2,298	2,838

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 16% growth in EBITDA (previous year: 20%) and a budgeted average EBIT margin of 20% (previous year: 23%). These assumptions reflect previous management experience. In perpetuity, a growth rate of 1.5% has been assumed for the respective location (previous year: 2%).

**"Workflow software":** Average sales growth of 30% has been assumed (previous year: 25%). The EBIT margin has been budgeted at an average of around 15% (previous year: 13%). These assumptions are consistent with average growth prospects in the sector based on external market data. In perpetuity, a growth rate of 1.5% has been assumed for the respective location (previous year: 2%). The cash flows compiled on this basis have been budgeted in the respective foreign currency and translated using the reporting date rate.

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 € 98k, 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 2011 (previous year: € 96k). For the goodwill thereby allocated as well, the annual impairment test did not identify any indications of impairment.

## FINANCIAL ASSETS AND LIABILITIES

Financial assets consist of interests in associates, loans and receivables, securities, and cash and cash equivalents.

The accounting treatment of financial assets has been based on 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 for 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 has been performed in line with 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. Securities have been allocated to this category. Changes in the fair value of financial assets in this category are recognized through profit or loss in the consolidated statement of comprehensive income as of the date of increase or decrease in their value.

Loans and receivables are non-derivative financial assets not listed on any active market. Trade receivables, future receivables from construction contracts, receivables from associates, the financial receivables included under other receivables and other assets have been allocated to this category, as have cash and cash equivalents. These items are measured at amortized cost using the effective interest rate method, accounting for impairments where appropriate.

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

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

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

Assets in the loans and receivables category are written up should the reasons for impairment losses previously recognized no longer apply. However, they may not be written up to any amount exceeding their amortized cost.

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 rate 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 options) to manage exchange rate 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 / CONSTRUCTION CONTRACTS

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 average cost of acquisition, accounting for their net sale values as of the balance sheet date, if lower.

Unfinished services involve product development costs for specific customers (development cooperations). These have been recognized at cost, accounting for their net sale values as of the balance sheet date, if lower. Where development cooperations also involve subsequent arrangements for an appliance manufacturing stage, recognition at manufacturing cost, taking due account of future cash flows, is not limited to the volume of payments granted. Following conclusion of the development stage and entry into the appliance manufacturing stage, that portion of manufacturing costs in the development stage not covered by payments granted is recognized as expenses in the consolidated statement of comprehensive income over the forecast period of appliance sales. The payments granted for the services performed during the development stage are recognized under other current liabilities through to completion of the respective development services.

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 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.

Customer-specific appliance manufacturing projects have been recognized using the percentage of completion method in accordance with the requirements of IAS 11 (Construction Contracts). The percentage of completion is determined by reference to the ratio of contract costs incurred as a percentage of total contract costs. These orders are regularly based on fixed-price agreements and are recognized in the "Future receivables from construction contracts" item in the balance sheet.

## TAXES

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

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

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

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

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



## PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

The defined benefit pension schemes take the form of pension commitments made by the company. To cover its benefit obligations, the company makes contributions to external plan assets. For accounting purposes, all income and expenses are recognized within the company's operating earnings (EBIT). In line with IAS 19 (Employee Benefits), the present value of pension obligations has been calculated using the projected unit credit method. This involves future obligations being measured using actuarial methods. The calculations at STRATEC AG have mainly been based on statistical data concerning mortality and personnel turnover rates, on assumptions concerning the discount rate, and the expected income from plan assets. The discount rate has basically been determined by reference to the yields on congruent company bonds of AA-rated companies, or additionally by reference to the yields on corresponding government bonds. The fair value of the plan assets has been deducted from the present value of the pension obligations. The obligations and plan assets are measured annually. Actuarial calculations are generally performed as of the balance sheet date, unless advance surveys are obtained in order to ensure prompt preparation of the financial statements. Actuarial gains and losses have been accounted for through profit or loss in the measurement of pension provisions in the period in which they arise, as have any reductions due to the maximum limit.

## 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 the outflow of resources 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.

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

## RECOGNITION OF SALES

Construction contract sales have been recognized in accordance with the requirements of IAS 11 (Construction Contracts). Where the earnings on the construction contract can be reliably estimated, the revenues and costs resulting from the respective construction contract have been recognized at percentage of completion. In exceptional cases where the earnings cannot be reliably estimated, sales have only been recognized up to the level of contract costs thereby incurred.

For development cooperations, sales generated following completion of the development stage have been recognized in the amount of the payments granted. When payments granted are lower than the manufacturing costs incurred during the development stage, but an appliance manufacturing stage is due to follow, the surplus amount of manufacturing costs following completion of the development stage continues to be recognized under unfinished services. This surplus amount is then expensed in the consolidated statement of comprehensive income over the corresponding appliance manufacturing stage (generally five years).

## RESEARCH AND DEVELOPMENT EXPENSES

Outlays allocable to research expenses have been recognized as expenses in the period in which they are incurred.

Within development expenses, a distinction has been made between development cooperations and proprietary development projects.

Development expenses incurred for development cooperations have been recognized under unfinished services. Development expenses for proprietary development projects have generally been 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 following criteria stipulated in IAS 38 (Intangible Assets):

- The product or process can be clearly delineated and the corresponding expenses can be clearly allocated and reliably determined
- The technical feasibility has been proven
- The product is either to be sold or put to internal use
- The assets will generate future economic benefit, for example by being sold or put to internal use
- Sufficient technical, financial and other resources are available to complete the project.

Development expenses recognized under IAS 38 (Intangible Assets) are tested for impairment at least once a year, as the respective assets have not yet attained a state in which they can be put to use. Impairment losses have been recognized when the carrying amount of the assets thereby recognized exceeds their recoverable amount.

Development expenses of € 1,063k were capitalized for proprietary development projects in the 2011 financial year (previous year: € 904k).

Research and development expenses not meeting the criteria for capitalization under IAS 38 (Intangible Assets) and totaling € 5,337k were incurred in the year under report (previous year: € 5,077k). These have been recognized, mainly as personnel expenses, in the consolidated statement of comprehensive income. Furthermore, procurement volumes of € 988k were incurred in the period under report for materials serving research and development (previous year: € 943k). These expenses have been included in cost of materials.

## 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.

Specifically, discretionary decisions and forward-looking assumptions have to be made in particular for the assessment of the criteria governing capitalization of intangible assets in the context of proprietary development projects, the accounting treatment of development projects and customer-specific production, the determination of the costs still to be incurred and percentage of completion for construction contracts, the allocation of capitalized unfinished services in connection with development cooperations to the corresponding appliance manufacturing stage and, linked to this, the period over which the expenses incurred for these are to be recognized in the consolidated statement of comprehensive income, the establishment of uniform useful lives for non-current assets at the Group, the allocation of goodwill to cash generating units and the determination of the recoverable amount for impairment testing purposes, the measurement of pension provisions, the fair value measurement of stock options granted, the measurement of provisions, the recognition of deferred taxes on tax loss carryovers, and the determination of the functional currency of foreign business units. Furthermore, discretionary decisions and forward-looking assumptions also have to be made in the context of company acquisitions when determining the fair values of the assets and liabilities thereby acquired, as well as of contingent purchase price components.

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

## DISCRETIONARY DECISIONS

### 1. Capitalization of internally generated intangible assets in connection with the development, or development stage, of a proprietary development project

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

### 2. Recognition of contracts using the percentage of completion method

Product developments performed within development cooperations for specific customers, and the customized production of analyzer systems represent key components of the STRATEC Group's business model.

The assessment as to whether this business model should involve the uniform recognition of sales in accordance with IAS 11 (Construction Contracts), and thus at an earlier date, or separate dates for the recognition of sales, and thus also at later dates, is subject to discretionary decisions. In weighing up and assessing all of the relevant circumstances, STRATEC AG has been guided by the principle of caution codified in Framework F. 37 (prudence), and has therefore opted for separate analysis. This means that no sales are recognized using the percentage of completion method during the early stage of development cooperations. Sales are only recognized in accordance with IAS 11 (Construction Contracts) during the later appliance manufacturing stage.

### 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 of those cash generating units 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 (e.g. budgeted appliance sales, EBIT margin) to determine the potential synergies expected in each case.

### 4. Capitalization of intangible assets in the context of company acquisitions

Given the possibility of applying different capital value-based methods to determine the present value of the expected cash returns from the intangible assets acquired, the determination of the fair value of the intangible assets acquired in the context of company acquisitions is subject to significant discretionary scope at STRATEC AG. STRATEC AG basically selects the method ensuring the best possible separation of the identified inflow of benefits from the technology acquired.

#### 5. 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.

### UNCERTAINTIES INVOLVED IN ESTIMATES

#### 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 12.31.: € 4,584k; previous year: € 4,480k) is subject to a difficult assessment involving a significant degree of uncertainty. 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 the 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. Measurement of pension provisions using the projected unit credit method, taking due account of plan assets, and measurement of the defined benefit obligation pursuant to IAS 19 (Employee Benefits)

The measurement of the net defined benefit obligation (carrying amount as of 12.31.: € 0; previous year: € 321k) requires forward-looking estimates to be made, especially when calculating interest rates and the development in the return on plan assets. Moreover, the measurement also refers to biometrical assumptions based on statistical empirical values. The principal assumptions have been subject to a sensitivity analysis presented in Section "C. Disclosures on the balance sheet - (11) Provisions for pensions".

#### 3. Measurement of stock option rights granted upon date of contractual commitment and calculation of the resultant personnel expenses and amount allocated to the capital re-serve pursuant to IFRS 2 (Share-based Payments)

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

**4. Calculation of provision for guarantee and warranty obligations pursuant to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)**

When calculating the future expenses to be accounted for as the provision for guarantee and warranty obligations (carrying amount as of 12.31.: € 622k; previous year: € 542k), the management takes due account of historic values from previous years and projects these onto sales involving guarantee commitments in the financial year under report. Actual expenses in future financial years may deviate from the estimated figures.

**5. Recognition of deferred taxes for temporary differences and tax loss carryovers eligible for future use pursuant to IAS 12 (Income Taxes)**

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

**6. Recognition of company acquisitions pursuant to IFRS 3 (Business Combinations)**

Application of the purchase method requires specific estimates and assessments to be made, especially when determining the fair values of the intangible assets and property, plant and equipment thereby acquired, of the liabilities as of the acquisition date, and of the useful lives of the intangible assets and property, plant and equipment thereby acquired. Assumptions also have to be made concerning the translation of individual items of contingent consideration denominated in foreign currencies. Measurement is largely based on forecasts concerning future inflows and outflows of funds. Any variances between forecast and actual future cash flows could impact significantly on future group earnings.

There are no other significant forward-looking assumptions and major sources of uncertainty concerning estimates at the balance sheet 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 2011 financial year:

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
<b>Acquisition and manufacturing costs Balance at 12.31.2010</b>	<b>4,480</b>	<b>7,125</b>	<b>431</b>	<b>902</b>	<b>2,657</b>	<b>15,595</b>
Additions	0	0	0	1,063	249	1,312
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Currency differences	104	179	0	28	57	368
<b>Balance at 12.31.2011</b>	<b>4,584</b>	<b>7,304</b>	<b>431</b>	<b>1,993</b>	<b>2,963</b>	<b>17,275</b>

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
<b>Accumulated amortization Balance at 12.31.2010</b>	<b>0</b>	<b>3,517</b>	<b>49</b>	<b>0</b>	<b>1,871</b>	<b>5,437</b>
Additions	0	740	49	0	417	1,206
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Currency differences	0	123	0	0	51	174
<b>Balance at 12.31.2011</b>	<b>0</b>	<b>4,380</b>	<b>98</b>	<b>0</b>	<b>2,339</b>	<b>6,817</b>

in € thousand						
<b>Carrying amounts 12.31.2011</b>	<b>4,584</b>	<b>2,924</b>	<b>333</b>	<b>1,993</b>	<b>624</b>	<b>10,458</b>
<b>Carrying amounts 12.31.2010</b>	<b>4,480</b>	<b>3,608</b>	<b>382</b>	<b>902</b>	<b>786</b>	<b>10,158</b>

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



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

in € thousand	12.31.2011	12.31.2010
Workflow software (STRATEC Biomedical UK, Ltd.)	847	1,308
RNA / DNA purification (STRATEC Molecular GmbH)	988	1,186
Contact-free measurement and capacity calculation methods (STRATEC Biomedical USA, Inc.)	1,089	1,114
<b>Total</b>	<b>2,924</b>	<b>3,608</b>

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

The amount recognized for internally generated intangible assets includes development expenses for proprietary development projects capitalized at group companies in accordance with the criteria stipulated in IAS 38 (Intangible Assets).

The other rights and values item includes software and licenses (€ 454k; previous year: € 530k) and customer relationships identified upon company acquisitions (€ 170k; previous year: € 256k).

As in the previous year, it was not necessary to recognize any impairment losses in the 2011 financial year.

Intangible assets developed as follows in the 2010 financial year:

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
<b>Acquisition and manufacturing costs Balance at 12.31.2009</b>	<b>2,141</b>	<b>5,874</b>	<b>431</b>	<b>0</b>	<b>2,328</b>	<b>10,774</b>
Additions due to business combinations	2,448	1,175	0	0	4	3,627
Additions	0	0	0	904	357	1,261
Disposals	0	0	0	0	132	132
Reclassifications	0	0	0	0	0	0
Currency differences	-109	76	0	-2	100	65
<b>Balance at 12.31.2010</b>	<b>4,480</b>	<b>7,125</b>	<b>431</b>	<b>902</b>	<b>2,657</b>	<b>15,595</b>

in € thousand	Goodwill	Technologies	Current R&D projects acquired	Internally generated intangible assets	Other rights and values	Total
<b>Accumulated amortization Balance at 12.31.2009</b>	<b>0</b>	<b>2,750</b>	<b>0</b>	<b>0</b>	<b>1,498</b>	<b>4,248</b>
Additions	0	687	49	0	430	1,166
Disposals	0	0	0	0	127	127
Reclassifications	0	0	0	0	0	0
Currency differences	0	80	0	0	70	150
<b>Balance at 12.31.2010</b>	<b>0</b>	<b>3,517</b>	<b>49</b>	<b>0</b>	<b>1,871</b>	<b>5,437</b>

in € thousand						
<b>Carrying amounts 12.31.2010</b>	<b>4,480</b>	<b>3,608</b>	<b>382</b>	<b>902</b>	<b>786</b>	<b>10,158</b>
<b>Carrying amounts 12.31.2009</b>	<b>2,141</b>	<b>3,124</b>	<b>431</b>	<b>0</b>	<b>830</b>	<b>6,526</b>

## (2) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows in the 2011 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
<b>Acquisition and manufacturing costs Balance at 12.31.2010</b>	<b>12,619</b>	<b>708</b>	<b>12,581</b>	<b>297</b>	<b>26,205</b>
Additions	347	51	2,838	131	3,367
Disposals	0	312	198	0	510
Reclassifications	0	0	235	-235	0
Currency differences	99	8	116	0	223
<b>Balance at 12.31.2011</b>	<b>13,065</b>	<b>455</b>	<b>15,572</b>	<b>193</b>	<b>29,285</b>

in € thousand	Land, leasehold rights and buildings	Technologies, technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
<b>Accumulated depreciation Balance at 12.31.2010</b>	<b>1,668</b>	<b>438</b>	<b>7,741</b>	<b>0</b>	<b>9,847</b>
Additions	395	58	2,199	0	2,652
Disposals	0	306	169	0	475
Reclassifications	0	0	0	0	0
Currency differences	2	4	43	0	49
<b>Balance at 12.31.2011</b>	<b>2,065</b>	<b>194</b>	<b>9,814</b>	<b>0</b>	<b>12,073</b>

in € thousand					
<b>Carrying amounts 12.31.2011</b>	<b>11,000</b>	<b>261</b>	<b>5,758</b>	<b>193</b>	<b>17,212</b>
<b>Carrying amounts 12.31.2010</b>	<b>10,951</b>	<b>270</b>	<b>4,840</b>	<b>297</b>	<b>16,358</b>

No borrowing costs required capitalization as a component of costs of acquisition pursuant to IAS 23 (Borrowing Costs) in the 2011 financial year (previous year € 11k).

The weighted average financing cost rate used to calculate the borrowing costs eligible for capitalization in the previous year amounted to 1.7%.

As in the previous year, it was not necessary to recognize any impairment losses in the 2011 financial year.

Property, plant and equipment developed as follows in the 2010 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
<b>Acquisition and manufacturing costs Balance at 12.31.2009</b>	<b>5,689</b>	<b>499</b>	<b>9,633</b>	<b>1,182</b>	<b>17,003</b>
Additions due to acquisitions of consolidated companies	0	171	101	0	272
Additions	5,647	48	2,670	283	8,648
Disposals	11	10	534	0	555
Reclassifications	831	0	351	-1,182	0
Currency differences	463	0	360	14	837
<b>Balance at 12.31.2010</b>	<b>12,619</b>	<b>708</b>	<b>12,581</b>	<b>297</b>	<b>26,205</b>

in € thousand	Land, leasehold rights and buildings	Technologies, technical equipment and machinery	Other equipment, plant and office equipment	Prepayments made and assets under construction	Total
<b>Accumulated depreciation Balance at 12.31.2009</b>	<b>1,450</b>	<b>383</b>	<b>6,280</b>	<b>0</b>	<b>8,113</b>
Additions	222	56	1,823	0	2,101
Disposals	11	9	504	0	524
Reclassifications	0	0	0	0	0
Currency differences	7	8	142	0	157
<b>Balance at 12.31.2010</b>	<b>1,668</b>	<b>438</b>	<b>7,741</b>	<b>0</b>	<b>9,847</b>

in € thousand					
<b>Carrying amounts 12.31.2010</b>	<b>10,951</b>	<b>270</b>	<b>4,840</b>	<b>297</b>	<b>16,358</b>
<b>Carrying amounts 12.31.2009</b>	<b>4,239</b>	<b>116</b>	<b>3,353</b>	<b>1,182</b>	<b>8,890</b>

### (3) FINANCIAL ASSETS

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

in € thousand	2011	2010
Carrying amount at 01.01.	342	310
Additions	0	19
Currency differences	9	13
<b>Carrying amount at 12.31.</b>	<b>351</b>	<b>342</b>

### (4) INVENTORIES

#### Raw materials and supplies

Impairments of € 77k were recognized through profit or loss in the year under report (previous year: € 62k). The impairments arose on account of obsolescence.

#### Unfinished products / unfinished services

These items are structured as follows:

in € thousand	12.31.2011	12.31.2010
Unfinished products	1,921	1,906
Unfinished services	28,488	24,932
<b>Total</b>	<b>30,409</b>	<b>26,838</b>

Unfinished services involve product developments for specific customers within development cooperations either not yet completed as of the balance sheet date or, in the case of development cooperations already completed, where the manufacturing costs incurred in the past and not covered by payments granted are being expensed over the appliance manufacturing stage.

#### Finished products and merchandise

These items are structured as follows:

in € thousand	12.31.2011	12.31.2010
Finished products	477	422
Merchandise	297	167
<b>Total</b>	<b>774</b>	<b>589</b>

## (5) TRADE RECEIVABLES

All trade receivables (€ 15,331k; previous year: € 15,817k) are due for payment within one year. Customer credit balances have been recognized under other current liabilities.

The allowances schedule for trade receivables developed as follows:

in € thousand	2011	2010
<b>Accumulated allowances at 01.01.</b>	<b>140</b>	<b>113</b>
Expenses in period under report	11	30
Utilized	-5	-6
Currency translation	-1	3
<b>Accumulated allowances at 12.31.</b>	<b>145</b>	<b>140</b>

The gross amount of receivables for which individual allowances had been recognized at the balance sheet date amounted to € 201k (previous year: € 74k).

Expenses of € 0k were incurred for the complete write-down of trade receivables fully retired in the 2011 financial year (previous year: € 26k). No write-backs were required on volumes written down.

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

in € thousand	Carrying amount	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
12.31.2011	15,331	11,966	2,372	677	183	7
12.31.2010	15,817	12,610	2,093	648	315	77

There were no indications at the balance sheet date of any default risks in connection with receivables which were not impaired. Furthermore, critical receivables are covered by trade credit insurance policies. Upon the preparation of the consolidated financial statements, € 410k of the trade receivables overdue as of December 31, 2011 had not yet been settled (previous year: € 416k).

## (6) FUTURE RECEIVABLES FROM CONSTRUCTION CONTRACTS

With an amount of € 5,992k (previous year: € 5,629k), the “Future receivables from construction contracts” item involves construction contracts based on fixed-price agreements and recognized at their respective percentages of completion.

The amounts stated include the accumulated costs of construction contracts still underway at the balance sheet date (€ 4,370k; previous year: € 4,012k), as well as the prorated share of earnings realized (€ 1,622k; previous year: € 1,617k).

No account needed to be taken of payments received for construction contracts.



Work began on the construction contracts in the 2011 financial year. The respective contractual agreements foresee completion in 2012. The construction contracts recognized at the balance sheet date on December 31, 2010 were completed in the 2011 financial year.

Sales totaling € 67,632k have been recognized for construction contracts in the consolidated statement of comprehensive income for the 2011 financial year (previous year: € 64,507k).

The future receivables from construction contracts recognized as of December 31, 2011 and as of the previous year's balance sheet date were neither impaired nor overdue.

## (7) RECEIVABLES FROM ASSOCIATES

These receivables are structured as follows:

Company providing service	Company receiving service	12.31.2011 in T€	12.31.2010 in T€
STRATEC Biomedical UK, Ltd.	Sanguin International Inc,	2	0
STRATEC AG	STRATEC Biomedical Inc,	120	103
<b>Total</b>		<b>122</b>	<b>103</b>

The loan receivable due from STRATEC Biomedical Inc. (€ 120k; previous year: € 103k) bears interest at 3% p.a. These receivables are neither impaired nor overdue. Of receivables, an amount of € 120k (previous year: € 103k) has a remaining term of more than one year.

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

## (8) OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets are structured as follows:

in € thousand	12.31.2011	12.31.2010
Other tax receivables	1,005	824
Deferred expenses	430	176
Interest receivables	40	14
Receivables from employees	32	34
Sundry	171	139
<b>Total</b>	<b>1,678</b>	<b>1,187</b>

The other receivables and other assets are neither impaired nor overdue. An amount of € 1,660k is due within one year (previous year: € 1,149k).

## (9) SECURITIES

Shares in listed companies have been measured at their closing prices on the Frankfurt Stock Exchange at the balance sheet date. The expenses of €-304k resulting from measurement as of the balance sheet date (previous year: income of € 44k) have been recognized through profit or loss under other financial income and expenses in the consolidated statement of comprehensive income. No securities were acquired or disposed of in the 2011 financial year. The disposal of securities in the previous year led to profits of € 55k, which were recognized through profit or loss under other financial income and expenses in the consolidated statement of comprehensive income.

## (10) SHAREHOLDERS' EQUITY

The individual components of shareholders' equity and their development in 2011 and 2010 have been presented in the consolidated statement of changes in equity.

### Share capital

The share capital of STRATEC AG amounted to € 11,675k at the balance sheet date (previous year: € 11,569k). The share capital is divided into 11,674,895 ordinary shares (previous year: 11,569,026 ordinary shares) with a nominal value of € 1.00 each. A total of 105,869 ordinary shares are due to a conditional capital increase. The shares have been paid up in full and are bearer shares. Each share entitles its holder to one voting right. The share has been listed in the "TecDax" index of the Frankfurt Stock Exchange since November 2010.

### Authorized capital

Pursuant to § 4 (4.5) of the Articles of Association, the Board of Management is authorized, subject to approval by the Supervisory Board, to increase the company's share capital on one or more occasions prior to April 13, 2016 by a maximum amount of up to € 5,500,000.00 by issuing up to a maximum of 5,500,000 new ordinary bearer shares with a nominal value of € 1.00 each in return for cash or non-cash contributions (Authorized Capital). In general, shareholders must be granted subscription rights. In specific circumstances outlined in the Articles of Association, however, the Board of Management is entitled to exclude such subscription rights for a total amount of up to 20% of existing share capital upon this authorization becoming effective or, if lower, of the equivalent amount upon this authorization being acted on. Authorized Capital amounted to € 5,500,000 as of December 31, 2011 (previous year: € 5,500k).

### Conditional capital

§ 4 (4.6) Paragraph 1 of the Articles of Association provides for **Conditional Capital I**. This conditional capital increase serves to grant subscription rights (stock options) up to May 15, 2012 on the basis of the resolution adopted by the Annual General Meeting on May 16, 2007. Pursuant to the resolution adopted by the Annual General Meeting on May 20, 2009, Conditional Capital I was reduced to € 212,900.00 and the authorization to grant stock options dated May 16, 2007 rescinded to the extent that no further new option rights may be granted; only existing option rights may be exercised. Conditional Capital I amounted to € 29,650.00 as of December 31, 2011 (previous year: € 97k).

§ 4 (4.6) Paragraph II of the Articles of Association provides for **Conditional Capital II**. This conditional capital increase serves to grant subscription rights (stock options) up to April 1, 2008 on the basis of the resolution adopted by the Annual General Meeting on May 28, 2003. Pursuant to the resolution adopted by the Annual General Meeting on May 16, 2007, Conditional Capital II was reduced to € 220,000.00 and the authorization to grant stock options dated May 28, 2003 was rescinded to the extent that no further new option rights may be granted; only existing option rights may be exercised. As all of the stock options granted had either been exercised or had expired, Conditional Capital II amounted to € 0.00 as of December 31, 2011 (previous year: € 19k).

§ 4 (4.6) Paragraph 3 of the Articles of Association provides for **Conditional Capital III**. This conditional capital increase serves to grant subscription rights (stock options) up to June 22, 2011 on the basis of the resolution adopted by the Annual General Meeting on June 23, 2006. Pursuant to the resolution adopted by the Annual General Meeting on May 16, 2007, Conditional Capital III was reduced to € 35,000.00 and the authorization to grant stock options dated June 23, 2006 rescinded to the extent that no further new option rights may be granted; only existing option rights may be exercised. Conditional Capital III amounted to € 10,500.00 as of December 31, 2011 (previous year: € 13k).

§ 4 (4.6) Paragraph 4 of the Articles of Association provides for **Conditional Capital V**. This conditional capital increase serves to grant subscription rights (stock options) up to May 19, 2014 on the basis of the resolution adopted by the Annual General Meeting on May 20, 2009. 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 V amounted to € 766,000.00 as of December 31, 2011 (previous year: € 800k).

Furthermore, § 4 (4.7) of the Articles of Association provides for **Conditional Capital IV**, which amounts to € 800,000.00. Conditional Capital IV serves exclusively to grant up to 800,000 new ordinary bearer shares to the bearers or creditors of warrant or convertible bonds issued pursuant to the resolution adopted by the Annual General Meeting on April 14, 2011 by the company or by companies in which the company holds direct or indirect majority shareholdings. Conditional Capital IV amounted to € 800,000.00 as of December 31, 2011 (previous year: € 500k).

Total conditional capital (Conditional Capitals I-V) thus amounted to € 1,606k as of December 31, 2011 (previous year: € 1,429k).

### Stock option programs

The company had three stock option programs as of December 31, 2011. These stock option programs are especially well-suited to provide a sustainable performance incentive for members of the Board of Management and employees of the company, as well as for members of the management and employees of associates, and thus help increase the value of the company in the interests of the company and its shareholders. For members of the Board of Management of STRATEC AG, the stock options allocated to them simultaneously serve as variable components of compensation of a long-term incentive nature.

The following specific conditions apply to all stock option programs:

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 the 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 only be exercised in predetermined exercise windows. Up to 50% of the stock options granted may only be exercised at the earliest following a qualifying period of two years and provided that STRATEC's share has risen in value by at least 10% compared with the exercise price between the date of the option rights being granted and the date marking the expiry of the qualifying period. Following a qualifying period of a further year, up to 100% of the stock options granted may be exercised provided that STRATEC's share has risen in value by at least 15% between the date of the option rights being granted and the date marking the expiry of the qualifying period. Following the expiry of a seven-year term after being granted, the option rights lapse without compensation.

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

Granted in:	2005	2006	2007	2008	2009	2010	2011
Option rights granted (number of shares*)	42,644	30,300	75,600	92,300	117,800	17,100	58,100
Weighted exercise price (in €)	9.73	16.97	22.62	12.16	13.48	27.88	27.47
Expected share price volatility in %	50.0	50.0	42.0 bis 46.8	48.8 bis 55.8	48.0 bis 59.8	31.33 bis 47.35	29.23 bis 31.60
Expected dividend yield in %	0.66 bis 1.00	0.50 bis 0.65	0.60 bis 0.70	1.00 bis 1.50	1.50	1.50	1.50
Risk-free interest rate in %	2.30 bis 2.60	3.70	4.02 bis 4.50	3.56 bis 3.88	3.02 bis 3.47	2.35 bis 3.17	1.83 bis 3.21
Assumed turnover of personnel entitled to subscribe in %	3.5	3.5	3.5	5.0	5.0 bis 16.5	5.0	5.0
Future allocable personnel expenses (in € thousand)	88	106	257	199	226	44	165

\* 2.9942188 shares were issued per subscription right for option rights granted in 2005, to the extent that these had not been exercised by July 14, 2006.  
This has been accounted for in the share totals presented above

The following options schedule provides an overview of the development in stock option rights in the 2010 to 2011 financial years:

	Number of option rights	Weighted exercise price
<b>Outstanding on 12.31.2009</b>	<b>309,130</b>	<b>15.55 €</b>
<b>Exercisable on 12.31.2009</b>	<b>61,230</b>	<b>20.28 €</b>
During the 2010 financial year		
granted	17,100	27.88
exercised	120,766	18.29
lapsed	0	n.a.
<b>Outstanding on 12.31.2010</b>	<b>205,464</b>	<b>14.87 €</b>
<b>Exercisable on 12.31.2010</b>	<b>24,414</b>	<b>17.52 €</b>
During the 2011 financial year		
granted	58,100	27.47
exercised	107,284	13.11
lapsed	2,130	n.a.
<b>Outstanding on 12.31.2011</b>	<b>154,150</b>	<b>20.92 €</b>
<b>Exercisable on 12.31.2011</b>	<b>20,050</b>	<b>17.85 €</b>

Of the stock options granted in the year under report, a total of 45,000 were allocated to members of the Board of Management and Managing Directors of subsidiaries of STRATEC AG, none (previous year: 2,000) and 13,100 (previous year: 15,100) to employees at STRATEC AG. The average exercise prices amounted to € 27.11 for members of the Board of Management (previous year: € 0.00), € 0.00 for the Managing Directors of subsidiaries (previous year: € 27.75), and € 28.72 for employees (previous year: € 27.92).

In the year under report, 97,500 stock options (previous year: 112,500) were exercised by members of the Board of Management and Managing Directors of subsidiaries at an average exercise price of € 12.56 per share (previous year: € 18.64), and 9,784 stock options (previous year: 8,266) by employees of STRATEC AG at an average exercise price of € 18.59 per share (previous year: € 12.31).

Taking due account of the expected level of personnel turnover, the total value (at the respective date of issue) of the stock options so far granted to members of the Board of Management and employees of STRATEC AG, as well as to the management and employees of associates, amounts to € 1,263k (previous year: € 1,108k).

The total 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 € 154k in the 2011 financial year (previous year: € 192k). 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 20,050 stock option rights exercisable as of December 31, 2011 (previous year: 24,414) entitle their bearers to acquire a total of up to 20,050 shares (previous year: 37,105) at a total exercise price of € 358k (previous year: € 428k). This figure includes no options (previous year: 6,364 options) entitling their bearers to acquire shares (previous year: 19,055 shares) on account of the share split on July 14, 2006.

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 € 29.51 (previous year: € 30.01).

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:

2011 Number of stock options	Weighted exercise price in €	Weighted remaining contractual term in months
154,150	20.92	61.3
2010 Number of stock options	Weighted exercise price in €	Weighted remaining contractual term in months
205,464	14.87	61.2

### Capital reserve

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

### Revenue reserves

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

The revenue reserves are thus structured as follows:

in € thousand	12.31.2011	12.31.2010
Free revenue reserves	13,392	10,540
Accumulated net income	26,706	22,445
<b>Total</b>	<b>40,098</b>	<b>32,985</b>

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

in € thousand	
Accumulated net income as of 12.31.2010	22,445
Consolidated net income in 2010	13,039
Allocation to free revenue reserves	-3,000
Distribution (dividend for 2010)	-5,778
<b>Accumulated net income as of 12.31.2011</b>	<b>26,706</b>

### Other equity

Other equity includes the currency translation reserve and treasury stock.

The currency translation reserve of € 1,082k reported as of the balance sheet date (previous year: € 788k) relates to currency differences arising upon the translation of the separate financial statements of subsidiaries with functional currencies other than the euro.

### Treasury stock

The authorization to acquire treasury stock dated May 20, 2009 was rescinded by resolution of the Annual General Meeting on May 21, 2010. The Annual General Meeting held on May 21, 2010 authorized the Board of Management until May 20, 2015 to acquire further treasury stock on one or several occasions and in total or in partial amounts up to a total of ten percent of existing share capital as of May 21, 2010. Together with the treasury stock already acquired and still possessed by the company, the newly acquired treasury stock may not account for more than ten percent of the share capital. Alongside sale on the stock market or by way of a public tender addressed to all, the newly acquired treasury stock and treasury stock already acquired on account of earlier authorizations may also be used as follows:

- Subject to approval by the Supervisory Board, and without any further resolution being required, the treasury stock may be retired.
- The treasury stock may be used to the exclusion of shareholders' subscription rights to service subscription rights in connection with stock option programs based on authorizations adopted by the Annual General Meeting.
- The treasury stock may be sold to third parties to the exclusion of shareholders' subscription rights in return for contributions in kind in the context of business combinations, or to acquire companies, parts of companies or shareholdings in companies.
- The treasury stock may be sold to third parties to the exclusion of shareholders' subscription rights in ways other than via the stock market. In this case, the selling price may not fall significantly short of the share's average closing price in XETRA trading on the Frankfurt Stock Exchange on the five trading days preceding the substantiation of the disposal obligation. Moreover, the volume of shares thereby sold may not exceed the ten percent threshold set out in § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG), taking due account of volumes sold to the exclusion of shareholders' subscription rights since this authorization became effective by drawing on other authorizations pursuant to § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).



The company made no use of this authorization to acquire treasury stock in 2011. 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:

Number	2011	2010
Balance at 12.31. of the previous year	28,105	63,895
Acquisition of treasury stock	0	0
Surrender of treasury stock	-15,882	-35,790
<b>Treasury stock at 12.31. of financial year</b>	<b>12,223</b>	<b>28,105</b>

The surrender of treasury stock in the year under report was made in connection with the granting of bonus shares to employees of STRATEC AG and to the exercising of stock options within stock option programs. The surrender of treasury stock in the previous year related to the acquisition of STRATEC Biomedical USA, Inc.

The treasury stock has been recognized at cost at a total amount of € 212k (previous year: € 417k) 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 2011 financial year, a dividend of € 0.50 (previous year: € 0.45) was paid per share with dividend entitlement for the 2010 financial year, corresponding to a total distribution of € 5,778k (previous year: € 5,122k).

With the approval of the Supervisory Board, the Board of Management proposes that, of the net income of € 26,248k calculated for STRATEC AG in line with the German Commercial Code (previous year: € 22,692k), an amount of € 6,414,469.60 (previous year: € 5,770,460.50) should be distributed, equivalent to € 0.55 (previous year: € 0.50) per share with dividend entitlement, and that the remaining amount of € 19,834k (previous year: € 16,922k) should be carried forward. The proposed dividend is dependent on approval by the Annual General Meeting and has not been recognized as a liability in the consolidated financial statements.

Upon preparation of the annual financial statements of STRATEC AG in line with the German Commercial Code (HGB) as of December 31, 2011, the Board of Management and Supervisory Board allocated an amount of € 3,000k (previous year: € 3,000k) from the net income for 2011 to the free revenue reserves.

## (11) PROVISIONS FOR PENSIONS

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 at the balance sheet date.

The pension obligation as of December 31, 2011 has been measured on the basis of the 2005G Guidelines published by Heubeck-Richttafel GmbH, Cologne, an assumed interest rate of 4.75% (previous year: 4.75%), and an assumed personnel turnover rate of 0.00% (previous year: 2.00%).

The pension obligation has been carried in the balance sheet net of the pledged asset values of the reinsurance policies.

Plan assets have developed as follows:

in € thousand	12.31.2011	12.31.2010
Fair value at 01.01.	105	409
Expected returns	5	13
Actuarial gains (+) / losses (-)	-5	11
Employer contributions	13	17
Pension payments made*	0	-345
<b>Fair value at 12.31.</b>	<b>118</b>	<b>105</b>

\* The outgoing payments in the previous year relate to plan assets whose pledged status was rescinded.

Contributions to plan assets are expected to amount to € 13k in the 2012 financial year (previous year: € 17k).

Pension obligations have developed as follows:

in € thousand	12.31.2011	12.31.2010
Present value of vested rights at beginning of financial year	426	488
Current service cost	8	10
Interest expenses	20	21
Outgoing payment / compensation due to change in plan	-223	-102
Present value of vested rights expected at end of financial year	231	417
<b>Actual present value of vested rights at end of financial year</b>	<b>108</b>	<b>426</b>
Actuarial gains (+) / losses (-) on present value of vested rights	123	-9
Actuarial gains (+) / losses (-) on plan assets	-5	11
Accumulated actuarial gains (+) / losses (-)	118	-2
<b>Amortization of actuarial gains (-) / losses (+)</b>	<b>-118</b>	<b>2</b>
Gross obligation recognized in balance sheet	108	426
Fair value of plan assets, accounting for limit stipulated in IAS 19.58 (b)	-108	-105
<b>Net obligation recognized in balance sheet</b>	<b>0</b>	<b>321</b>

An amount of € 10k (previous year: € 0k) was not recognized as an asset due the limit on the capitalization of plan assets stipulated by IAS 19.58 (b).

The total income recognized in the consolidated statement of comprehensive income amounted to € 85k in the year under report (previous year: expenses of € 32k). The income from the immediate amortization of actuarial gains amounted to € 118k (previous year: expenses of € 2k).

The following income and expenses are expected for the 2012 financial year:

in € thousand	2012	2011
Current service cost	8	8
Interest expenses	5	20
Expected income on plan assets	5	5
Adjustments due to IAS 19.58 (b)	4	0
<b>Expected net pension expenses</b>	<b>12</b>	<b>23</b>

The following table shows the impact of changes in the underlying parameters (sensitivity analysis). This has been based on an increase / decrease in the respective parameters by 0.5%. Additionally, the figures have also been considered on the basis of the parameters valid at the previous year's balance sheet date (December 31, 2010):

Parameter	Present value of vested rights 12.31.2011 in € thousand	Expenses 2012 in € thousand
Assumed interest rate of 4.25 %	119	9
Assumed interest rate of 5.25 %	99	8
Parameters in 2010: Assumed interest of 4,75 % Personnel turnover of 2.0 %	108	8

The following overview shows the key measurement results as of the balance sheet dates for the past five financial years:

in € thousand	12.31.2011	12.31.2010	12.31.2009	12.31.2008	12.31.2007
Present value of defined benefit obligation	108	426	488	333	315
Fair value of plan assets	118	105	409	377	324
Surplus obligation (prior to IAS 19.58 (b) limit)	-10	321	79	-44	-8
Experience adjustments	118	36	2	-8	-5

## (12) DEFERRED TAXES

The following table provides an overview of income tax expenses broken down in terms of their origin:

in € thousand	2011	2010
Income taxes paid or owed		
Germany	6,672	4,604
International	188	135
	<b>6,860</b>	<b>4,739</b>
Deferred taxes		
Germany	-574	-140
International	-437	-86
	<b>-1,011</b>	<b>-226</b>
<b>Income tax expenses</b>	<b>5,849</b>	<b>4,513</b>

Deferred taxes resulted from the following balance sheet items:

in € thousand	12.31.2011		12.31.2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-	77	-	56
Intangible assets	-	1,414	-	1,503
Financial assets	19	45	-	59
Trade receivables	-	13	-	21
Receivables from associates	445	-	-	-
Future receivables from construction contracts / inventories	27	446	16	457
Loss carryovers	896	-	377	-
Financial liabilities	24	-	27	-
Liabilities from associates	-	32	-	-
Provisions for pensions	-	4	17	-
Other liabilities and provisions	3	73	3	46
<b>Total</b>	<b>1,414</b>	<b>2,104</b>	<b>440</b>	<b>2,142</b>

The aggregate amount recognized for deferred taxes in the balance sheet is structured as follows:

in € thousand	12.31.2011		12.31.2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Deferred taxes due to temporary differences in balance sheet items and loss carryovers	1,414	2,104	440	2,142
Deferred item due to currency translation of foreign financial statements	12	44	19	39
	1,426	2,148	459	2,181
Netting	-796	-796	-126	-126
<b>Total</b>	<b>630</b>	<b>1,352</b>	<b>333</b>	<b>2,055</b>

The deferred item due to the currency translation of foreign financial statements has been recognized directly in equity.

Of the deferred tax income recognized in the consolidated statement of comprehensive income (€ 1,012k; previous year: € 226k), € 495k (previous year: € -86k) is attributable to temporary differences, € -2k (previous year: € -2k) to the costs of capital increases, and € 519k (previous year: € 314k) to tax loss carryovers.

Deferred tax assets of € 896k (previous year: € 377k) were recognized for loss carryovers in 2011 at subsidiaries posting losses in the past year or the previous year. The value of these items is deemed secure, as the respective companies are expected to generate future taxable earnings against which tax loss carryovers not yet utilized can be fully offset within an appropriate timeframe.

The tax expenses of € 5,849k reported for the 2011 financial year (previous year: € 4,513k) are € 59k higher (previous year: € 296k lower) than the tax expenses of € 5,790k (previous year: € 4,809k) expected to result from application of the overall tax rate for STRATEC AG (27.4%; previous year: 27.4%) to the Group's earnings before taxes.

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

in € thousand	2011	2010
Expected tax expenses (-) / income (+)	-5,790	-4,809
Deviations in German and foreign tax rates	433	359
Changes in effective tax rates at foreign subsidiaries	85	2
Tax-exempt income (+) / expenses (-) from the disposal of shareholdings and securities price gains / losses	-83	30
Expenses not deductible for tax purposes less tax reductions	-125	-74
Personnel expenses IFRS (stock options)	-42	-53
Tax back payments / refunds for previous years and non-period tax expenses / income	-324	22
Sundry	-3	10
<b>Reported tax expenses (+) / income (-)</b>	<b>-5,849</b>	<b>-4,513</b>

The following overview presents the amounts of deferred taxes expected to be realized within twelve months of the balance sheet date.

in € thousand	2011	2010
Deferred tax assets	68	19
Deferred tax liabilities	784	829
<b>Net balance (liability)</b>	<b>-716</b>	<b>-810</b>

### (13) FINANCIAL LIABILITIES

Financial liabilities are structured as follows:

in € thousand	12.31.2011		12.31.2010	
	Total	of which current	Total	of which current
Liabilities to banks	9,556	771	7,613	588
Liabilities due to silent partnership	388	6	395	0
<b>Total</b>	<b>9,944</b>	<b>777</b>	<b>8,008</b>	<b>588</b>

Of financial liabilities, € 0k (previous year: € 66k) were denominated in US dollars and € 2,295k (previous year: € 2,320k) in Swiss francs.

As of December 31, 2011, the Group had total credit lines of € 4,927k at its disposal (previous year: € 5,225k). Of this total, an amount of € 4,927k (previous year: € 5,159k) was unutilized and thus available for unsecured borrowing.

Financial liabilities have the following overall nominal maturities:

12.31.2011		12.31.2010	
Maturity	in € thousand	Maturity	in € thousand
2012	777	2011	588
2013	1,308	2012	544
2014	2,139	2013	1,238
2015	2,837	2014	1,906
2016	1,706	2015	2,499
2017 and later	1,177	2016 and later	1,233
<b>Total</b>	<b>9,944</b>	<b>Total</b>	<b>8,008</b>

Company land in Germany was encumbered with a land charge of € 2,000k (previous year: € 2,000k) as security for bank liabilities. The company land in Switzerland added in the 2009 financial year and built on in 2010 was encumbered by land charges of € 2,869k (previous year: € 2,800k) as security for a mortgage loan taken up to cover the costs of constructing a company building.

## (14) TRADE PAYABLES / LIABILITIES TO ASSOCIATES

Trade payables mostly involve goods and services provided in November and December 2011. As in the previous year, these items are due for payment within one year.

The liabilities to associates, amounting to € 40k (previous year: € 88k), are due to STRATEC NewGen GmbH (€ 23k; previous year: € 39k), and to STRATEC Biomedical S.R.L. (€ 17k; previous year: € 49k), and relate to the ongoing exchange of goods and services.

## (15) OTHER CURRENT LIABILITIES

These liabilities are structured as follows:

in € thousand	12.31.2011	12.31.2010
Wage and salary liabilities	1,584	1,497
Other tax liabilities	504	642
Social security liabilities	165	122
Prepayments received on orders	7,203	7,368
Supervisory Board compensation	121	93
Other liabilities	737	1,230
<b>Total</b>	<b>10,314</b>	<b>10,952</b>

Of these liabilities, € 129k have remaining terms of more than one year (previous year: € 3k).

The wage and salary liabilities mainly consist of outstanding vacation (€ 964k; previous year: € 924k), employee working time credits (€ 310k; previous year: € 335k), profit participations (€ 205k; previous year: € 132k), and the liability incurred to settle a pension commitment made to the former Managing Director of a subsidiary (€ 92k; previous year: € 93k).

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

Prepayments received on orders relate to the development projects reported as unfinished services in inventories.

Other liabilities mainly relate to outstanding invoices of € 19k (previous year: € 372k), and the liability of € 594k resulting from the acquisition of STRATEC Biomedical USA, Inc. (previous year: € 807k).



## (16) CURRENT PROVISIONS AND CURRENT INCOME TAX LIABILITIES

Current provisions developed as follows:

in € thousand	Guarantees and warranties	Accounting and financial reporting	Sundry	Total
<b>12.31.2010</b>	<b>542</b>	<b>300</b>	<b>654</b>	<b>1,496</b>
Currency translation	5	0	0	5
Utilized	378	260	565	1,203
Reversed	0	0	13	13
Added	453	287	402	1,142
<b>12.31.2011</b>	<b>622</b>	<b>327</b>	<b>478</b>	<b>1,427</b>

The provisions for accounting and financial reporting mainly include the costs of preparing and auditing annual financial statements, tax advisory and archiving expenses.

Of the outflow of funds for provisions recognized in the 2011 financial year, an amount of € 1,195k is expected to take place in 2012. The sundry category also includes an amount of € 232k for contingent purchase price components in connection with the acquisition of STRATEC Biomedical USA, Inc. (previous year: € 423k). Of this, the outflow of funds for a nominal portion of € 250k is expected in 2013.

Income tax liabilities (€ 710k; previous year: € 1,195k) relate to current income tax obligations.

## D. DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### (17) SALES

Sales mainly relate to:

in € thousand	2011	2010
1. Product range	73,499	68,250
2. Replacement parts	27,370	18,746
3. Development and other services	13,286	9,037
4. Sundry	2,403	5,945
<b>Total</b>	<b>116,558</b>	<b>101,978</b>

Sales can be broken down into their respective geographical regions (customer location) as follows:

in € thousand	2011	2010
1. Germany	20,627	18,111
2. European Union	62,680	59,314
3. Other	33,251	24,553
<b>Total</b>	<b>116,558</b>	<b>101,978</b>

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

in € thousand	2011	2010
Italy	7,256	6,917
France	5,925	8,882
Ireland	1,351	2,321
Belgium	2,289	982
USA	12,245	14,806
China	9,106	7,437
UK	5,625	865

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.

The STRATEC Group generates more than 10 % of its total sales with individual customers in some cases. In 2011, sales of € 32,208k, € 21,792k, € 14,733k and € 12,368k respectively were generated with four individual customers. In 2010, sales of € 26,530k, € 21,343k, € 11,910k and € 10,144k respectively were generated with four individual customers.

#### (18) INCREASE IN VOLUME OF FINISHED AND UNFINISHED PRODUCTS AND UNFINISHED SERVICES

This item is structured as follows:

in € thousand	2011	2010
Increase / reduction in finished products	55	-58
Increase in unfinished products	15	364
Increase in unfinished services	3,556	2,572
Currency differences	-46	-152
<b>Total</b>	<b>3,580</b>	<b>2,726</b>

As in the previous year, no impairment losses were recognized for unfinished services in the 2011 financial year.

Inventories of € 49,858k were recognized through profit or loss as costs of sales in the 2011 financial year (previous year: € 48,411k).

## (19) OTHER OPERATING INCOME

in € thousand	2011	2010
Income from currency translation	1,107	1,361
Expenditure grants	270	143
Rental income from proprietary real estate	93	0
Income from reversal and discounting of other provisions and measurement of liabilities	18	161
Sundry income	277	156
<b>Total</b>	<b>2,127</b>	<b>1,842</b>

The “Sundry income” item mainly includes income from disposals of non-current assets.

## (20) NUMBER OF EMPLOYEES

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

Anzahl	2011	2010
Industrial workers	33	35
Salaried employees	357	305
Trainees	11	11
<b>Employees in permanent employment</b>	<b>401</b>	<b>351</b>
Temporary employees	57	48
<b>Total</b>	<b>458</b>	<b>399</b>

Of permanent employees, 301 (previous year: 289) were in Germany, and 97 (previous year: 62) abroad. Of temporary employees, 53 (previous year: 46) were in Germany, and 4 (previous year: 2) abroad.

## (21) AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation and amortization were structured as follows:

in € thousand	2011	2010
Intangible assets, scheduled amortization	1,206	1,166
Property, plant and equipment, scheduled depreciation	2,653	2,101
<b>Total</b>	<b>3,859</b>	<b>3,267</b>

## (22) OTHER OPERATING EXPENSES

This item primarily relates to the costs of goods handling, currency translation differences, and administration and sales-related expenses.

The item is structured as follows:

in € thousand	2011	2010
Trade fair, advertising, travel and hospitality expenses	1,232	1,200
Outgoing freight and sales commissions	708	647
External services	1,424	1,989
Legal and advisory expenses	893	824
Insurances, contributions, fees	529	448
Currency translation expenses	984	1,419
Costs of premises	1,247	935
Office and administration expenses	543	370
Maintenance expenses	472	389
Supervisory Board compensation	122	121
Sundry expenses	1,283	634
<b>Total</b>	<b>9,437</b>	<b>8,976</b>

Sundry expenses mainly include other personnel recruitment expenses, costs in transit, and expenses in connection with warranty claims.

Expenses of € 672k (previous year: € 572k) were incurred for operating leases in the year under report and are included in the above presentation. Leasing contracts at the STRATEC Group mainly relate to buildings, IT and vehicle leasing agreements.

## (23) NET FINANCIAL EXPENSES

The income from profit transfer agreements (€ -20k; previous year: € -17k) is attributable to the profit transfer agreement with STRATEC NewGen GmbH.

Financial income is structured as follows:

in € thousand	2011	2010
Interest income on cash and cash equivalents	155	93
Interest income on receivables from associates	3	3
Interest income from discounting of long-term financial liabilities	13	0
Other interest income	7	12
Interest income from discounting of liabilities and provisions	11	22
<b>Total</b>	<b>189</b>	<b>130</b>

Financial expenses are structured as follows:

in € thousand	2011	2010
Interest expenses on loan liabilities to banks	243	197
Interest expenses on typical silent partnerships	36	48
Interest expenses on other current financial liabilities	6	1
Interest expenses on taxes	236	0
Interest expenses for compounding of pension provisions	20	0
Interest expenses for compounding of liabilities and provisions	38	33
<b>Total</b>	<b>579</b>	<b>279</b>

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	2011	2010
Gains / losses on financial assets measured at fair value <b>through profit or loss:</b>		
Gains / losses on retirement	0	55
Gains / losses on measurement at balance sheet date	-304	54
	<b>-304</b>	<b>109</b>
Gains / losses on financial assets measured at fair value <b>in equity:</b>		
Gains / losses on retirement	0	0
	<b>0</b>	<b>0</b>
<b>Other financial income / expenses</b>	<b>-304</b>	<b>109</b>

## (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 issuing of new shares on account of the exercising of option rights within stock option programs, as well as to the surrender of treasury stock for the acquisition of STRATEC Biomedical USA, Inc. 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 final weighted average number of outstanding shares used to calculate the (basic) earnings per share amounted to 11,615,762 (previous year: 11,469,713).

Pursuant to IAS 33 (Earnings per Share), the consolidated net income of € 15,282k (previous year: € 13,039k) 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, 2011, both basic earnings per share (€ 1.32; previous year: € 1.14) and diluted earnings per share (€ 1.31; previous year: € 1.12) 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 11,708,408 (previous year: 11,667,298).

## 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 non-cash other expense items have been accounted for:

in € thousand	2011	2010
<b>Expenses:</b>		
Currency translation losses from measurement of cash and cash equivalents at balance sheet date	27	0
Personnel expenses in connection with the granting of stock option rights	154	186
Currency differences for foreign currency receivables	1	177
Receivables defaults	1	26
Increase in impairment of inventories	15	62
Elimination of intercompany profits	37	0
Consolidation of income and expenses	116	0
Currency differences for foreign currency liabilities	6	0
Expenses for fair value measurement of securities held for trading	304	0
Allocations to impairments of receivables	11	30
<b>Total</b>	<b>672</b>	<b>481</b>

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

in € thousand	2011	2010
<b>Income:</b>		
Currency translation gains from measurement of cash and cash equivalents at balance sheet date	124	286
Reduction in impairments of receivables	5	6
Currency differences for debt consolidation	94	14
Currency differences for foreign currency receivables	359	6
Currency differences for foreign currency liabilities	0	145
Income from write-ups to financial assets	2	5
Income from fair value measurement of securities held for trading	0	54
Income from reversal of other provisions and liabilities	14	2
Income from own work capitalized	2,058	2,028
<b>Total</b>	<b>2,656</b>	<b>2,546</b>

Interest income and expenses have been allocated to operating activities, as have the components of other financial income / expenses.

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

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 amount of € 2,405k was expended on investing activities (previous year: € 8,302k). Of this sum, € 2,433k was channeled into the acquisition of property, plant and equipment and intangible assets (previous year: € 7,881k). In the previous year, an amount of € 3,198k was expended for the new building at the company's German headquarters, € 2,449k for the new building at the Swiss location, and € 421k for the acquisition of STRATEC Biomedical USA, Inc.

#### **Inflow / outflow of funds from financing activities**

Financing activities led to an outflow of funds amounting to € 2,481k (previous year: € 1,394k). Net new borrowing amounted to € 1,890k (previous year: net new borrowing: € 1,498k). Dividend payments accounted for an outflow of € 5,778k (previous year: € 5,122k).

### **(25) 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, 2011, cash and cash equivalents amounted to € 19,548k (previous year: € 13,222k).



## F. SEGMENT REPORT

For internal management purposes, reference is chiefly made to the individual legal entities within the STRATEC Group. These therefore basically represent the operating segments as defined in IFRS 8 (Operating Segments). Apart from STRATEC Biomedical UK, Ltd, acquired in the 2006 financial year, and STRATEC Molecular GmbH, acquired in the 2009 financial year, the Group's operating segments are comparable in terms of their economic characteristics, products and services, types of production processes, customers, sales methods, and regulatory framework, and have therefore been aggregated into one operating segment – “Instrumentation”. Separate reporting has been provided for the segments to the extent that they exceed the quantitative threshold values set out in IFRS 8 (Operating Segments).

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

1. Instrumentation: In this segment, the STRATEC Group designs and produces fully automated analyzer systems for its clinical diagnostics and biotechnology customers.
2. All other segments: In this segment, the STRATEC Group develops middleware software for networking several analyzer systems and develops and sells scientific materials and technologies such as nucleic acid purification.

### Segment data by operating segment for 2011:

in € thousand	Instrumentation	All other segments	Transition	Total
Sales	120,342	4,290	-8,074	116,558
of which inter-segmental:	787	402		
Overall performance	125,712	4,596	-8,111	122,197
EBITDA	26,484	-518	-263	25,703
Depreciation and amortization	2,886	97	876	3,859
Interest income	382	0	-193	189
Interest expenses	699	105	-225	579
EBT	22,956	-720	-1,105	21,131
Taxes on income	6,438	-199	-390	5,849
Assets	126,383	3,756	-19,142	110,997

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, € 18,954k are located in the country of origin of STRATEC AG and € 8,716k in other countries. Further disclosures on company level have been presented in Section “D. Disclosures on the consolidated statement of comprehensive income – (17) Sales”. The amount of € 876k reported in the “Transition” column corresponds to the depreciation and amortization recognized on assets acquired in the context of business combinations.

In view of the audit of segment reporting performed by the German Financial Reporting Enforcement Panel (DPR) in 2011, the Board of Management of STRATEC is currently reviewing the company's internal reporting. Based on the planned implementation, the Board of Management of STRATEC AG assumes that the company's segment reporting will be based on two segments in future.

### Segment data by operating segment for 2010:

in € thousand	Instrumentation	All other segments	Transition	Total
Sales	103,821	3,348	-5,191	101,978
of which inter-segmental:	37	236		
Overall performance	108,265	3,529	-5,062	106,732
EBITDA	20,945	-302	233	20,876
Depreciation and amortization	2,335	110	822	3,267
Interest income	246	0	-116	130
Interest expenses	247	86	-54	279
EBT	18,701	-498	-651	17,552
Taxes on income	4,834	-153	-168	4,513
Assets	107,937	3,074	-12,175	98,836

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, € 17,674k are located in the country of origin of STRATEC AG and € 8,841k in other countries. Further disclosures on company level have been presented in Section “D. Disclosures on the consolidated statement of comprehensive income – (17) Sales”. The amount of € 822k reported in the “Transition” column corresponds to the depreciation and amortization recognized on assets acquired in the context of business combinations.

## G. FINANCIAL INSTRUMENTS

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

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

Financial assets in € thousand	Carrying amount	Measurement standard			Not covered by IFRS 7	Fair Value
	12.31.2011 (12.31.2010)	Amortized cost	Fair value through profit or loss	Fair value in equity		12.31.2011 (12.31.2010)
<b>Balance sheet item</b>						
Interests in associates	351 (342)	351 (342)				351 (342)
Trade receivables	15,331 (15,817)	15,331 (15,817)				15,331 (15,817)
Future receivables from construction contracts	5,992 (5,629)	5,992 (5,629)				5,992 (5,629)
Receivables from associates	122 (103)	122 (103)				122 (103)
Other receivables and other assets	1,678 (1,187)	242 (151)	0 (10)		1,436 (1,026)	1,678 (1,187)
Securities	222 (526)		222 (526)			222 (526)
Cash and cash equivalents	19,548 (13,222)	19,548 (13,222)				19,548 (13,222)
<b>Total</b>	<b>43,244</b> <b>(36,826)</b>	<b>41,586</b> <b>(35,264)</b>	<b>222</b> <b>(536)</b>		<b>1,436</b> <b>(1,026)</b>	<b>43,244</b> <b>(36,826)</b>

Financial liabilities in € thousand	Carrying amount	Measurement standard			Not covered by IFRS 7	Fair Value
	31.12.2011 (31.12.2010)	Amortized cost	Fair value through profit or loss	Fair value in equity		12.31.2011 (12.31.2010)
<b>Bilanzposten</b>						
Balance sheet item	9,944 (8,008)	9,944 (8,008)				10,107 (8,016)
Financial liabilities	3,955 (2,842)	3,955 (2,842)				3,955 (2,842)
Trade payables	40 (88)	40 (88)				40 (88)
Liabilities to associates	1,427 (1,497)	805 (955)			622 (542)	1,427 (1,497)
Current provisions	10,314 (10,951)	2,442 (2,819)			7,872 (8,132)	10,314 (10,951)
<b>Total</b>	<b>25,680</b> <b>(23,386)</b>	<b>17,186</b> <b>(14,712)</b>			<b>8,494</b> <b>(8,674)</b>	<b>25,843</b> <b>(23,394)</b>

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

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

The currency options recognized in the previous year at a fair value of € 10k under other receivables and other assets no longer existed at the balance sheet date.

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

in € thousand	From inter- est and dividends	From subsequent measurement				From disposals	Net result
		Fair value	Currency translation	Discounting / compounding	Impairment		
<b>2011</b>							
(2010)							
Cash and cash equivalents	155 (93)		97 (286)				252 (379)
Loans and receivables	23 (3)		358 (171)		-6 (-24)	-1 (-26)	374 (-218)
Financial assets held for trading	2 (0)	-304 (54)				0 (55)	-302 (109)
Financial liabilities measured at amortized cost	-266 (-246)		-6 (145)	-14 (-11)		0 (2)	-286 (-110)
<b>Total</b>	<b>-86</b> (-102)	<b>-304</b> (54)	<b>449</b> (260)	<b>-14</b> (-11)	<b>-6</b> (-24)	<b>-1</b> (31)	<b>38</b> (160)

Interest expenses and interest income resulting from financial instruments measured at amortized cost have been recognized under net financial expenses. Total interest income on financial assets not measured at fair value through profit or loss amounted to € 202k (previous year: € 130k). Total interest expenses for financial liabilities not measured at fair value through profit or loss amounted to € 304k (previous year: € 279k). The net result on financial instruments measured at fair value has been recognized under other financial income / expenses. Information about the individual components of net financial expenses can be found in the disclosures on the consolidated statement of comprehensive income under (23) Net financial expenses.

The gains and losses resulting from translation through profit or loss of financial assets and liabilities at average exchange rates on the balance sheet date have been recognized under other operating income or expenses, as have the results of foreign currency translation performed within the financial year. The translation of cash and cash equivalents at the balance sheet date resulted in currency income of € 124k (previous year: € 286k) recognized through profit or loss under other operating income. Currency expenses of € 27k have been recognized under other operating expenses in connection with the translation of cash and cash equivalents at the balance sheet date.

#### Hierarchical classification of financial assets and liabilities measured at fair value

To account for the relevance of the factors included in the measurement of financial assets and liabilities measured at fair value, these financial assets and liabilities have been classified into three hierarchical levels. The levels in the fair value hierarchy and their application to assets and liabilities are described below:

Level 1: Listed prices for identical assets and liabilities in active markets (used without amendment)

Level 2: Input factors not involving Level 1 prices, but which can be observed for the relevant asset or liability either directly (i.e. as a price) or indirectly (i.e. derived from prices)

Level 3: Factors used in the measurement of assets or liabilities which are not based on observable market data (non-observable input factors).

At STRATEC AG, only securities were still measured at fair value as of the balance sheet date. These are allocable to Level 1 in the fair value hierarchy.

## 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 12.31.2011	Cash flows 2012		Cash flows 2013		Cash flows 2014-2015		Cash flows 2016 and later	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities	9,944	289	777	254	1,308	346	4,976	152	2,883
Trade payables	3,955	0	3,955	0	0	0	0	0	0
Liabilities to associates	40	0	40	0	0	0	0	0	0
Other financial liabilities and current provisions	3,247	0	2,997	0	250	0	0	0	0
<b>Total</b>	<b>17,186</b>	<b>289</b>	<b>7,769</b>	<b>254</b>	<b>1,558</b>	<b>346</b>	<b>4,976</b>	<b>152</b>	<b>2,883</b>

in € thousand	Carrying amount 12.31.2010	Cash flows 2011		Cash flows 2012		Cash flows 2013-2015		Cash flows 2016 and later	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities	8,008	270	588	255	544	586	5,643	112	1,233
Trade payables	2,842	0	2,842	0	0	0	0	0	0
Liabilities to associates	88	0	88	0	0	0	0	0	0
Other financial liabilities and current provisions	3,774	0	3,521	0	2	0	250	0	1
<b>Total</b>	<b>14,712</b>	<b>270</b>	<b>7,039</b>	<b>255</b>	<b>546</b>	<b>586</b>	<b>5,893</b>	<b>112</b>	<b>1,234</b>

Loans with terms of up to five years charge interest at an average of 1.97% (previous year: 2.11%). Loans with terms of more than five years charge interest at an average of 3.07% (previous year: 3.46%).

## H. RISK MANAGEMENT

### Principles of risk management

The assets, liabilities and future activities of STRATEC AG are subject to risks resulting from changes in exchange rates, interest rates and stock market prices. The objectives and methods used by the STRATEC Group to deal with the financial risks listed below form the object of the Group's risk management activities. The principles underlying the Group's risk management policies are presented in the "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. These are supplemented by finance-based measures. The primary objective is to limit the risks of relevance to the cash flow. The basic principles of the company's financial policy are reviewed by the Board of Management annually and revised to account for new developments. The Supervisory Board is informed at regular intervals of the financial position of the Group and the assessments made by the Board of Management.

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

### Foreign currency risks

On account of its international business activities, the STRATEC Group is exposed to foreign currency risks resulting from the impact of exchange rate movements on business transactions and the foreign currency receivables and liabilities as of the balance sheet date (transaction risks). Furthermore, the translation of the financial statements of foreign subsidiaries into the group currency (€) also involves foreign currency risks (translation risks).

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

### Sensitivity to exchange rate movements (transaction risk):

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

Foreign currency  
item translated into  
in € thousand

	12.31.2011			12.31.2010		
	GBP	CHF	USD	GBP	CHF	USD
Cash and cash equivalents	459	209	3,072	104	2	3,215
Trade receivables and other receivables	682	400	754	365	193	451
Receivables to associates less liabilities to associate	0	0	119	0	0	103
Financial liabilities	0	-2,295	0	0	-2,320	0
Trade payables	-52	-183	-277	-4	0	-182
Other liabilities and provisions	-51	-332	-156	-49	-244	-755
<b>Net risk exposure</b>	<b>1,038</b>	<b>-2,201</b>	<b>3,512</b>	<b>416</b>	<b>-2,369</b>	<b>2,832</b>

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

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

	12.31.2011			12.31.2010		
	GBP	CHF	USD	GBP	CHF	USD
<b>Change in currency by +10%</b>						
Change in consolidated net income in € thousand	-94	200	-319	-38	215	-257
<b>Change in currency by -10%</b>						
Change in consolidated net income in € thousand	115	-245	390	46	-263	315

In the 2011 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 € 1,107k (previous year: € 1,361k) and expenses for currency translation totaling € 984k (previous year: € 1,419k). These have been recognized under other operating income and other operating expenses respectively.

Based on the sensitivity analysis, use has been made of the exchange rates stated in the following table.

#### Sensitivity to translation of foreign financial statements (translation risks):

Further exchange rate risks are attributable to translation risk (translation of the financial statements of foreign group companies into the group reporting currency). Exchange rate volatility thus affects consolidated net income, as well as group equity via the recognition of translation differences directly in equity in the currency reserve.

To present market risks, IFRS 7 (Financial Instruments: Disclosures) requires companies to perform sensitivity analyses portraying the impact of hypothetical changes in the relevant risk variables on their earnings and equity. The implications for the period under report are determined by applying these hypothetical changes in variables to the volumes of financial instruments held at the balance sheet date.

The analysis of the hypothetical impact of exchange rate movements on consolidated net income and group equity as a result of the translation of the financial statements of foreign group companies has been based on the following assumptions:

	Annual average rate			Reporting date rate		
	GBP	CHF	USD	GBP	CHF	USD
<b>Actual figures in 2011</b>	<b>0.87</b>	<b>1.23</b>	<b>1.39</b>	<b>0.84</b>	<b>1.22</b>	<b>1.29</b>
-10% (depreciation in compared with CHF / GBP / USD)	0.78	1.10	1.25	0.76	1.10	1.16
+10% (appreciation in compared with CHF / GBP / USD)	0.95	1.35	1.52	0.92	1.34	1.42
<b>Actual figures in 2010</b>	<b>0.86</b>	<b>1.38</b>	<b>1.33</b>	<b>0.86</b>	<b>1.25</b>	<b>1.34</b>
-10% (depreciation in compared with CHF / GBP / USD)	0.77	1.24	1.20	0.77	1.13	1.20
+10% (appreciation in compared with CHF / GBP / USD)	0.95	1.52	1.46	0.95	1.38	1.47



The changes in the three main accounting items would be as follows:

in € thousand	2011 (2010)	2011 (2010)	2011 (2010)
	Consolidated net income	Group equity	Currency translation reserve
(- 10 %) Abwertung EUR	291 (141)	2,462 (2,166)	2,171 (2,024)
(+ 10 %) Aufwertung EUR	38 (-114)	-1,768 (-2,194)	-1,806 (-2,080)

### 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.

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

in € thousand	2011	2010
Interest-bearing financial assets	119	103
of which with floating interest rates	0	0
of which with fixed interest rates	119	103
Interest-charging financial liabilities	9,167	7,420
of which with floating interest rates	1,230	1,200
of which with fixed interest rates	7,937	6,220

### 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 on account of changes in market interest rates.

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

in € thousand	Carrying amount 12.31.2011	Cash flows 2012		Cash flows 2013		Cash flows 2014-2016	
		Interest	Principal	Interest	Principal	Interest	Principal
<b>Financial liabilities with floating interest rates (3-month LIBOR)</b>							
Actual	1,234	9	0	9	0	17	1,234
+ 100 base points	1,234	22	0	22	0	43	1,234

### Other price risks

Financial assets in the “financial assets held for trading” category are subject to the risk of changes in stock market prices. Had the stock market prices been 10% higher (lower) than their balance sheet date levels, then consolidated net income would have been € 22k (previous year: € 53k) higher (lower).

### Default risks

The principal default risks faced by STRATEC AG are to be found in the field of 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. 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

Capital management at STRATEC AG pursues the primary objective of maintaining the company's financial substance and safeguarding its debt servicing capacity. In monitoring these objectives, the management refers to the equity ratio and the ratio of financial receivables to financial liabilities.

The equity ratio amounted to 75.0% as of December 31, 2011 (previous year: 72.7%). The target range for this figure amounts to 50% to 75%.

The ratio of current financial assets to current financial liabilities amounted to 2.5 as of December 31, 2011, compared with 2.1 in the previous year. This ratio should not fall short of 1.5.

STRATEC AG bases its calculation of current financial assets on receivables and other assets, securities, and cash and cash equivalents.

The internal assessment of the company's debt servicing capacity is based on the ratio of current and non-current financial liabilities to the company's actual cash flow during the financial year, plus the cash flows budgeted for the two following years.

Financial liabilities include the debt capital reported in the balance sheet, less provisions and deferred taxes.

in € thousand	2011	2010	2009	2008
Current and non-current financial liabilities	24,987	23,084	23,455	23,455
Actual cash flows	5,820	-8,248	1,967	1,967

The comparison of the actual figures for the financial year under report and the previous year reflects the level of target achievement for the 2011 and 2010 financial years (2009 and 2008).

## I. OTHER DISCLOSURES

### 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	2011	2010
Fee for		
a) Auditing	115	115
b) Tax advisory services	79	48
c) Other services	39	12
<b>Total auditor's fee</b>	<b>233</b>	<b>175</b>

### 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 2011 financial year, STRATEC AG generated revenues of € 3k from transactions with STRATEC NewGen GmbH (previous year: € 0). The profit transfer agreement concluded with STRATEC NewGen GmbH resulted in expenses of € 20k in the year under report (previous year: € 17k).

In the 2011 financial year, STRATEC AG generated interest income of € 3k from a loan granted to STRATEC Biomedical Inc. (previous year: € 3k) and generated sales of € 0k with this company (previous year: € 6k). The services purchased by STRATEC AG from STRATEC Biomedical Inc., USA, amounted to € 67k (previous year: € 146k). STRATEC Molecular GmbH purchased services of € 54k from STRATEC Biomedical Inc. in the 2011 financial year (previous year: € 181k).

In the 2011 financial year, STRATEC AG generated revenues of € 30k (previous year: € 13k) from transactions with STRATEC Biomedical S.R.L., and purchased services of € 340k (previous year: € 227k). In the 2011 financial year, STRATEC Biomedical Switzerland AG generated revenues of € 24k (previous year: € 23k) from transactions with STRATEC Biomedical S.R.L., and purchased services of € 186k (previous year: € 223k).

STRATEC Biomedical UK, Ltd. generated sales of € 4k from transactions with Sanguin International Inc., in the year under report (previous year: € 48k). The services purchased by STRATEC Biomedical UK, Ltd. from Sanguin International Inc. amounted to € 2k (previous year: € 13k). Services amounting to € 75k were purchased from STRATEC Biomedical S.R.L., (previous year: € 37k).

STRATEC Biomedical USA, Inc. lets the company land at Newbury Park from a leasing company whose managing directors are simultaneously managing directors of STRATEC Biomedical USA, Inc. Letting expenses amounted to USD 306k in the 2011 financial year (previous year: USD 428k).

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

- **Marcus Wolfinger**, (Chairman / Chief Financial Officer)  
Graduate in Business Administration  
(Chairman of the Board of Management since April 1, 2011)
- **Bernd M. Steidle**, Oberboihingen (Director of Sales and Marketing)  
Businessman
- **Dr. Robert Siegle**, Birkenfeld (Director of Human Resources, Compliance and Legal Affairs)  
Attorney (Member of the Board of Management since February 1, 2011)
- **Hermann Leistner**, Birkenfeld (Director of Development)  
Electrical Engineer (Chairman and Member of the Board of Management until March 31, 2011)

The Chairman of the Board of Management, Marcus Wolfinger, is authorized to solely represent the company. There were no changes in the composition of the Board of Management between the balance sheet date and the preparation of the consolidated financial statements. Dr. Robert Siegle is a member of the Board of STRATEC Biomedical UK, Ltd., Burton upon Trent, UK.

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

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

The members of the Board of Management received total compensation of € 1,224k for their activity on the Board of Management in the 2011 financial year (previous year: € 1,617k).

A total of 45,000 stock options (previous year: 0) with an average exercise price of € 27.11 and an arithmetical total value of € 132k (previous year: € 0k) were issued to members of the Board of Management in the 2011 financial year.

Former members of the Board of Management received total compensation amounting to € 223k in the 2011 financial year for their previous activity on the Board of Management (previous year: € k).

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 International Marketing & Medicine, Fresenius Medical Care Deutschland GmbH (Member of Supervisory Board since January 21, 2011)
- **Prof. Dr. Hugo Hämmerle**, Weil der Stadt  
Graduate in Biology and Director of the Natural and Medical Science Institute (NMI) at the University of Tübingen, Reutlingen

Fred K. Brückner and Wolfgang Wehmeyer do not hold positions on any other supervisory boards or supervisory bodies as defined in § 125 (1) Sentence 3 of the German Stock Corporation Act (AktG). Prof. Dr. Hugo Hämmerle is a member of the Supervisory Boards of TETEC AG, Reutlingen, and Retina Implant AG, Reutlingen.

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

in € thousand	2011	2010
Fixed compensation	36	36
Performance-related components	72	72
Meeting allowance	14	14
<b>Total</b>	<b>122</b>	<b>122</b>

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. One member of the Supervisory Board has rights of use for a company vehicle.

## CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

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

Obligations for orders placed amounted to € 17,679k (previous year: € 17,345k).

Undiscounted future minimum leasing and rental payments in connection with operating leases amounted to € 3,395k as of the balance sheet date (previous year: € 3,282k). Of this sum, € 2,680k related to the rental agreement for the company building used by STRATEC Biomedical USA, Inc. (previous year: € 3,041k).

The corresponding payment obligations mature as follows? is:

Due	in € thousand	Due	in € thousand
2012	17,692	2011	15,480
2013	1,114	2012	2,735
2014	467	2013	331
2015	382	2014	321
2016 and later	1,419	2015 and later	1,760
<b>Total</b>	<b>21,074</b>	<b>Total</b>	<b>20,627</b>

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

#### EVENTS AFTER THE BALANCE SHEET DATE

The company is not aware of any events to have occurred at the STRATEC Group since December 31, 2011 which could have any significant influence on the financial and economic position of the Group.

#### DECLARATION IN RESPECT OF THE GERMAN CORPORATE GOVERNANCE CODE

The declaration in respect of the German Corporate Governance Code ("Declaration of Conformity") required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and Supervisory Board of STRATEC AG on December 13, 2011 and has been made permanently available to shareholders in the Investor Relations section of the company's website ([www.stratec.com](http://www.stratec.com)).

Birkenfeld, March 12, 2012

STRATEC Biomedical AG

The Board of Management



Marcus Wolfinger



Dr. Robert Siegle



Bernd M. Steidle

## RESPONSIBILITY STATEMENT

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

Birkenfeld, March 12, 2011

STRATEC Biomedical AG

The Board of Management



Marcus Wolfinger



Dr. Robert Siegle



Bernd M. Steidle



## AUDITOR'S REPORT

To STRATEC Biomedical AG, Birkenfeld

We have audited the consolidated financial statements compiled by STRATEC Biomedical AG, Birkenfeld, which consist of the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, as well as the group management report, for the financial year from January 1 to December 31, 2011. The compilation of the consolidated financial statements and group management report in accordance with IFRS as adopted by the EU, as well as with the provisions of German commercial law requiring supplementary application pursuant to Section 315 a (1) of the German Commercial Code (HGB), lies within the responsibility of the board of management of the company. It is our responsibility to submit an opinion on the consolidated financial statements and the group management report on the basis of our audit.

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

Our audit did not give rise to any qualifications.

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

Stuttgart, March 12, 2012

WirtschaftsTreuhand GmbH  
Chartered Accountants  
Tax Consultants

(Ernst)  
Chartered Accountant

(Dreixler)  
Chartered Accountant

# BOARD OF DIRECTORS

## Board of Management

### Marcus Wolfinger

- Aged 44, Graduate in business administration, Remchingen, Germany
- Chairman of the Board of Management of STRATEC Biomedical AG from April 1, 2011
- Previously member of the Board of Management of STRATEC Biomedical AG, Responsible for Finance
- By resolution of the Supervisory Board on December 9, 2010 Marcus Wolfinger was appointed as Chairman of the Board of Management of STRATEC Biomedical AG as of April 1, 2011
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships: None
  - External memberships: None

### Dr. Robert Siegle (from February 1, 2011)

- Aged 44, Attorney, Birkenfeld, Germany
- Member of the Board of Management of STRATEC Biomedical AG
- Responsible for Human Resources, Compliance and Legal Affairs
- By resolution of the Supervisory Board on December 9, 2010 Dr. Robert Siegle was appointed as a member of the Board of Management of STRATEC Biomedical AG as of February 1, 2011
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships: STRATEC Biomedical UK, Ltd. Burton upon Trent, UK
  - External memberships: None

### Bernd M. Steidle

- Aged 58, Businessman, Oberboihingen, Germany
- Member of the Board of Management of STRATEC Biomedical AG
- Responsible for Marketing and Sales
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships: None
  - External memberships: None

### Hermann Leistner (until March 31, 2011)

- Aged 66, Electrical engineer, Birkenfeld, Germany
- Chairman of the Board of Management of STRATEC Biomedical AG until March 31, 2011
- Hermann Leistner retired from the Board of Management of STRATEC Biomedical AG as of March 31, 2011
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - Internal memberships: STRATEC NewGen GmbH, Birkenfeld, Germany (Managing Director)
  - External memberships: None

## Supervisory Board

### Fred K. Brückner

- Aged 69, Marburg, Germany
- Chairman of the Supervisory Board of STRATEC Biomedical AG
- Chemical engineer and independent management consultant, Marburg, Germany
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - None

### Wolfgang Wehmeyer (from January 21, 2011)

- Aged 53, Tübingen, Germany
- Deputy Chairman of the Supervisory Board of STRATEC Biomedical AG
- Graduate in Mechanical Engineering, BBA, MBA, Senior Vice President International Marketing & Medicine, Fresenius Medical Care Deutschland GmbH, Bad Homburg, Germany
- By resolution of Mannheim District Court on January 21, 2011 Wolfgang Wehmeyer was appointed as a member of the Supervisory Board of STRATEC Biomedical AG and confirmed in this position by the Annual General Meeting on April 14, 2011
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - None

### Prof. Dr. Hugo Hämmerle

- Aged 60, Weil der Stadt, Germany
- Member of the Supervisory Board of STRATEC Biomedical AG
- Graduate in biology and Director of NMI Natural and Medical Science Institute at the University of Tübingen, Reutlingen, Germany
- Membership of supervisory boards and other supervisory bodies pursuant to § 285 Sentence 1 No. 10 HGB:
  - TETEC AG, Reutlingen, Germany (Chairman of the Supervisory Board)
  - Retina Implant AG, Reutlingen, Germany (Deputy Chairman of the Supervisory Board)

## FINANCIAL CALENDAR

<b>March 28, 2012</b>	2011 consolidated / annual financial statements
<b>April 25, 2012</b>	Interim Report as of March 31, 2012
<b>May 16, 2012</b>	Annual General Meeting, Pforzheim, Germany
<b>July 24, 2012</b>	Interim Report as of June 30, 2012
<b>November 2012</b>	Analyst Day, Frankfurt / Main, Germany
<b>October 24, 2012</b>	Interim Report as of September 30, 2012

Furthermore, based on current planning, STRATEC will also be taking part in the following capital market conferences in 2012:

<b>March 2012</b>	Deutsche Bank Pan Euro Small / Mid Cap Conference, London, UK
<b>May 2012</b>	HSBC London Conference, London, UK Deutsche Bank Health Care Conference, Boston, USA Deutsche Bank German Swiss & Austrian Conference, Frankfurt / Main, Germany
<b>June 2012</b>	Jefferies 2012 Global Healthcare Conference, New York City, USA Berenberg Diagnostics Day, London, UK
<b>August 2012</b>	Commerzbank Sector Conference Week, Frankfurt / Main, Germany
<b>September 2012</b>	Goldman Sachs European Medtech and Healthcare Services Conference, London, UK Morgan Stanley Global Healthcare Conference, New York City, USA DZ Bank German Healthcare Conference, Zurich, Switzerland Berenberg Bank / Goldman Sachs German Corporate Conference, Munich, Germany
<b>November 2012</b>	Deutsches Eigenkapitalforum, Frankfurt / Main, Germany

Subject to amendment

# IMPRINT

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## **NOTICE**

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

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

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

This annual report is also available in German.

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