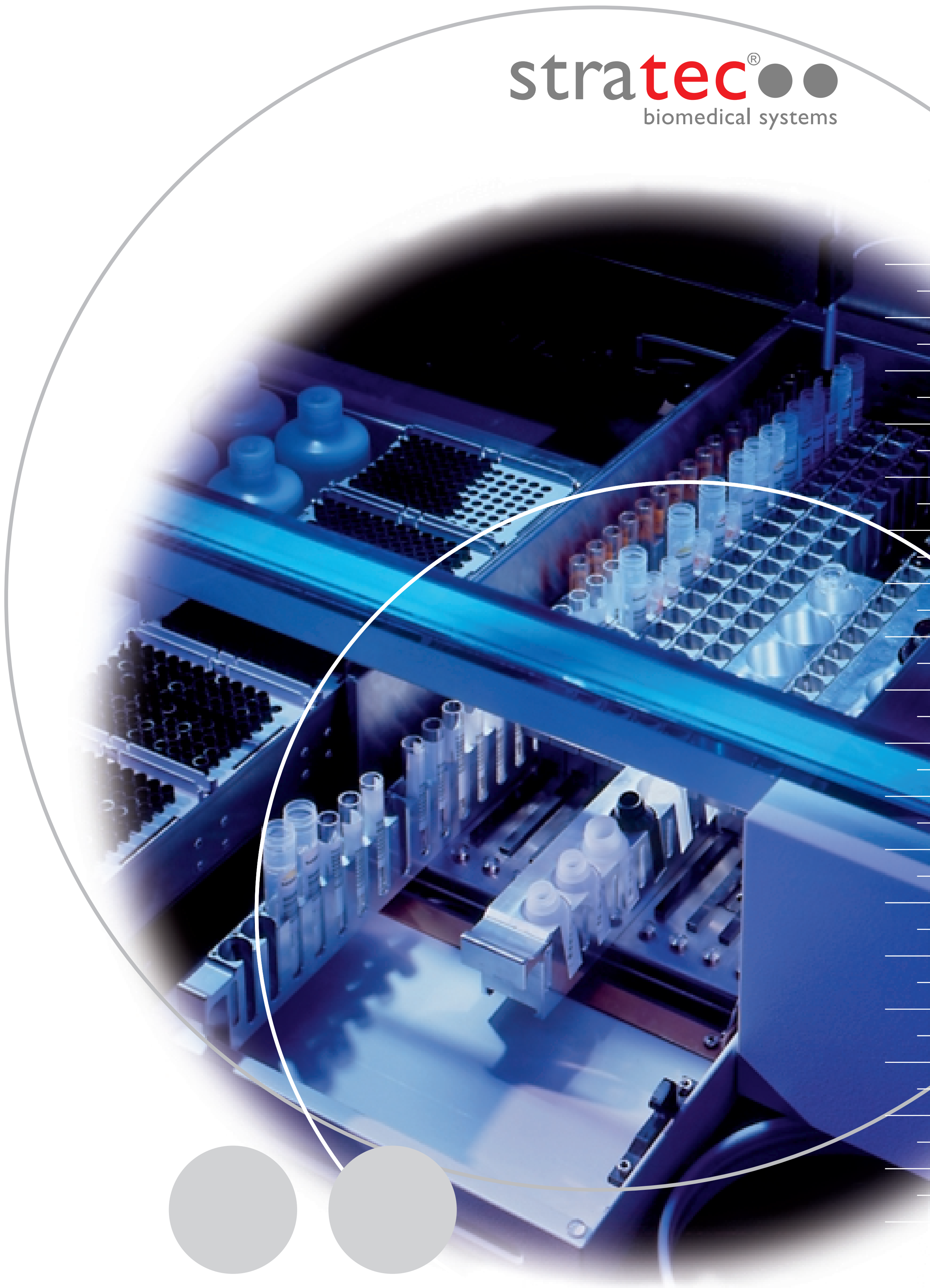
stratec®
biomedical systems



ANNUAL REPORT 2007

Profile of the STRATEC Group

The STRATEC Group focuses on the development and production of complex analyzer systems and laboratory data processing software for global diagnostics players. In the 2007 financial year, the STRATEC Group generated sales of EUR 67.5 million and earnings after taxes of EUR 10.0 million.

Since 2000, sales at the STRATEC Group have increased by an average of around 29% per financial year, while its consolidated net income has risen by an average of around 75% per year over the same period.

Including temporary employees, the STRATEC Group had a total workforce of 270 employees on December 31, 2007. As an annual average, the total workforce of the STRATEC Group (excluding temporary employees) amounted to 229 employees.

The STRATEC Group consists of the publicly listed parent company STRATEC Biomedical Systems AG and subsidiaries and second-tier subsidiaries in Germany, USA, UK, Switzerland and Rumania.

Based in Birkenfeld, Germany, STRATEC Biomedical Systems AG designs and manufactures fully automated analyzer systems for its partners in the fields of clinical diagnostics and biotechnology. These partners market such systems, in general together with their own reagents, as system solutions to laboratories, blood banks and research institutes around the world.

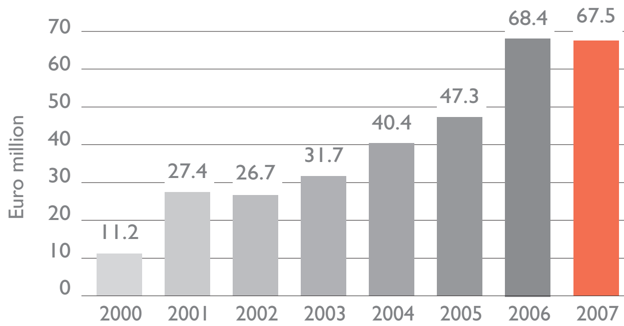
STRATEC Biomedical Inc., Hamden, Connecticut, USA, supports the service and sales activities of STRATEC Biomedical Systems AG in the USA.

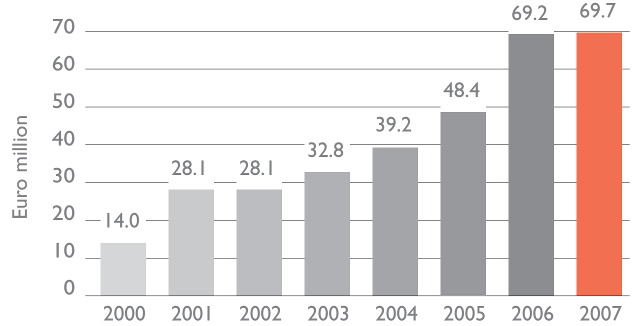
Sanguin International Ltd., which is based in Burton upon Trent, UK, and its subsidiary Sanguin International Inc., based in Hamden, Connecticut, USA, provide FDA-approved software solutions which can be deployed by diagnostics companies around the world. Sanguin International thus ideally complements the product portfolio of the STRATEC Group.

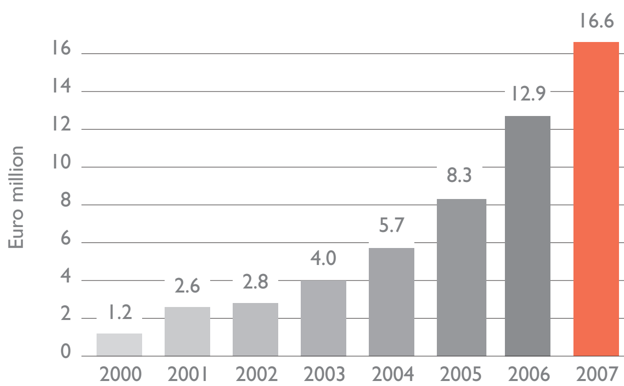
Based in Birkenfeld, Germany, STRATEC NewGen GmbH holds the exclusive global rights to a patented technology for the stabilization and purification of RNA and DNA from viruses. Within the rapidly developing market for molecular diagnostics, STRATEC NewGen GmbH is focusing on the enhancement of this technology for the stabilization of nucleic acids in sample material, such as blood samples.

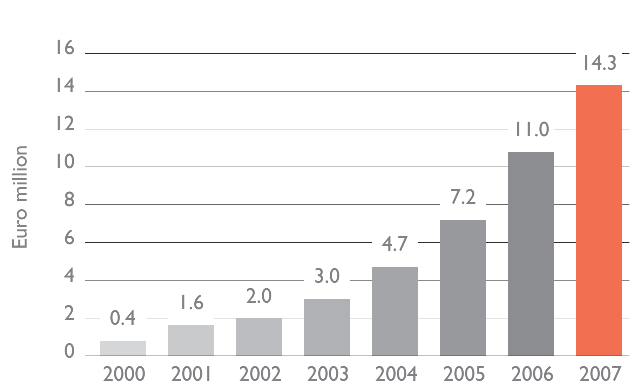
Robion AG, which is based in Neuhausen am Rheinfall, Switzerland, and its subsidiary STRATEC Biomedical Systems S.R.L., Cluj-Napoca, Rumania, which was founded at the end of 2007, focus on development and production of analyzer systems for clinical diagnostics and thus help to expand existing capacities at the parent company in Germany.

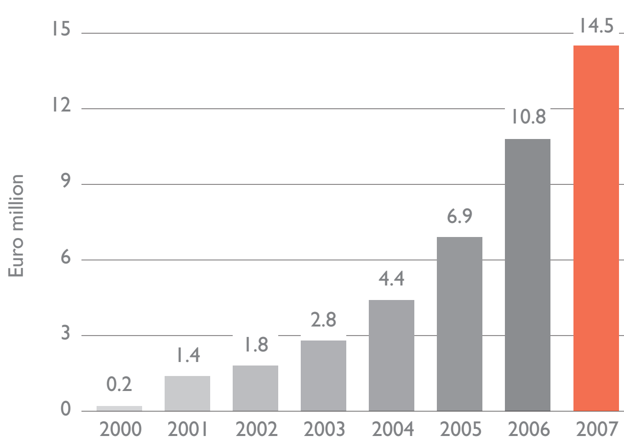
Overview of Key Figures for 2000 to 2007 (IFRS)

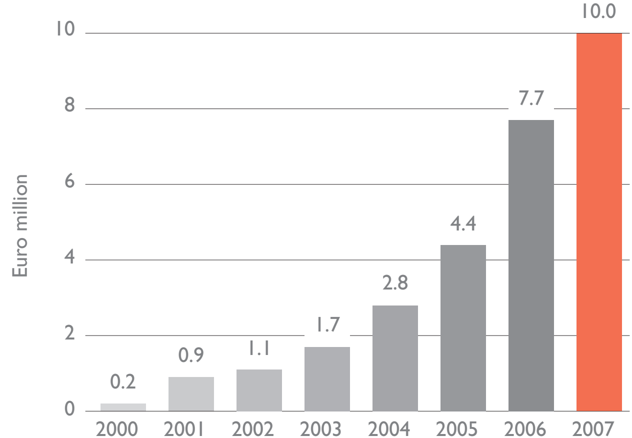




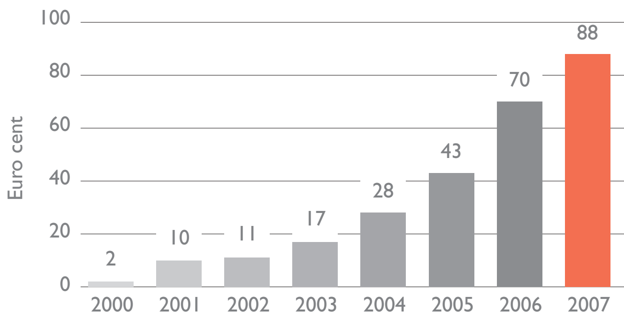




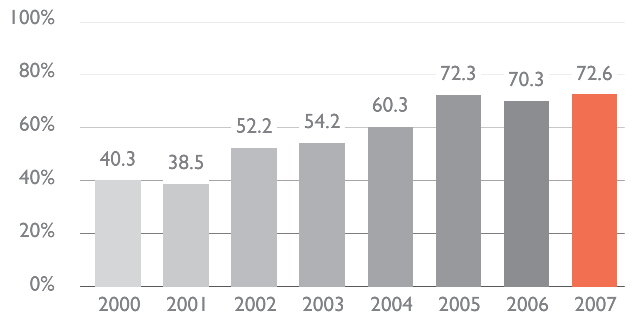




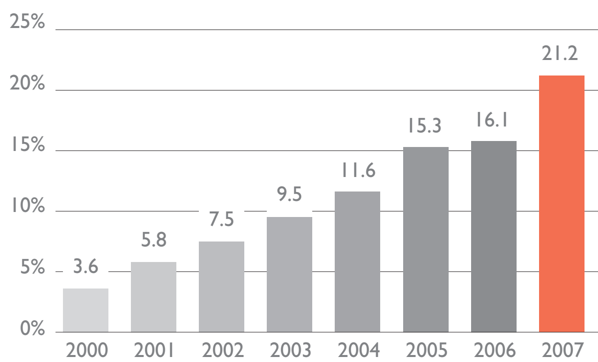
Earnings per share



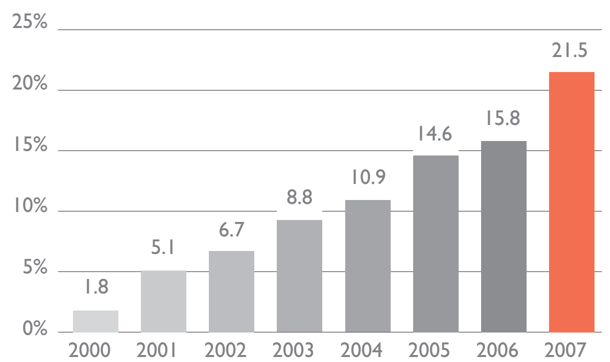
Equity ratio



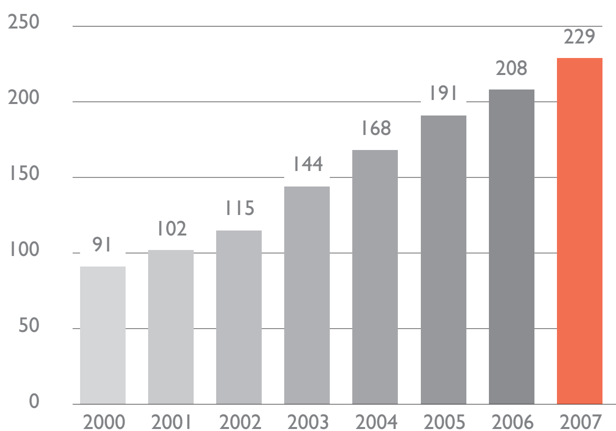
EBIT margin



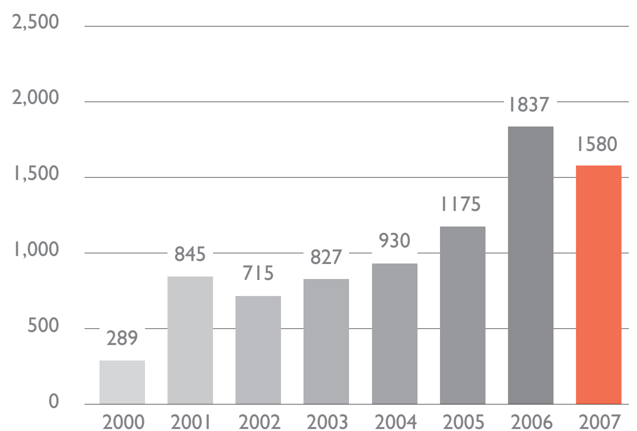
EBT margin



Employees (annual average)



No. of analyzer systems delivered



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Report of the Board of Management

Dear Shareholders,

The STRATEC Group can look back on a highly successful 2007 financial year. We made significant progress in further building up our worldwide business relationships and have been awarded new orders for major development projects involving fully automated analyzer systems. Development work is progressing at full steam and we have met the planned milestones. We have successfully maintained our course of profitable growth.

In 2007, STRATEC increased its consolidated net income by 28% to EUR 10.0 million. This is equivalent to earnings per share of EUR 0.88 (previous year: EUR 0.70). At EUR 67.5 million, the sales of the STRATEC Group were at around the same high level as in the previous year.

The success we are able to report for the 2007 financial year is first and foremost the result of the exemplary commitment shown by our employees. We would like to take this opportunity of offering them our sincere thanks and will be relying on the same superb achievements in the coming years!

Including temporary personnel, the STRATEC Group had a total of 270 employees at the end of 2007, an increase of 24 on the previous year.

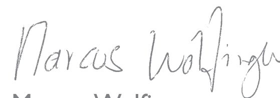
STRATEC would like to enable its shareholders to participate to an appropriate extent in the company's financial success now and in the future. The Board of Management and Supervisory Board will therefore be proposing the distribution of a dividend of EUR 0.22 per STRATEC share for the 2007 financial year for approval by the Annual General Meeting on May 21, 2008. This is equivalent to an increase in the dividend of almost 50%. We thank you for the trust you have placed in us and would be pleased to welcome you to our Annual General Meeting in Pforzheim on May 21, 2008.

You will all be aware of the current climate on the international financial markets. The current price of our share does not reflect an appropriate valuation of our company. We are focusing on the future and are firmly convinced that STRATEC is now better positioned than ever before to benefit disproportionately from the growth in the overall market as a result of outsourcing requirements on the part of the diagnostics industry, the sector in which our main customers operate.

Our position of market leadership, coupled with our great commitment, the experience we have acquired and our sense of responsibility towards you and towards our employees, will enable us in the coming years to maintain and enhance the success we have achieved to date. Individual phases of growth consolidation due to the merging of business divisions at our customers will only have a temporary impact on this development.

Birkenfeld, March 2008
The Board of Management of
STRATEC Biomedical Systems AG

Hermann Leistner



Marcus Wolfinger

Bernd M. Steidle

Bernd M. Steidle (55),
Oberboihingen;
Director of Marketing and Sales

Fred K. Brückner (65),
Marburg; Chairman;
of the Supervisory Board

Burkhard G. Wollny (57),
Göppingen;
Member of the Supervisory Board

Dr. Robert Siegle (40),
Birkenfeld, Stellvertretender
of the Supervisory Board

Hermann Leistner (62),
Birkenfeld;
Chairman of the
Board of Management

Marcus Wolfinger (40),
Remchingen;
Chief Financial Officer

In the 2007 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 incorporation, its code of procedure and the German Corporate Governance Code. The Supervisory Board was directly involved in all decisions or measures of fundamental significance, particularly those relating to the corporate strategy, group-related matters or the net asset, financial and earnings position of the company and the Group. The Board of Management provided the Supervisory Board with regular, timely and comprehensive written and oral information concerning all issue 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.

At each of its four regular meetings, the Supervisory Board addressed the risk handbook, compliance management, and the sales and earnings performance, financial position and status of the various development projects at the company and the Group.

The focal points of individual meetings included discussions on the expansion of the Group's US activities, its subsidiaries and its organizational structure. Further focuses of deliberation at individual meetings included the examination and approval of the financial statements and management reports for the 2006 financial year, the discussion and setting of the agenda for the forthcoming Annual General Meeting and the determination of the distribution to shareholders. The implementation of new legislative requirements was also accorded particular priority at one of the meetings.

The matters addressed by the Supervisory Board at its final meeting in the 2007 financial year included the German Corporate Governance Code in its version dated 14 June 2007. In the interests of monitoring compliance with the German Corporate Governance Code, the Supervisory Board subjected the implementation of the relevant recommendations at STRATEC Biomedical Systems AG and the effectiveness of its own activities to review. This resulted in the Supervisory Board and Board of Management renewing their Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) on December 13, 2007 and making this permanently accessible to shareholders at the company's website. The responsibility statement issued by the company's legal representatives has been published in the Annual Report for the 2007 financial year.

On the basis of the resolution adopted by the Annual General Meeting on May 16, 2007, the Supervisory Board appointed WirtschaftsTreuhand GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, to conduct the audit of the annual and consolidated financial statements for the 2007 financial year. The audit included the annual financial statements of STRATEC Biomedical Systems AG compiled pursuant to German commercial law and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as well as the management reports of STRATEC Biomedical Systems AG and the Group.

The annual financial statements and management report of STRATEC Biomedical Systems AG based on German commercial law, the consolidated financial statements and group management report compiled on the basis of IFRS for the 2007 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 compiled in accordance with IFRS were in compliance with IFRS regulations as applicable in the EU and with the provisions of commercial law requiring supplementary application pursuant to Section 315a (1) of the German Commercial Code (HGB) and that the Board of Management had introduced an effective risk management system which conformed with legal requirements. The auditor performed his 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 31, 2008. 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 concurred with the findings of the auditor based on the conclusive results of its own audit. The Supervisory Board approved the annual financial statements and management report compiled by the Board of Management, as well as the consolidated financial statements and group management report of STRATEC Biomedical Systems AG compiled by the Board of Management for the 2007 financial year. The annual financial statements of STRATEC Biomedical Systems 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.

The Supervisory Board also endorses the proposal submitted by the Board of Management with regard to the appropriation of profits.

There were no changes in the composition either of the Supervisory Board or of the Board of Management in the 2007 financial year.

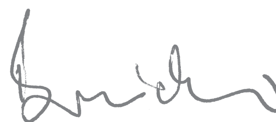
At its meeting on March 31, 2008, the Supervisory Board addressed the disclosures required by Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) and the report on these disclosures in the group management report. Reference is made to the corresponding notes in the group management report, Note 14 "Supplementary disclosures in accordance with the Takeover Directive Implementing Act of July 8, 2006". These notes have been audited and adopted by the Supervisory Board.

The management and employees worked together responsibly and constructively once again in the 2007 financial year. The Supervisory Board would like to extend its thanks and appreciation to the Board of Management and the employees of the individual companies within the STRATEC Group for the work they have performed.

Birkenfeld, March 2008

On behalf of the Supervisory Board

Für den Aufsichtsrat



Fred K. Brückner
Chairman

FOCUS

On the following pages we will present, as every year, an in-depth example of a major segment of our technology pool. With the integration of Sanguin, our wholly owned subsidiary acquired in 2006, we did more than just strengthen and extend our own software capabilities, we also entered into a new market as a supplier of software for laboratory data processing. To be more precise, today we are a supplier of sophisticated 'middleware' solutions with a strong position in the blood screening market and about to expand into the larger clinical arena.

Middleware Software

The formal definition of middleware is relatively simple. Middleware, as the name implies, is the software component that sits in the middle. It bridges gap between the individual instruments, the laboratory information system (LIS) and other dedicated software tools.

But what is "middleware", and why the interest? After all, software has been used in laboratories since the early 1980's. You would think by now that all avenues have been fully exploited by the software giants. The companies that run every aspect of office life and spend small fortunes promoting their corporate identities on the walls of airport arrival halls worldwide. But this is not the case and while it is true to say this is a niche market in as much as it is highly specialised, it is also a market with enormous potential.

If we look at the blood transfusion (blood screening) market alone, almost every country in the world has ambitions to develop a stable base of blood donors. Take Europe as an example of an established transfusion market. With a population in excess of 730 million inhabitants the number of people that donate blood is usually put at between 3.5% and 5% of the population based on regional variation, with each donor donating on average 1.5 times per year. That's around 44 million units of blood (19.8 million litres) but before each unit of blood can be used it is routinely checked for blood group and screened for "markers" for infections (e.g. HIV, hepatitis, syphilis etc.). That is a conservative 300 million results being generated by an array of laboratory instruments in Europe alone. Re-examine the data in global terms and the number of test results is huge – and remember this is just the transfusion market.

Throw in the clinical/hospital market and the number of laboratory results is just staggering, and what's more all of this data needs a home. It needs to find a path from the instrumentation that generates the result to the main laboratory or hospital computer where it is stored as permanent record and along this path it needs to be collated, validated, viewed, possibly re-tested, released etc., but we are getting ahead of ourselves. This is where we introduce middleware, the "bit that sits in the middle".

If the formal definition was taken literally, we would still be looking at little more than a shrink wrap commodity of minimal value. Middleware is more than this, a lot more, and the reason lies in the evolution of software in the laboratory.

Historically software played a number of distinct and separate roles in the laboratory. It was used to control individual instruments and produce results the laboratory technician could understand in a readable format but storage or management of the data was minimal. As software became more accessible its development and introduction was far from coordinated resulting in the heterogeneous mix of software systems you still find in many of today's laboratories. It was the introduction in the late 1980's of what was then referred to as the "total pathology system" and now better known as laboratory information system (LIS) that was to eventually create our new market.

A laboratory information system (LIS) is probably best described as a sub-set of the much larger hospital information system (HIS) and holds patient/donor data that is relevant to the laboratory. Importantly, it is where at the end of the process the final result must be transferred and stored.

Data transfer from the instrumentation to the laboratory information system (LIS) was a rudimentary affair relying predominantly on manual data acquisition. Like much of the laboratory software of the day early LIS systems were originally developed and supported either in-house or by smaller local software companies. The systems grew over the years, some replaced by commercial systems or absorbed by the hospital information system (HIS) providers, while others grew into regional based systems but it was the IT data explosion from the instrument manufacturers that was to be the catalyst. Almost every conceivable lab automat now had a computer built on it, in it or next to it, each producing ever more sophisticated data.

It was this almost logarithmic increase in the volume of complex data that needed to be transferred to the laboratory information system (LIS) that meant manual data input was no longer an option. Goodbye VDU Operator and hello EDI. Electronic data interchange (EDI) from instrument to LIS was the only viable solution – but there was a problem.

Laboratory information systems were designed to provide large databases to store patient and laboratory data with fast and efficient data retrieval. They were not designed to offer slick dynamic interfaces nor was it a core competence of the laboratory information system companies. The cost of introducing new interfaces to these monolithic laboratory information systems was high with the burden eventually borne by either the in-vitro diagnostics company supplying the instrument or the end user in the laboratory.

In some cases the cost became a major entry barrier for many new instruments, especially in the lower and mid throughput region. In response some of the larger in-vitro diagnostics companies produced their own software to connect their analysers to the laboratory information system (LIS) but they were often too focused and did not provide the multi-platform integration the laboratory required.

The solution was provided by the smaller independent software companies such as Sanguin. Many of these companies were already producing independent data management packages for technologies such as blood grouping or the then emerging antibody detection applications, but they were predominantly PC based as opposed to the laboratory information system (LIS) systems with their more cumbersome mainframe platforms. PC based software by its very nature was dynamic and potentially far easier to adapt to changing environment.

Moreover, these companies were also young, eager and hungry for business. It was not long before the power of these software packages was recognised and they were adapted not only to receive data from the instrumentation but then re-transmit the data to the laboratory information system. Middleware had arrived.

Once middleware was installed in the laboratory primarily to facilitate the instrument/LIS interface, its potential for taking a higher profile role was soon recognised. While there are tasks that clearly fall on the side of the LIS side like order entry, or clearly on the instrument side like inventory management, there is a vast arena of functionality essential for the laboratory that does not fall clearly into either area.

Middleware can offer services which are not provided by any other tool in a specific laboratory or it can consolidate existing services. A good example is "data warehousing" tasks. Here the middleware will compare the latest result against historic data held for the same patient or donor for example and create a warning if basic parameters like the blood group do not match.

This consolidation of data across multi-test platforms offers even wider opportunities allowing the operator to view all results and their supporting data and better assess if it forms a consistent diagnostic pattern, or if some measurements maybe flawed. In fact modern systems are able to take this one step further, by automating this process and ordering test repeats, dilutions or even additional parameters to give the laboratory physician the best possible data to base his decision on.

In today's laboratories the data being produced from newer testing methodologies is more abundant and more complex, or produced at higher speed than ever before. Health and regulatory bodies increasingly expect and demand full audit trails to be maintained. This includes "process data" (records of the instruments health and well being), reagent data, statistical analysis and even photo real images of the testing such as those produced on the Immucor Galileo blood grouping instrument developed by STRATEC.

But it is not just increased functionality that gives middleware the leading edge, it is how this functionality is developed and packaged that is the real key to its success. Many early middleware systems and indeed laboratory information systems start off with a core system and any changes are "hard coded" to meet the customer needs. All well and good until you repeat this pattern over 10, 20 or more laboratories and the time arrives where a bug fix is required or a new revision of the software is needed to accommodate new testing technology. You then have the scenario where instead of updating a single common system that is used by all you now have twenty or more individual systems each with their own unique version of the software. At this point support costs outstrip support revenue by a significant factor and we return to the LIS scenario of costly and slow changes.

Middleware takes the opposite approach. By splitting the software down into manageable modules and by cleverly building in considerable controlled configuration options the middleware vendor can supply the customer with a very comprehensive package. The customer can simplify the system quickly and easily at a local level by only "activating" the modules appropriate to that laboratories function. The modules can then be configured further to meet laboratory work patterns and logic without any requirement for a programmer to be within a 1,000 kilometres of the installation.

Middleware which offers this type of flexibility through configuration has a great potential to grow inside a customer's laboratory, starting with simple interfacing tasks but then growing and absorbing more and more of the laboratories tasks over time. Not every company can build software of this type. It takes both software expertise and a thorough understanding of the laboratory environment to make sure the design (rules for and structure of programs) is correct but once achieved this highly configurable modular approach provides a stable common chassis on which many projects can be based. This re-use of program code and increased emphasis on controlled configuration cuts both development cost and time.

So where does middleware go from here? With increasing usage of laboratory automation systems in continuously smaller settings, with the shortage of well trained and educated laboratory operators in many of the developed countries and with the demand of higher efficiency, middleware in the future will have to play a more active role in the laboratory. Middleware will enable existing hardware to be used more efficiently by optimising and distributing the workload to multiple instruments (load balancing). It will calculate and manage the quality control status and the maintenance schedule for the instruments and provide the laboratory supervisor with a single consolidated access point to all this data. It will be used to monitor current work load, instrument health, plan and manage testing capacity to meet customer needs efficiently and with the best possible quality at the shortest possible turnaround times. Middleware becomes more and more the heart of the laboratory.

Having middleware expertise within our group places STRATEC in a strong position and we can now offer integrated software that is more robust, flexible and dynamic than either company could offer alone. The boundary between instrument controller software and middleware becomes invisible to the user resulting in smoother data flow, integrated graphics and improved visual appeal. By adopting the configurable modular approach we aim to develop a new common software chassis, benefitting both from re-use of program code and the reduced development time.

Middleware is a very powerful software component. STRATEC can take it further.

SHARE

2007 on the stock markets

The international financial markets witnessed a positive start in 2007, reaching new annual highs in May. From the third quarter onwards, however, uncertainty on the international financial markets and the US subprime crisis in particular (loan defaults on property financing of low creditworthiness) led to a substantial downturn in share prices on the capital markets. Factors such as the rising oil price and the increasing weakness of the US dollar led investors to doubt that the growth seen in the economy and corporate earnings to date would continue without interruption. This resulted in corrections in share prices and a high degree of volatility, a development which also affected the German stock market. In the second half of the trading year, smaller listed companies, so-called second-tier stocks, lost a significant share of their value.

Performance of STRATEC's share

Healthcare stock indexes performed poorly in 2007 in Europe and America alike. With a 5.0% drop in value, the German Prime Medical Technology Index posted the weakest performance in this respect.

STRATEC's share upheld its positive development in the first months of the 2007 trading year. Starting at EUR 22.00 (Xetra, closing price on December 29, 2006), the share price rose, notwithstanding considerable volatility, by 34% to its annual high of EUR 29.53 (Xetra, Intraday) on April 18, 2007, thus also marking its all-time high. The stock was unable to maintain this high level, however, and lost a significant share of its value in the following months, again with significant fluctuations along the way. The share price reached its annual low at EUR 17.16 (Xetra, Intraday) on November 21, 2007. By the end of the year, STRATEC's share had regained some ground: at EUR 20.75 (Xetra, year-end price on December 28, 2007), however, it closed the year 5.7% down on the share price at the beginning of the trading year.

Even though STRATEC increased its consolidated net income by 28% in the 2007 financial year and sales remained at the high level seen in the previous year, the performance of its share in 2007 was ultimately not able to latch onto the positive developments seen in previous trading years.

Tradability of STRATEC's share and designated sponsoring

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 EUR 176.0 million changed hands on the German marketplaces in 2007 (previous year: EUR 135.7 million). Of this total, the Xetra and Frankfurt marketplaces accounted for almost 93% (previous year: 87%). By far the greatest share of trading took place on the Xetra trading system.

STRATEC issued a mandate to WestLB to act as designated sponsor with effect from March 1, 2007. The highly successful cooperation already established between the two companies in looking after the needs of institutional investors in Germany and abroad was thus extended to include the sponsoring of stock trading. Alongside Landesbank Baden-Württemberg, WestLB AG is thus the second bank whose traders provide binding bid and offer prices for STRATEC shares on Xetra. They thus supply additional liquidity to bridge any temporary imbalances between supply and demand for STRATEC shares. Both banks have been awarded an AA rating by the German Stock Exchange for meeting strict requirements in terms of quota duration and the spread between the purchase and sale prices of the shares they sponsor. The commissioning of a second designated sponsor had become necessary in order to do justice to the company's growing market capitalization and the increasing interest shown by investors, as well as to broaden the marketing network for our share.

German Stock Exchange stock index ranking

STRATEC 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 every month. These serve as the basis for the decisions taken at the quarterly 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 12 months and the market capitalization based on the free float of the relevant share class.

In view of the sector in which it operates, STRATEC Biomedical Systems AG is classified by the German Stock Exchange as a technology stock. Upon meeting certain 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.

In recent years, STRATEC's share has continually improved its position within the TecDAX ranking and occupied 46th position in terms of its free float market capitalization and 48th position in terms of order book turnover as of December 31, 2007.

An increase in the share price in connection with further growth at the company, coupled with an ongoing increase in its free float, could enable STRATEC's share to reach the TecDAX index in the medium to longer term. Achieving this represents one of our objectives.

Performance of STRATEC's Share in 2007

STRATEC's Share (ISIN: DE0007289001)
Prime Pharma & Healthcare Index (ISIN: DE0009660324)
Prime Medical Technology Index (ISIN: DE0007238024)

Key Figures for STRATEC's Share

Key figures		2007	2006
Earnings per share	Euro	0.88	0.70
Dividend per share	Euro	0.22	0.15
Cash flow per share	Euro	1.06	0.86
Share capital	Euro million	11.4	11.3
Market capitalization	Euro million	236.9	247.7

Stock market prices		2007	2006
Year-end price	Euro	20.75	22.00
Annual high	Euro	29.53	22.50
Annual low	Euro	17.16	11.44

Shareholder-friendly dividend policy

As expected, the company concluded the 2007 financial year with substantial earnings growth. In view of this development, the Supervisory Board and the Board of Management will propose the distribution to shareholders of a dividend of EUR 0.22 per share with dividend entitlement (previous year: EUR 0.15) for approval by the Annual General Meeting on May 21, 2008. Subject to approval by the Annual General Meeting, this would be equivalent to a total distribution of EUR 2.5 million (previous year: EUR 1.7 million). STRATEC intends to pay an appropriate level of dividend based on the company's earnings performance in future as well.

Capital-related measures

Capital increases in return for cash contributions – A total of 51,941 option rights were exercised by option holders within the framework of the employee option program during the 2007 financial year. This resulted in 155,505 new shares, which increased the share capital by EUR 155,505 in total.

On December 31, 2007, the share capital amounted to EUR 11,415,751 and was dividend into 11,415,751 ordinary bearer shares.

Shareholder structure

The level of free float for STRATEC's shares calculated in line with the definition of the German Stock Exchange amounted to 56.7% as of December 31, 2007 (previous year: 56.3%). The remaining shares involve fixed shareholdings and are allocable to the Chairman of the Board of Management, Hermann Leistner, and his family.

Active and successful investor relations activities

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 acquire 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 as to the company's business performance and latest developments.

During the 2007 financial year, STRATEC published several press releases, six ad-hoc announcements, an extensive annual report and three interim reports. We sent a total of eleven e-mail newsletters with which we drew readers' attention to the publication of press releases and ad-hoc announcements, to reports newly published on our internet site and to special events relating to STRATEC.

The Board of Management presented the company and outlined its underlying business model in extensive detail at numerous one-to-one meetings with investors from Germany and abroad.

We further raised the interest shown in our company by the capital market in the 2007 financial year as well. Among other factors, this is documented by the number of financial instructions publishing reports about STRATEC and providing regular commentaries on important events at the company, which has now risen to five in total. In addition to Berenberg Bank, Crédit Agricole Cheuvreux, Landesbank Baden-Württemberg, and WestLB, HSBC Trinkaus & Burkhardt now also compiles regular reports about STRATEC.

Up-to-date information about STRATEC is available to interested parties around the clock at our company's homepage at http://www.stratec-biomedical.de.

In July 2007, the Federal Ministry of Justice formally published the new version of the German Corporate Governance Code in the electronic Federal Gazette. The German Corporate Governance Code is intended to make the rules governing corporate management and supervision in Germany transparent for international and national investors, and thus to increase the confidence placed in the corporate management of German companies.

The German Corporate Governance Code government commission, the so-called Cromme Commission, adopted important resolutions concerning the further development of the Code in June 2007. The previous round of amendments was adopted in June 2006.

On December 13, 2007, the Board of Management and Supervisory Board submitted the following Declaration of Conformity for the 2007 financial year in respect of the recommendations of the Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders at the company's internet site:

"Declaration of Conformity of the Board of Management and the Supervisory Board of STRATEC Biomedical Systems AG with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).

STRATEC Biomedical Systems AG has complied with the recommendations made by the German Corporate Governance Code government commission with regard to the management and supervision of German listed companies in the version dated June 12, 2006 since submitting its previous Declaration of Conformity on December 15, 2006 – with the exceptions outlined in that declaration. STRATEC Biomedical Systems AG will comply in future with the recommendations made by the German Corporate Governance Code government commission with regard to the management and supervision of German listed companies in the version dated June 14, 2007 with the following exceptions:

Point 3.8
The German Corporate Governance Code recommends that a suitable deductible be agreed for members of the Board of Management and the Supervisory Board upon the conclusion of any D&O insurance policy.

The company foregoes any deductible in its D&O insurance policy for members of the Board of Management and Supervisory Board. The Board of Management and Supervisory Board are of the opinion that the members of the boards and the management of the subsidiaries take every effort to avoid any damages to the company. Their responsibility and motivation to uphold their efforts in this respect would not be further promoted by a deductible for the D&O insurance policy. Moreover, a potential deductible would also not have any impact on the insurance premium.

Point 4.2.3
The German Corporate Governance Code recommends that to cover against unforeseen developments the Supervisory Board should agree a cap on the stock options and comparable instruments granted to the members of the Board of Management as variable components of their compensation.

The Supervisory Board has not agreed any cap for the stock options issued to the members of the Board of Management, neither is any such cap foreseen for the future in view of the fact that this would result in the stock options failing to provide the element of risk/opportunity required, especially for variable compensation components, and that such cap would not provide the necessary incentives, particularly when compared with practices in other countries.

Point 4.2.5
According to the law governing the disclosure of management board compensation dated August 3, 2005, the total compensation of each member of the Board of Management has to be disclosed on an individual basis, broken down into non-performance-related and performance-related components, as well as components of a long-term incentive nature, unless otherwise resolved by the Annual General Meeting with a three-quarters majority.

The German Corporate Governance Code recommends that such disclosures be made on an individual basis in a compensation report (forming part of the Corporate Governance Report).

The compensation of all members of the Board of Management, broken down into its components, was and continues to be reported as an aggregate total. The company has foregone the individual disclosure of the total compensation of each member of the Board of Management in view of the resolution adopted with the necessary qualifying majority by the Annual General Meeting on June 23, 2006.

It is our opinion that the recipient of such disclosures concerning the compensation of individual members of the Board of Management is less interested in the incentive for the individual member of the Board than in the incentive for the Board as a whole. Moreover, any disclosure of the compensation of the Board of Management on an individual basis would in the longer term result in a leveling out of the salaries between the various positions on the Board, thus undermining the desired incentive effect.

Points 5.2, 5.3.1, 5.3.2, 5.3.3 and 5.4.7
The German Corporate Governance Code recommends that the Supervisory Board should form specialist committees (including an audit and a nomination committee), depending on the specific circumstances of the company and the number of its members. Moreover, the Chairman of the Supervisory Board should assume the chairmanship of the committees which deal with the contracts concluded with members of the Board of Management and prepare the meetings of the Supervisory Board. Among other factors, the compensation paid to members of the Supervisory Board should account for the chairmanship and membership of committees.

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.

Point 5.4.7
The German Corporate Governance Code recommends that the compensation of the members of the Supervisory Board be disclosed in the Corporate Governance report on an individual basis and broken down into its constituent components.

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 individual disclosure of the compensation of each member of the Supervisory Board has been foregone in view of the resolution adopted with the required qualifying majority by the Annual General Meeting on June 23, 2006. Moreover, the transparency requirements of this recommendation in the Code are largely accounted for by the disclosure of the composition of Supervisory Board compensation in Section 13 of the company's Articles of Incorporation.

Point 6.6
The German Corporate Governance Code recommends that any ownership of shares in the company or of related financial instruments by members of the Board of Management and the Supervisory Board should be stated in the Corporate Governance report in the event of such direct or indirect shareholdings exceeding 1% of the shares issued by the company. Moreover, the German Corporate Governance Code recommends that the total shareholding held by such members should be stated in the Corporate Governance report broken down into the Board of Management and the Supervisory Board in the event of the total shareholding of all members of the Board of Management and the Supervisory Board exceeding 1% of the shares issued by the company.

The Board of Management and the Supervisory Board are of the opinion that the notification duties set out in the respective legal requirements, which require the company to be notified in the event of the shareholding held by any shareholder (in this case a company board) exceeding certain thresholds, are adequate in this respect. The holdings of shares in the company or of related financial instruments by members of the Board of Management and the Supervisory Board have not been stated in the past and will not be reported in future. This does not apply to disclosures required by law.

Point 7.1.2
The German Corporate Governance Code recommends that the consolidated financial statements be published within 90 days and the interim reports within 45 days of the conclusion of the respective reporting period.

The aforementioned deadlines for the publication of consolidated financial statements and interim reports have not been and are in some cases still not met by the company. STRATEC Biomedical Systems AG does, however, meet the publication deadlines set out in the rules and regulations governing the company's membership of the segment of the regulated market of the Frankfurt Stock Exchange involving additional admission requirements (Prime Standard), namely four months in the case of annual financial statements and two months for interim reports."

Declarations of Conformity with the Code which are no longer up to date remain available on the company's internet site for a period of five years.

Further information on the Corporate Governance Report

In line with legal requirements, further information relating to the Corporate Governance Report has been included in this Annual Report.

- Compensation of the Board of Management and Supervisory Board
  Reference is made in this respect to the notes to the consolidated financial statements, Note 29 "Disclosures relating to closely related companies and individuals" and to the group management report, Note 8 "Basic features of the compensation system for the Board of Management and Supervisory Board"
- Disclosures concerning stock option programs and similar security-based incentive systems
  Reference is made to the notes to the consolidated financial statements, Note 13 "Shareholders' equity", Section "Stock option programs ".
- Directors' dealings
  Section 15a of the German Securities Trading Act (WpHG) obliges members of the Board of Management and Supervisory Board to disclose the acquisition or disposal of shares in STRATEC AG or related financial instruments, to the extent that the value of the transactions undertaken by the respective member and persons closely related to such member reaches or exceeds a total amount of EUR 5,000 within each calendar year.

The securities transactions subject to these disclosure requirements have been published on the internet site of the company and on the internet site of the Federal Financial Supervisory Authority.

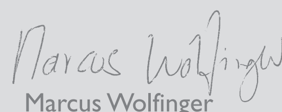
Birkenfeld, March 2008
STRATEC Biomedical Systems AG
The Supervisory Board The Board of Management

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, 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 group management report 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 20, 2008
STRATEC Biomedical Systems AG
The Board of Management

Hermann Leistner


Marcus Wolfinger

Bernd M. Steidle

GROUP MANAGEMENT REPORT

Group Management Report of STRATEC Biomedical Systems AG for the 2007 Financial Year

1. Overview of business performance and earnings

Efficiency enhancements and improvements in the product portfolio enabled us to achieve substantial margin growth while sales remained stable:

- EBIT increased by 30% from EUR 11.0 million to EUR 14.3 million
- Consolidated net income raised by 29% from EUR 7.7 million to EUR 10.0 million
- Earnings per share at EUR 0.88, up from EUR 0.70 in previous year
- Cash and cash equivalents rise from EUR 12 million to EUR 20 million

Market position of the STRATEC Group boosted by new development projects and existing development pipeline:

- Greater share of product portfolio attributable to system platform business
- Automation of molecular-biological applications gaining in significance
- STRATEC targets clinical diagnostics market segments with the highest growth

With record earnings and record cash flow, the STRATEC Group achieved a new dimension of growth in the 2007 financial year. Following substantial sales growth in the 2006 financial year, sales were at the same high level as in the previous year. The relative margin contributions by the two largest single companies within the STRATEC Group, STRATEC AG and Robion AG, performed similarly well. The integration of Sanguin International Ltd., which was acquired in March 2006, is fully complete. Sanguin has now become an integral component in the development activities and new customer acquisition of the STRATEC Group.

The Rumanian subsidiary STRATEC Biomedical Systems S.R.L. was founded in the fourth quarter of 2007. Given the superb training levels of local development employees and the economic infrastructure available, the commencement of business operations at this unit in recent days enables us to further exploit the benefits of globalization.

2. Market and sector

Market and sector: overview

The overwhelming share of the analyzer systems designed and produced by STRATEC are used for in-vitro diagnostics (e.g. in clinical diagnostics laboratories and blood banks). The users of these analyzer systems, for example large hospital laboratories, do not represent the direct customers of the STRATEC Group. Our customers are mostly large companies in the diagnostics industry. These generally supply the aforementioned end users with reagents (e.g. hepatitis detection tests) together with STRATEC's automation solutions. The core competency of STRATEC's customers relates in particular to the development and worldwide sale of reagents (chemicals), as well as related marketing activities and the development of the relevant industrial property rights. The trend towards some of the world's leading diagnostics companies in some cases outsourcing even the development and enhancement of testing processes to reagent development companies has continued unabated.

Consolidation within the diagnostics industry means that sales and market growth are increasingly focused on the largest players within the industry. In particular, the acquisition of Dade Behring, Bayer Diagnostics and DPC (Diagnostic Products Corporation) by Siemens and the attempt by General Electric to take over Abbott Diagnostics, a project which has now been abandoned, show that the trend towards consolidation is continuing. The world's ten leading diagnostics companies account for around 85% of global market sales. Influenced in particular by the USA, the largest single clinical diagnostics market with a share of 40%, growth in the overall market has seen a slight slowdown from between 5% and 7% previously to between 4% and 6%. However, given the rising number of tests per patient and increasing volumes of patients, market experts do not expect this to have any negative impact on the segments of the clinical diagnostics market served by STRATEC.
Demographic factors mean that the diagnostics market is automatically expected to witness considerable growth in the longer term. As already in past years, we expect the overall market to see annual growth of more than 5% in the coming three years. Due in particular to the outsourcing of development and production by large diagnostics companies to the STRATEC Group, the average annual rate of growth achieved by the STRATEC Group in the past five years was a multiple of the average growth reported by the sector.

Within the diagnostics sector, it remains apparent that individual segments will achieve significantly higher growth than the market average. More specifically, these high-growth segments include molecular diagnostics, near-patient testing and diagnostics based on the use of luminescence immunoassays (currently one of the methods offering the best value for money).

The STRATEC Group has a high degree of expertise and a wealth of experience in all areas of in-vitro diagnostics. This was underlined by the contracts signed in 2006 and 2007, especially those relating to the projects with Gen-Probe and DiaSorin. More than three quarters of the development staff employed at STRATEC are assigned to projects in these areas.

Market and sector: performance criteria

Customer-specific development – The STRATEC Group generates virtually all of its sales with solutions developed or adapted to the specific needs of customers and then serially produced over several years following the completion of development. 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, the specification stage is accorded great significance. Alongside purely physical and biological requirements, account also has to be taken of other features, such as service aspects, extension possibilities, scalability and how intuitively the solution can be used. These factors affect the success of the automation systems at a later date. Factors not directly allocable to the analyzer systems, such as development, production or quality management processes, also form an integral component of customer requirements. Even Sanguin's standard software, with its high degree of parameterization, can be adjusted to meet specific customer requirements. STRATEC's strategy of focusing on a small number of business partners enables the company to respond very closely to its customers' requirements, not least as a result of its high degree of integration with business processes at its customers.

Economic effectiveness – The expertise built up within the STRATEC Group over many years enables the company's customers to already establish the development costs and transfer prices for the analyzer systems to be developed at the beginning of a development project. Once the specifications for an automated solution have been determined, fixed prices for the use of STRATEC technology and the transfer price per analyzer system are contractually agreed. Moreover, minimum purchase volumes are defined for each system family. This approach enables us to submit highly detailed offers to our customers and provides them with a solid costing basis within a favorable, attractive structure. All in all, the technologies, established processes, high degree of expertise, development transfer and production available under one roof at STRATEC, coupled with the relevant logistical structures, make for a high economic overall package for STRATEC's customers.

Quality of development results – In addition to the quality of the development results and the achievement of a balanced relationship between price-sensitive specific development work and the recycling of parts and modules, the reliability of analyzer systems experienced by end users is mainly affected by the complexity of the biochemical process to be automated in the respective analyzer system. Due to regulatory requirements, quality enhancements undertaken during serial production often oblige customers to undertake a renewed inspection of the entire analytical process. The success of an analyzer system family is determined by both aspects, high-quality development consistent with regulatory requirements and rapid market access. The processes and approaches in place at STRATEC mean that we are optimally positioned to do justice to requirements such as speed of development, economic effectiveness and reliability.

Possibility of global deployment – By meeting global regulatory requirements, the STRATEC Group provides its customers with the possibility of developing innovative analyzer systems and achieving market approval at above average speed in markets characterized by regional regulatory frameworks. This unique selling point also provides customers with a clear criterion on which to base their decisions between proprietary, internal development and outsourcing to STRATEC. Particularly in recent years, several of the large diagnostics companies which previously developed their instrumentation internally have relied on outsourcing and development at STRATEC. STRATEC's competencies in this area are confirmed by regular customer audits and by inspections undertaken by the FDA, the US health authority.

Market and sector: the market position of the STRATEC Group

The companies of the STRATEC Group have further significantly extended their very strong competitive position and unique selling points by agreeing new development cooperations and reaching major development milestones. This very strong competitive position is based on the consistent implementation of the company's strategy.

Innovation management – STRATEC's management adopts systematic and heuristic internal approaches to support and promote the development of innovative solutions. The large number of development projects brought to a successful conclusion provides employees with access to a large technology pool which is constantly being extended to include current development projects. This means that the STRATEC Group now has access to a broad spectrum of diagnostic applications and solutions. Alongside economic effectiveness, reliability and safety, innovation and creative solutions play a key role in achieving the specified project targets.

Project management – To ensure the successful development of analyzer systems, as an automation specialist STRATEC employs both proven experts in the field of engineering as well as employees with a high degree of competence in physical, biochemical and biological processes. These are transferred to the automation solutions designed by STRATEC. This enables the STRATEC Group to provide its customers with everything they need for laboratory automation from a single source. STRATEC's projects do not just consist of the development, approval and production steps – they begin with supporting customers in generating product requirements and continue through to the processes involved in the after-sale supervision of analyzer systems. STRATEC also retains control over the development documentation. The company also takes over the whole range of change and complaints management for the appliance in question, while all aspects of further development performed during the marketing stage are also portrayed at STRATEC. The unique scope of our services provides us with a considerable competitive advantage.

Customers – Over the past years, the STRATEC Group has succeeded in focusing on market and technology-leading diagnostics companies. Strategic alliances are forged with these companies, within which the individual projects can last up to 20 years 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, the STRATEC Group has therefore set itself the declared aim of handling follow-up projects for existing customers and thus of already starting work on the development of successor systems during the peak stage of the product lifecycle. We were able to meet these objectives once again in 2007. As a result, our development departments will be working at capacity over a period of several years.

Transition of products from development 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 speed at which new products are launched onto the market requires the production departments and suppliers to be involved at an early stage. Specially qualified production departments, for example, undertake feasibility studies, test functional modules or take over all of the tasks involved in building and documenting prototypes. What's more, they also support the development departments in designing testing equipment. This dovetailing of processes reduces development times, accelerates the project on hand and thus increases efficiency levels.

3. Financial position and investments

Mainly due to increased efficiency and higher margins in the operating business, the cash flow increased by 27% from EUR 9.7 million to EUR 12.3 million. It was also possible to increase the inflow of funds from operating activities from EUR 8.8 million to EUR 9.6 million.

While the investments of EUR 6.6 million reported for the previous year largely related to the acquisition of Sanguin International Ltd. and the stocking up of shareholdings, the investments of EUR 1.6 million made in the year under report focused on development-related and product-related property, plant and equipment. Furthermore, the STRATEC Group invested EUR 0.2 million in software and EUR 0.3 million in financial assets.

Financing activities led to an overall inflow of funds amounting to EUR 0.8 million in 2007 (previous year: EUR -0.3 million). This figure includes an outflow of funds amounting to EUR 1.7 million for the distribution of the dividend for the 2006 financial year. This was countered by a net inflow of funds amounting to EUR 1.8 million due to the taking up of a loan at favorable interest terms and to EUR 0.7 million as a result of the issuing of shares in connection with employee stock option programs.

The total of all inflows and outflows of funds in 2007 led to a currency-adjusted increase in liquid funds by EUR 7.9 million to EUR 19.9 million as of December 31, 2007.

4. Earnings position

At EUR 67.5 million, the sales generated by the STRATEC Group virtually matched the high level of EUR 68.4 million reported for the previous year. Together with the moderate increase in the volume of finished and unfinished products, unfinished services and other capitalized own-account services, this led the Group's overall performance to increase from EUR 69.2 million to EUR 69.7 million.

Notwithstanding the fact that total sales remained virtually constant, it was possible to reduce the cost of materials by 14.4% in nominal terms as a result of the increased share of sales not affected by output volumes and the further growth in sales generated by replacement parts.

On account of the further expansion in development activities and the complete inclusion of Sanguin International Ltd., personnel expenses rose from EUR 13.9 million to EUR 15.8 million. Other operating expenses showed a slight increase of 6.3% to EUR 5.8 million.

The increase in depreciation and amortization by EUR 0.5 million is chiefly due to scheduled amortization on the fair values identified at Sanguin International Ltd. In the year under report, this amortization was now undertaken on a full-year basis.

The EBIT for the 2007 financial year amounted to EUR 14.3 million, compared with EUR 11.0 million in 2006. The rate of EBIT growth at the Group therefore amounted to between 30% and 60% for the fifth year in succession.

Taxes on income amounted to EUR 4.5 million in 2007, compared with EUR 3.1 million in the previous year. Consolidated net income thus rose by EUR 2.3 million to EUR 10.0 million.

5. Asset and capital structure

Total assets rose to EUR 66.9 million, an increase of EUR 9.8 million compared with the previous year. Non-current assets reduced slightly from EUR 14.9 million to EUR 14.0 million.

As a result of the purchase of Sanguin International Ltd., intangible assets included goodwill for the first time in the previous year. This is adjusted on an annual basis to account for currency fluctuations. Other intangible assets mainly relate to the fair values identified, which were also stated on account of the purchase of Sanguin International Ltd. in the previous year and which are being amortized over their useful lives.

Due in part to the increase in the level of shareholding and in part to the adjustment in fair value recognized directly in equity, the carrying amount of the shareholding held in CyBio AG rose by EUR 0.1 million to EUR 2.7 million.

Current assets increased by EUR 10.6 million to EUR 52.9 million. While inventories as a whole rose by 9% to EUR 16.0 million, it was possible to reduce holdings of raw materials and supplies by 8% to EUR 5.1 million. Unfinished products and unfinished services, by contrast, rose from EUR 8.9 million to EUR 10.6 million.

The rise in accounts receivable by EUR 1.7 million to EUR 10.6 million was due in particular to the disproportionate share of sales generated in November and December 2007. Future receivables from production orders, by contrast, reduced from EUR 5.5 million to EUR 4.8 million.

The securities were acquired for trading purposes and reported at a value of EUR 0.4 million as of the balance sheet reporting date.

Largely as a result of the consolidated net income of EUR 10.0 million, shareholders' equity increased from EUR 40.1 million to EUR 48.6 million. Following the exercising of stock options, the share capital rose from EUR 11.3 million to EUR 11.4 million. Other equity fell from EUR 0.5 million to EUR -0.2 million as a result of changes in the reserve for fair value valuation and currency translation. The equity ratio amounted to 72.6% as of December 31, 2007.

Non-current financial liabilities increased by EUR 2.6 million as a result of the taking up of a loan at favorable interest terms, while current financial liabilities fell by EUR 0.9 million. Deferred taxes reduced from EUR 2.2 million to EUR 1.5 million.

Accounts payable reduced by 10% to EUR 2.6 million.

At EUR 5.2 million, other current liabilities remained virtually constant.

6. Development

The STRATEC Group's development activities are largely based on two fundamental approaches. On the one hand, they involve the development of automation solutions based on system platforms where there is a high degree of overlapping between the processes to be automated within the respective analyzer system family. On the other hand, they include developments for customers with specific requirements, meaning that the automation solution is implemented on the basis of existing and new technologies.

The successful completion of each individual development process in such a way as to meet the requirements defined together with the customer represents the core element of the STRATEC Group and is at the same time one of its most important USPs. Although STRATEC is to be viewed objectively as a development company, we are of the opinion that the requirements of IAS 38 with regard to the capitalization of development projects as intangible assets were still not adequately met in 2007. This is largely due to the fact that the underlying criteria can only be evaluated at a relatively late stage of development. By adopting this approach, we have accounted for the actual situation and the resultant risks and opportunities as of the balance sheet reporting date. As in the previous year, should there be any direct or indirect links between developments and customer-specific solutions, then the respective developments are capitalized at cost as unfinished services.

The further acceleration in the process of concentration on respective core businesses seen in the diagnostics industry is leading not only to longer product lifecycles but to the need for ever shorter development cycles. This is basically due to the need to determine the specification of each automation solution at as late a stage as possible in order to minimize the risk of any mistaken analysis of the future market. In the long term, this approach will lead diagnostics companies with global operations to further outsource the development of their instrumentation and production. Not least the system platform concept successfully implemented by STRATEC will allow development times to be reduced further. This concept draws on hardware and software designs (modules) which can be combined flexibly. The use of platform concepts also offers the possibility of diversifying established, reliable STRATEC technologies into new market segments.

7. Employees

The further substantial rise in development activities in 2007 was accompanied by a significant increase in the number of employees working in our development departments. The STRATEC Group created a total of 24 new jobs in 2007. Including the employees hired from a temporary employment agency, the STRATEC Group had 270 employees as of December 31, 2007 (previous year: 246). The average number of personnel (excluding temporary personnel) employed at the STRATEC Group increased to 229 (previous year: 208).

Personnel expenses rose by a total of 13.7% to EUR 15.8 million in the year under report (previous year: EUR 13.9 million). The rise in personnel expenses is largely due to the increased size of the workforce. The development departments in particular witnessed substantial increases in their personnel totals. Earnings before tax amounted to EUR 56k per employee in 2007 (previous year: EUR 47k).

Our stock option program enables longstanding employees to participate in the value growth they have helped to achieve for the company.

The company is structured in line with its grown focus. The largest share of the STRATEC team works on 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 marketing launches between 2008 and 2011 and which will facilitate the company's growth far beyond those dates.

We would like to thank all of our employees for their extraordinary commitment and their willingness at all times to give of their best.

8. Basic features of the compensation system for the Board of Management and the Supervisory Board

Compensation system of the Board of Management

The compensation system for the members of the Board of Management provides for:

- A fixed salary component, paid in prorated monthly installments
- A variable component which accounts for the performance of the Group, the personal performance of the Board member and the economic position of the company
- Stock option programs based on the resolutions adopted by the Annual General Meetings on May 28, 2003, June 23, 2006 and May 16, 2007.

A D&O insurance policy has been concluded for the Board of Management. It has been decided to forego any deductible, given that the insurance company does not provide for any such deductible in its calculation of the premium.

Compensation system of the Supervisory Board

Each member of the Supervisory Board receives fixed compensation in addition to the reimbursement of his expenses and the benefits of a 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. Furthermore, each member of the Supervisory Board receives performance-related compensation for each financial year, the total amount of which is limited to double (i.e. twice) the level of fixed compensation. The variable compensation is structured as follows:

- EUR 500.00 per complete EUR 500,000.00 "Result of ordinary business activities" (pursuant to IFRS)

and an additional amount to be offset of

- EUR 500.00 per complete EUR 500,000.00 "Cash flow from operating activities".

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 for each meeting of the Supervisory Board attended in person. The company reimburses each member of the Supervisory Board for the sales tax incurred on his compensation. The fixed compensation is due for payment upon the conclusion of the financial year. The variable compensation is due for payment upon the approval or adoption of the annual financial statements.

9. Procurement

The companies in the STRATEC Group focus their production activities on the share creating the greatest value and, as a result, have a low level of vertical integration. This approach increases logistical complexity and basically involves complex functional modules. These modules are purchased from a small number of suppliers distinguished by their quality management systems and by a process orientation compatible with that at STRATEC. STRATEC works with long-term master agreements to secure supply capabilities and price reliability.

10. Sales logistics

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

11. System assembly and inspection

The company's focus on production processes which are complex and necessary from a regulatory perspective requires qualified employees and a suitably developed infrastructure. The assembly, quality assurance and inspection processes, for example, are performed by highly-qualified and excellently trained personnel. These processes are in some cases carried out in a laboratory environment. This approach represents the optimal balance between economic efficiency and high quality within an infrastructure which corresponds to the later actual application locations of STRATEC analyzer systems.

12. Corporate compliance

The STRATEC Group understands corporate compliance as requiring each individual employee within the Group to act responsibly and in accordance with the relevant legal requirements. As a development company, the STRATEC Group is subject to a large number of country-specific laws, ordinances, guidelines and norms in the field of instrumentation, all of which have to be respected and implemented by all employees on a daily basis. The compliance management system in place at the STRATEC Group consists of three levels which together form a regulatory circuit ensuring compliance with the respective requirements.

Identification of risks – The identification of risks not just by compliance managers but also by employees themselves requires knowledge of the regulatory framework governing the activities of each respective employee. In-vitro diagnostic applications are governed by the regulations for CE labeling in Europe and those of the FDA health authority in the US. The relative risk resulting from the withdrawal of approvals granted for our customers and of product recalls crucially depends on knowledge of these regulations and is classified internally as representing our potentially most important risk. Within the STRATEC Group, the highly experienced division heads are jointly responsible for this area together

with the regulatory affairs and quality management departments, which are generally involved in the development of systems for regulated markets.

The company's risk managers also view the risk of product image damage at the respective customer due to non-compliance with general product requirements as a result of development shortfalls as representing a major risk. Further less sector-specific risks include the risk of fines or contractual penalties due to non-compliance with regulations or the risk of legal proceedings being initiated against members of the management or supervisory boards. The considerable expertise on hand at the internal legal department and from the legal advisors of the STRATEC Group enable these risks under private, criminal and labor law to be handled as appropriate. The investor relations and communications departments of the STRATEC Group are the contact partner for risks relating to capital market law in terms of non-compliance with disclosure obligations or insider trading.

Internal information system – Within the STRATEC Group, the internal exchange of information takes place directly between the relevant specialist departments and management teams in the case of the subsidiaries. This process is assisted by the quality management department. The process is dependent on clear instructions issued by the quality management department to all employees that the agreed regulations have to be complied with. The assessment of such risks is covered by a separate section in the risk management system of the STRATEC Group. The specialist departments hold regular employee training sessions covering the relevant regulations (including those applicable to the capital market).

Internal controlling system – Controlling activities within the framework of the compliance management system are undertaken by the relevant specialist departments, which in turn are required to report to the management of the respective company at STRATEC AG.

All key positions at the STRATEC Group are filled with responsible, competent employees. Within their respective areas of responsibility, management teams are nevertheless obliged to perform ongoing checks throughout the business process.

The ongoing checks in both development and production divisions take the form of documentation inspections undertaken by the respective managers. Moreover, the quality management department also performs internal audits at regular intervals. The accounting procedures and flow of funds at the companies are inspected with due application of the principle of dual control and audits of key areas upon the compilation of the financial statements.

The Board of Management is regularly informed about the compliance system and about important compliance matters at the company. The Board of Management in turn reports on compliance-related matters to the Supervisory Board within the framework of the risk management system.

13. Risk report

Risk report: risk management system

The risk management system established as an early warning risk identification system serves to analyze and assess the risks facing the company and its environment pursuant to Section 91 (2) of the German Stock Corporation Act (AktG). The individuals required to report such risks compile reports on their respective areas of risk at fixed intervals, as well as ad-hoc reports if necessary, which are qualified and quantified on the basis of a systematic approach. At the various levels of aggregation, the decision makers and executive and supervisory bodies of the company are provided with a so-called Risk Handbook to serve as a controlling instrument. This enables the conceivable consequences of individual risks presented over the period of their arising to be viewed and evaluated alongside any change in their probability of occurrence. With the extension of group structures within the STRATEC Group, the subsidiaries have been incorporated into the existing risk management system at the parent company. The respective risks and their various interdependencies are analyzed both at the individual companies and between the group companies.

The opportunities arising for the STRATEC Group on account of its cooperation with existing and new partners, its new technologies, and its substantial growth in changing markets are to be assessed as being positive on a sustainable basis. Potential risks should nevertheless be reported, regardless of whether it is considered likely or unlikely that they will actually occur. Factors such as the speed of development and the fulfillment of regulatory and market requirements have a considerable impact on the growth and success of the STRATEC Group. 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 a given product, do not lie within the control of the STRATEC Group. Due to our business model, trials, validation, the extent to which minimum purchase volumes are exceeded and the sales structures are in the hands of our customers.

Risk report: market and customer-related risks

In line with its business model, the STRATEC Group focuses on companies which are market or technology leaders in their respective fields. The resultant potential dependency is mutual and thus constitutes a symbiotic partnership. As a result of the growing strength of its position and reputation in the market for diagnostics and research laboratory automation, STRATEC is able to focus on those customers who have proven that they have the competencies referred to above. This automatically leads to a concentration of sales at a limited number of key customers and to fluctuations in the performance of the STRATEC Group in the event of volatility in the sale of analyzer systems to these customers.

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

The STRATEC Group has reacted to the increase in development expenses, particularly for systems automating molecular diagnostic applications, by introducing strict project controlling procedures in connection with an effective target cost management system. In particular, the complexity of production processes means that, for reasons of economy, the STRATEC Group focuses on a small number of suppliers. The high cost of supervising logistics activities and of monitoring quality standards renders this degree of concentration in terms of suppliers absolutely essential. This risk is knowingly entered into and is minimized by accompanying measures such as individual contract terms, maintaining inventory stocks and regular supplier audits.

Risk report: financial instruments / risk management

Financial instruments are contractually regulated financial transactions involving a claim to liquid funds. A distinction is made in this respect between:

- primary financial instruments, such as accounts receivable and payable or financial receivables and liabilities
- derivative financial instruments not involving a hedging relationship with an underlying transaction
- derivative financial instruments, such as hedges deployed to cover risks relating to movements in exchange rates and interest rates.

The volume of primary financial instruments can be seen in the balance sheet. The financial instruments included on the asset side of the balance sheet have been subdivided pursuant to IAS 39 into various categories and stated in line with their respective classification at cost or at fair value.

With the exception of shareholdings reported under financial assets and marketable securities, the short-term nature of receivables and liquid funds means that there are no significant 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. Any permanent reductions in the value of such instruments, however, 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 generally arise from currency and interest rate fluctuations and from financial dependency on individual debt capital providers.

Currency risks are currently still of subordinate significance for the STRATEC Group, given that the majority of its procurement markets are located within the euro area and that group companies also mainly denominate their invoices in euros. There was no increase in the flow of payments from outside the euro area in 2007. For reasons of economy, the company currently does not deploy any derivative hedging instruments to cover currency fluctuations.

The managers responsible for cash management review the expediency of currency hedging transactions at regular intervals. Given the group structure and the internationalization of its procurement activities, the Group is facing increased risk in terms of currency fluctuations. In 2007, the exchange rate differences between CHF and EUR had a tangible impact in connection with the Swiss subsidiary Robion AG.

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 Note 27 of the notes to the consolidated financial statements.

Risk report: other risks

In the light of the company's substantial growth, the risk managers have identified the following potential challenges:

- Recruitment of adequately qualified personnel with appropriate industry experience.
- Extension of monitoring and controlling instruments as a result of the internal and external growth of the company.
- The development of the company could be affected by the negative impact on its image of potential admonitions by authorities or product recalls.
- Risks resulting from consolidation within the diagnostics sector.
- Problems associated with project delays (time-to-market).
- Implications of delays in sales due to postponement of market launch by customers (e.g. product launch, different geographical scope or incomplete reagents portfolio).

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 and extended to account for these growth-related challenges, as have the processes and systems used to control the company.

14. Supplementary disclosures in accordance with the Takeover Directive Implementing Act of July 8, 2006

The share capital is divided into 11,415,751 ordinary shares with a nominal value of EUR 1.00 each (previous year: 11,260,246 ordinary shares). The shares are bearer shares. The Chairman of the Board of Management, Hermann Leistner, held 14.3% of the share capital at the balance sheet reporting date.

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

The Annual General Meeting held on May 16, 2007 authorized the company up to November 15, 2008 to acquire treasury stock up to a total of ten percent of the company's share capital. The company had not made any use of this authorization as of December 31, 2007.

The Board of Management is authorized by Section 4 (4.5) of the Articles of Incorporation, subject to the consent of the Supervisory Board, to increase the company's share capital up to June 22, 2011 by issuing new shares with a nominal value of EUR 1.00 each in return for non-cash or cash contributions on one or more occasions by a maximum total of EUR 5,500,000 (authorized capital). Shareholders are generally to be granted subscription rights. In certain circumstances set out in the Articles of Incorporation, however, the Board of Management is entitled to exclude such subscription rights.

In accordance with the provisions of the Articles of Incorporation, the company has various conditional capitals with a total value of EUR 1.4 million as of December 31, 2007. Reference is made for further details to the corresponding notes on shareholders' equity in the notes to the consolidated financial statements.

With regard to further disclosures, use has been made of the protective clause provided for by Section 315 (4) No. 8 of the German Commercial Code (HGB).

Individual agreements with the management and supervisory boards of the company include change of control provisions pursuant to Section 315 (4) No. 9 of the German Commercial Code (HGB) in line with the relevant requirements of the Corporate Governance Code.

15. Major events after the balance sheet reporting date and expected development of the STRATEC Group

Events after the reporting date

No events of particular significance which could have a material impact on the business performance of our Group have occurred since the end of the financial year.

Business strategy

With its innovative products, continuous growth in development output and very high rate of reinvestment, the STRATEC Group is maintaining its course as a growth-oriented, innovative development company. Although the production of analyzer systems enables comparatively high cash flows to be generated, we are positioned as a development company and will continue to focus on market and technology leaders in the fields of diagnostics and biotechnology, as well as on specialist technological solutions in growth segments with high margin potential. Coupled with the ongoing 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 subsections of the diagnostics and biotechnology markets.

Financial strategy

The principal objectives of the STRATEC Group's financial management involve a basically conservative debt policy, effective risk management and the short and medium-term supply of the required levels of liquidity, for example for new development and research projects and, where appropriate, for external growth as well. These objectives are overarched by the optimization of our financing costs. While the volume of financial funds available witnessed some volatility once again 2007, albeit with a declining tendency, we nevertheless created reserves for potential acquisitions, meaning that further investment strategies have returned to the foreground. In the short term, these involve cases where short-term liquidity reserves are required, for example to undertake acquisitions referred to above. In the longer term, they relate to investments which can be funded by corresponding financing items.

Overall, our financial strategy is aimed at safeguarding the funds required for substantial organic and external growth and at maintaining an investment policy which is balanced in terms of the risks and opportunities involved. We will continue to adhere to this strategy.

Although the use of optimizing derivative financial instruments would appear to be expedient in specific situations, in view of the restrictive accounting policies pursuant to IFRS we only deploy such instruments in exceptional cases. Derivative financial instruments are deployed in cases where it is necessary to hedge risks in the operating business. We use derivative financial instruments to optimize interest rates in cases where financing necessities render such measures opportune and where they are related to a general transaction, such as a working capital financing requirement on the part of a subsidiary in a foreign country. Within the framework of the rules set out in our Code of Procedure, we consciously accept that this may in certain circumstances result in inefficiencies between the hedging context and the accounting guidelines to the extent that earnings may be affected without any impact on cash flow, particularly in cases where the cash flow hedging possibilities set out in IAS 39 do not apply.

Objectives for 2008

Our budget is based on the assumption that raw material and component prices will remain high, yet stable. Although our transactions are backed up by long-term agreements with customers and suppliers, the rise in prices results in pressure on margins, which we have been well able to compensate for by means of logistical measures. We see opportunities for achieving further improvements in our earnings position in the long term. These will be driven in particular by our innovative strength, the close strategic cooperation with our customers and the extension of our value chain through to the customer.

Due in particular to economic and timing (time-to-market) considerations, our customers are focusing on their core business of reagent development. The resultant need to outsource instrumentation development and production strengthens us in our assumption that we will continue to be able to grow considerably faster than the market. Our rate of reinvestment remains significantly higher than that of comparable benchmark companies. In view of the projects currently in the initiation and development stages, we assume that we will continue to grow twice as fast on average as the overall market in the coming five years.

Our efforts to stabilize our margins and to achieve slight margin growth in the medium term are principally based on the following factors:

- Product portfolio expansion, especially in terms of the complexity of analyzer systems
- Further substantial degression effects in terms of fixed costs
- Further growth in the base of STRATEC analyzer systems already installed and the resultant demand for replacement parts and consumables.

Our indicators both before and after the balance sheet reporting date, such as the development status of existing development projects, as well as projects currently in the process of being initiated, point to an ongoing positive business performance. The structure of our contracts, which include purchase forecasts and forecasting systems, provides us with visibility concerning our production activities and a very good budgeting horizon for analyzer system sales volumes over the terms of the individual contracts. Although there will be a further increase in the cost of system developments, particularly as a result of increasing complexity and regulatory requirements, we expect to see further substantial sales and earnings growth in the coming years. Our technology pool, our innovation potential and our access to customers, coupled with the full utilization of our development and production capacities in the long term, offer us the possibility of further expanding our market position as a leading company in the field of laboratory automation and of achieving further substantial growth in the value of the company.

Birkenfeld, March 20, 2008
STRATEC Biomedical Systems AG
The Board of Management

Hermann Leistner

Marcus Wolfinger

Bernd M. Steidle

FACTS AND FIGURES

Consolidated Balance Sheet of STRATEC Biomedical Systems AG as of December 31, 2007

ASSETS

	Note	12.31.2007 EUR	12.31.2007 EUR	Prev. year EUR 000s
Non-current assets				
Intangible assets	(1)			
Goodwill		788,661.73		897
Other intangible assets		4,087,958.80		5,358
			4,876,620.54	6,255
Property, plant and equipment	(2)		6,017,463.56	5,575
Financial assets				
Shares in associated companies	(3)	338,110.87		329
Shareholdings	(4)	2,734,745.10		2,678
			3,072,855.97	3,007
Other financial assets	(5)		20,774.30	26
			13,987,714.37	14,863
Current assets				
Inventories	(6)			
Raw materials and supplies		5,129,895.62		5,551
Unfinished products, unfinished services		10,562,898.70		8,922
Finished products		302,398.13		212
			15,995,192.45	14,685
Receivables and other assets				
Accounts receivable	(7)	10,579,717.31		8,885
Future receivables from production orders	(8)	4,849,968.07		5,517
Receivables from associated companies	(9)	136,440.60		43
Other receivables and other assets	(10)	1,013,698.40		687
			16,579,824.38	15,132
Securities	(11)		423,573.42	449
Cash and cash equivalents	(12)		19,884,022.71	11,991
			52,882,612.96	42,257
			66,870,327.34	57,120

SHAREHOLDER'S EQUITY AND LIABILITIES

	Note	12.31.2007 EUR	12.31.2007 EUR	Prev. year EUR 000s
Shareholders' equity	(13)			
Share capital			11,415,751.00	11,260
Capital reserve			10,553,757.68	9,864
Revenue reserves			16,799,130.72	10,778
Consolidated net earnings			9,991,033.77	7,741
Other equity			-183,585.34	491
			48,576,087.83	40,134
Debt				
Non-current debt				
Non-current financial liabilities	(16)	5,102,608.58		2,460
Pension provisions	(14)	0.00		53
Deferred taxes	(15)	1,474,071.14		2,241
			6,576,679.72	4,754
Current debt				
Current financial liabilities	(16)	340,249.00		1,255
Accounts payable	(17)	2,644,062.48		2,934
Liabilities to associated companies	(17)	90,883.15		55
Other current liabilities	(18)	5,239,840.23		5,152
Current provisions	(19)	1,321,031.72		1,153
Income tax liabilities	(19)	2,081,493.20		1,683
			11,717,559.79	12,232
			66,870,327.34	57,120

Consolidated Income Statement of STRATEC Biomedical Systems AG for the Period from January 1 to December 31, 2007

	Note	2007 EUR	2007 EUR	Prev. year EUR 000s
Sales	(20)		67,527,274.37	68,414
Increase in volume of finished and unfinished products and unfinished services	(21)		1,733,381.30	569
Other capitalized own-account services	(2)		418,871.00	250
Overall performance			**69,679,526.68**	**69,233**
Other operating income	(22)		747,386.47	634
Cost of materials				
a) Cost of raw materials and supplies		31,564,294.77		37,043
b) Cost of services rendered		653,068.18		607
			32,217,362.95	37,650
Personnel expenses	(23)			
a) Wages and salaries		13,730,920.86		11,843
b) Social security contributions, pension expenses and other benefits		2,101,579.64		2,077
			15,832,500.49	13,920
Depreciation and amortization of property, plant and equipment and intangible assets	(24)		2,269,964.27	1,816
Other operating expenses	(25)		5,789,895.81	5,445
Income from profit transfer agreements	(3)	452.44		-5
Financial income	(16)	423,265.07		136
Financial expenses	(16)	190,603.39		152
Other financial income/expenses	(16)	-32,428.68		-222
Net financial expenses			200,685.44	-243
Operating result (EBT)			**14,517,875.06**	**10,793**
Taxes on income	(15)			
a) Current tax expenses		4,970,416.54		3,056
b) Deferred tax income		-443,575.24		-4
			4,526,841.29	3,052
Consolidated net income			**9,991,033.77**	**7,741**
Earnings per share in Euro	(26)		0.88	0.70
No. of shares used as basis			11,324,028	11,104,989
Diluted earnings per share in Euro	(26)		0.87	0.68
No. of shares used as basis (diluted)			11,440,444	11,398,394

Statement of Changes in Group Shareholders' Equity of STRATEC Biomedical Systems AG for the 2007 Financial Year

EUR 000s	Share capital	Capital reserve	Revenue reserves		Consolidated net income	Other equity			Group equity
			Cumulative earnings	Free revenue reserves		Reserve for fair value valuation	Treasury stock	Currency conversion	
December 31, 2005	**3,660**	**15,896**	**5,923**	**1,539**	**4,413**	**106**	**-13**	**0**	**31,524**
Dividend payment					-1,097				-1,097
Profit carried forward			3,316		-3,316				0
Capital increase from company funds	7,416	-7,416							0
Issue of subscription shares from stock option programs	166	482							648
Transfers due to stock option plans		120							120
Company acquisition in return for shares from real capital increase (change in scope of consolidation)	18	782							800
Adjustment due to fair-value valuation of assets available for sale						256			256
Currency translation								142	142
Consolidated net income 2006					7,741				7,741
December 31, 2006	**11,260**	**9,864**	**9,239**	**1,539**	**7,741**	**362**	**-13**	**142**	**40,134**
Dividend payment					-1,688				-1,688
Transfer to free revenue reserves				2,000	-2,000				0
Profit carried forward			4,053		-4,053				0
Statement of statutory reserves		31	-31						0
Issue of subscription shares from stock option programs, less costs of capital issue after taxes	155	502							657
Transfers due to stock option plans		157							157
Adjustment due to fair-value valuation of assets available for sale						-257			-257
Currency translation								-418	-418
Consolidated net income 2007					9,991				9,991
December 31, 2007	**11,415**	**10,554**	**13,261**	**3,539**	**9,991**	**105**	**-13**	**-276**	**48,576**

Consolidated Cash Flow Statement of STRATEC Biomedical Systems AG for the Period from January 1 to December 31, 2007

	Note	EUR 000s 2007	EUR 000s 2006
I. Operations			
Consolidated net income		9,991	7,741
Depreciation and amortization	(24)	2,270	1,816
Other non-cash expenses	(12)	381	252
Other non-cash income	(12)	-328	-149
Change in net pension provisions	(14)	-53	29
Cash flow		**12,261**	**9,689**
Change in deferred taxes through profit or loss		-444	-13
Profit on the disposal of non-current assets		-13	-10
Increase in inventories, accounts receivable and other assets		-2,947	-3,245
Increase in accounts payable and other liabilities		710	2,406
Inflow of funds from operating activities		**9,568**	**8,827**
II. Investments			
Incoming payments from the disposal of non-current assets		19	25
Outgoing payments for investments in consolidated non-current assets			
Intangible assets		-239	-210
Property, plant and equipment		-1,584	-899
Financial assets		-333	-1,673
Outgoing payments for the acquisition of consolidated subsidiaries, less cash and cash equivalents thereby taken over		0	-3,824
Outflow of funds for investment activities		**-2,137**	**-6,581**
III. Financing			
Incoming payments from the taking up of financial liabilities		3,000	1,254
Outgoing payments for the repayment of financial liabilities		-1,219	-1,062
Incoming payments from the issue of shares for employee stock option programs		657	648
Dividend payments		-1,688	-1,097
Inflow of funds (previous year: outflow) for financing activities		**750**	**-257**
IV. Cash-effective change in cash and cash equivalents (Balance of I-III)		**8,181**	**1,989**
Cash and cash equivalents at start of period		**11,991**	**9,962**
Change in cash and cash equivalents due to changes in exchange rates		-288	40
Cash and cash equivalents at end of period	(12)	**19,884**	**11,991**
The inflow of funds from operating activities includes			
Interest paid		211	152
Interest received		421	137
Income taxes paid		5,238	4,137
Income taxes received		0	0

I. Principles and methods

1. General information

STRATEC Biomedical Systems AG (hereinafter "STRATEC AG") designs and manufactures fully automated analyzer 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.

The legal domicile of STRATEC AG is in Birkenfeld, Germany. The financial year of STRATEC AG corresponds to the calendar year.

The declaration required by Section 161 of the German Stock Corporation Act (AktG) in respect of the German Corporate Governance Code (the "Declaration of Conformity") was submitted by the Board of Management and Supervisory Board of STRATEC Biomedical Systems AG and made permanently available to shareholders on December 13, 2007.

Due to its stock market listing in the Prime Standard segment of the regulated market of the Frankfurt Stock Exchange, STRATEC AG is obliged pursuant to Section 315a (1) of the German Commercial Code (HGB) to compile consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements of STRATEC AG have been compiled in euros. Unless otherwise stated, the amounts reported in the notes have been stated in thousand euros (EUR 000s).

2. Application of International Financial Reporting Standards (IFRS) and presentation of the implications of new accounting standards

The consolidated financial statements compiled by STRATEC AG as the topmost parent company as of December 31, 2007 have been based on uniform accounting and valuation principles. Pursuant to Section 315a of the German Commercial Code (HGB), application has been made of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the European Union which are valid as of the balance sheet reporting date. Account has been taken of the IAS and IFRS applicable as of the balance sheet reporting date, as well as of the Interpretations of the Financial Reporting Interpretations Committee (IFRIC / SIC) valid for the financial year under report. The requirements of the standards and interpretations applied have been met without exception. The financial statements are therefore consistent with IFRS pursuant to IAS 1.14. The consolidated financial statements of STRATEC AG therefore provide a true and fair picture of the net asset, financial and earnings position, as well as of the cash flows, of the Group for the financial year under report.

Accounting regulations requiring application for the first time in the year under report

a) The following new and revised standards and interpretations were applied for the first time in the 2007 financial year. Their application resulted in the following implications for the consolidated financial statements:

IFRS 7 "Financial Instruments: Disclosures"
IFRS 7 sets out disclosure obligations governing financial instruments for both industrial companies and banks and similar financial institutions. IFRS 7 replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" as well as the disclosure obligations contained in IAS 32 "Financial Instruments: Disclosure and Presentation".

The new requirements have led to an extension in the disclosures made on financial instruments in the notes to the financial statements.

Amendment to IAS 1 "Presentation of Financial Statements"
These amendments have resulted in new disclosures with regard to internal control instruments and, as appropriate, notes on the type and scope of external capital requirements.

The new requirements have led to an extension in the disclosures made in the notes to the financial statements.

b) The following new and revised standards and interpretations, the application of which has had either no implications or no material implications for the consolidated financial statements, were also applied for the first time in the 2007 financial year:

IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
IFRIC 7 states that reporting companies must apply the requirements of IAS 29 in the period in which the country whose currency represents their functional currency becomes a hyperinflationary economy in such a way as if that country had always been a hyperinflationary economy.

IFRIC 8 "Scope of IFRS 2"
IFRIC 8 requires the application of IFRS for all arrangements in which the fair value of the consideration is lower than the fair value of the equity instruments granted by the company.

IFRIC 9 "Reassessment of Embedded Derivatives"
IFRIC 9 specifies the accounting treatment of financial instruments with embedded derivatives following initial recognition.

IFRIC 10 "Interim Financial Reporting and Impairment"
IFRIC 10 stipulates that any write-downs undertaken on goodwill or specified financial instruments in interim financial statements compiled at a date preceding the annual financial statements may not be reversed in such annual financial statements.

c) Premature application was made of the following accounting standards published by the IASB but not yet requiring mandatory application:

IFRS 8 supersedes IAS 14 "Segment Reporting" IFRS 8 is applicable for the first time in financial years beginning on or after January 1, 2009; voluntary premature application is recommended. IFRS 8 "Operating Segments" was endorsed by the EU on November 22, 2007 and prematurely applied on a voluntary basis in the 2007 financial year. IFRS 8 requires companies to introduce the so-called management approach for the purposes of reporting on the financial performance of their operating segments rather than the so-called risk and reward approach previously used. As was already the case under IAS 14, the premature application of IFRS 8 resulted in the company not being required to undertake segment reporting.

d) No premature application was made of the following accounting standards published by the IASB but not yet requiring mandatory application:

Amendments to IFRS 3 and IAS 27
On January 10, 2008, the IASB published both the revised version of IFRS 3 "Business Combinations" and the revised version of IAS 27 "Consolidated and Separate Financial Statements", thus completing the second phase of the Business Combinations Project. The versions of IFRS 3 and IAS 27 now adopted include numerous amendments compared with the exposure drafts published in summer 2005. These amendments have been made on account of the numerous commentaries received and numerous discussions held. Compared with the versions of IFRS 3 and IAS 27 previously requiring application, the amendments relate in particular to the following areas:

- Costs of company acquisition (only those costs incurred in connection with the issue of equity or debt instruments may be capitalized. All other costs associated with the acquisition must be expensed)
- Treatment of contingent acquisition costs (subsequent measurement does not impact on goodwill)
- Full goodwill method (optional application)
- Accounting treatment of step acquisition (reassessment of existing shares through profit or loss upon gain of control; goodwill corresponds to value of reassessed existing shares plus purchase price for new shares less net assets of company acquired)
- Changes in the shareholding held in a subsidiary not leading to loss of control to be treated as an equity transaction
- Extension of scope of application of IFRS 3.

The amendments to IFRS 3 and IAS 27 require mandatory application in financial years beginning on or after July 1, 2009. Such application has to be undertaken prospectively. The requirements may be applied at an earlier date, but in this case premature application has to be made of the amendments to both IFRS 3 and IAS 27. The amendments to these standards results in subsequent amendments to IAS 28 and IAS 31.

Amendments to IFRS 2

On January 27, 2008, the IASB published the revised version of IFRS 2 "Share-Based Compensation". The amendments are based on the exposure draft IFRS 2 "Vesting Conditions and Cancellations" published in February 2006. The amended version of IFRS 2 defines the term "conditions" more precisely and regulates the cancellation of share-based compensation by persons other than the company. According to the amended version, vesting conditions only include service conditions requiring the completion of a certain period of service, and performance conditions requiring the meeting of specific performance targets. Other contractual requirements do not constitute vesting conditions. As a result of numerous inquiries, the Implementation Guidance section of IFRS 2 includes assistance concerning the decision as to whether vesting conditions pertain or not (e.g. a decision tree and an overview of conditions). The cancellation of share-based compensation by a party other than the company, for example by employees, shareholders or other parties, is to be accounted for in the same way as a cancellation by the company. The amended version of IFRS 2 requires mandatory application in financial years beginning on or after January 1, 2009. Earlier application is possible.

Amendments to IAS 32

On February 14, 2008, the IASB published the revised version of IAS 32 "Financial Instruments: Presentation". This standard is of key importance for the distinction between equity and debt capital. The IASB has thus addressed the criticism expressed among others by German commentators that shareholder capital has to be classified as a liability due to the rights of termination on the part of shareholders. The new version published allows puttable instruments to be classified as equity under certain conditions. The conditions have undergone considerable amendment compared with the original draft issued by the IASB in summer 2006. This is the result of in-depth talks with the Accounting Standards Committee of Germany (DRSC). The new version should generally permit German partnerships to classify shareholder capital as equity in their IFRS financial statements. The new version requires mandatory application from January 1, 2009 onwards. Voluntary premature application is possible.

Revision of IAS 1 "Presentation of Financial Statements"
A revised version of IAS 1 was published in September 2007. The amendments thereby introduced chiefly relate to the separate presentation of changes in equity resulting from transactions with owners and other amendments, as well amendments in the titles of some components of the financial statements.

The amended standard requires application in financial years beginning on or after January 1, 2009.

Amendment to IAS 23 "Borrowing Costs"
The amendment foresees the mandatory capitalization of borrowing costs directly allocable to the acquisition, construction or manufacture of qualifying assets. The option of recognizing such costs immediately through profit or loss has thus been abolished. The amendment is applicable for the first time in financial years beginning on or after January 1, 2009.

IFRIC 11 "Discretionary Issues in Share-Based Compensation"
This interpretation clarifies the accounting treatment of group share-based compensation. IFRIC 11 is applicable in financial years beginning on or after March 1, 2007.

IFRIC 12 "Service Concession Arrangements"
IFRIC 12 regulates the way in which operators within service concession arrangements are required to apply existing IFRS to recognize the obligations entered into and rights received within the framework of such arrangements. IFRIC 12 requires mandatory application for the first time in financial years beginning on or after January 1, 2008.

IFRIC 13 "Customer Loyalty Programmes"
IFRIC 13 regulates the accounting treatment of customer bonus programs operated by manufacturers or service providers themselves or by third parties. IFRIC 13 requires application in financial years beginning on or after July 1, 2008.

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
IFRIC 14 deals with the interaction between an obligation to make additional contributions to a pension plan as of the balance sheet reporting date (minimum funding requirement) and the requirements set out in IAS 19 concerning the limit on any positive balance between plan assets and defined benefit obligations (asset ceiling). IFRIC 14 requires mandatory application in financial years beginning on or after January 1, 2008.

STRATEC AG is currently investigating the implications of the new standards and interpretations for its accounting procedures. Based on its current preliminary assessment, these are not expected to have any material impact on the net asset, financial and earnings position of the Group.

3. Basic principles

The consolidated financial statements have been compiled based on the assumption that the company constitutes a going concern. Up to the conclusion of the compilation of these consolidated financial statements there were no further events with any significant influence on the net asset, financial and earnings position of the Group.

The financial statements have in principle been compiled on the basis of historic costs of acquisition and manufacture, with the exception of derivative financial instruments, securities held for sale, and securities held for trading, which have been measured at fair value.

The annual financial statements of the companies included have been based on uniform accounting and valuation principles. The separate financial statements of the companies included have been compiled as of the same reporting date as the consolidated financial statements.

The income statement has been compiled using the total cost method.

In the interests of clarity, individual items have been summarized in the income statement and the balance sheet. These are explained in the notes to the financial statements. Pursuant to IAS 1 (Presentation of Financial Statements), a distinction has been made in the balance sheet between non-current and current items. All assets and liabilities with maturities within the next 12 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 12 months. In the case of loan obligations, a distinction has been made between the repayment installments due for payment within the next 12 months (current financial debt) and the long-term portions (non-current financial debt).

To enhance the information provided, obligations whose degree of obligation and ability to be measured in terms of their volume make them more similar to liabilities than to other provisions have been reported under other liabilities starting in the 2007 financial year. The figures reported for the previous year have been reclassified accordingly. Current income tax obligations have accordingly been termed income tax liabilities. Starting in the financial year under report, the impact on earnings of financial assets and liabilities measured at fair value through profit or loss has been summarized and reported in the income statement in the "Other financial income/expenses" item. The figures reported for the previous year have been adjusted accordingly. Starting in the 2007 financial year, the income and expenses referred to in the previous year as interest income and interest expenses have been termed financial income and financial expenses. In view of the immateriality of reclassifications within equity for the assessment of the net asset, financial and earnings position of the Group, no separate presentation has been provided of the individual implications.

The compilation of the consolidated financial statements requires a certain number of estimates and assumptions to be made which have implications for the level at which and the manner in which assets, liabilities, expenses, income and contingent liabilities are stated. These assumptions and estimates are subject to continuous review. Assumptions and estimates are required in particular in connection with the assessment of the criteria governing the capitalization of intangible assets pursuant to IAS 38, the fair-value measurement of the stock options granted, the fair-value measurement of primary and derivative financial instruments, the assessment of the useful lives of non-current assets, the recognition and measurement of deferred taxes and in general in the measurement of provisions. The principal assumptions and parameters relating to the estimates made have been depicted in the notes to the financial statements. The resultant figures may differ from actual figures.

II. Principles of the consolidated financial statements

1. Consolidation methods

The capital consolidation has been undertaken in accordance with the acquisition method by offsetting the costs of acquisition of the shareholdings against the equity of the subsidiaries at the time of acquisition. Assets, liabilities and contingent liabilities have been recognized at fair value. Any remaining credit difference resulting from the capital consolidation has been recognized as goodwill and subject to an annual impairment test pursuant to IFRS 3. Any hidden reserves and liabilities thereby uncovered have been updated in subsequent years in line with the development in the corresponding assets and liabilities.

Any write-ups or write-downs undertaken in the separate financial statements during the financial year on shares held in companies included in the consolidated financial statements have been cancelled in the consolidated financial statements. No such write-ups or write-downs were undertaken during the 2007 financial year.

Inter-company profits and losses, sales, income and expenses, as well as receivables and liabilities between the companies included in the consolidated financial statements, have been eliminated.

The income tax implications of consolidation entries have been accounted for by recognizing deferred taxes.

The shares held in companies not included in the scope of consolidation have been recognized at updated cost under financial assets – Note (3) “Shares in associated companies”.

2. 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 (so-called control relationship). Such companies are included for the first time upon the possibility of such control arising.

In addition to STRATEC AG, the consolidated financial statements as of December 31, 2007 include the subsidiaries

- Robion AG, Neuhausen am Rheinfall, Switzerland
- Sanguin International Ltd., Burton upon Trent, UK

which have been included by means of full consolidation.

The subsidiary Robion AG was founded on February 23, 2005. The share capital of Robion AG amounts to CHF 100,000 and is divided into 100 bearer shares of CHF 1,000 each. STRATEC AG holds 100% of the voting rights in the company. An amount of EUR 65k was spent in connection with the takeover of share capital as of February 23, 2005. This amount has been translated at the exchange rate as of the acquisition date.

The subsidiary Sanguin International Ltd., including its 75% shareholding in Sanguin International Inc., Hamden, CT, USA., was acquired on March 13, 2006. The share capital of Sanguin International Ltd. amounts to GBP 563. STRATEC AG holds 100% of the company's capital. The costs of acquisition amounted to EUR 5,999k, including EUR 108k of ancillary expenses directly allocable to the acquisition.

In the interests of simplicity, the company was initially consolidated as of March 31, 2006, rather than on the date of the transfer of control (March 13, 2006). This did not have any substantial impact on the net asset, financial and earnings position of the Group.

The following four subsidiaries (previous year: three) have not been fully consolidated in the consolidated financial statements as of December 31, 2007, given that they were of immaterial overall significance for the net asset, financial and earnings position of the Group (these companies have been reported in the consolidated financial statements at updated cost):

	Share Capital	Shareholding %
STRATEC NewGen GmbH, Birkenfeld, Germany	25,000.00 EUR	100.0
STRATEC Biomedical Inc., Hamden, CT, USA	15,000.00 USD	100.0
Sanguin International Inc., Hamden, CT, USA	1,000.00 USD	80.0
STRATEC Biomedical Systems S.R.L., Cluj-Napoca, Rumania	87,750,00 LEI	100.0

The aggregate sales, earnings, equity and total assets of the subsidiaries not fully consolidated in the consolidated financial statements amount to less than 1% of the respective figures for the Group.

3. Currency translation

Receivables and liabilities denominated in foreign currencies in the separate financial statements of the group companies have been translated using the exchange rate as of the balance sheet reporting date. Any differential amounts resulting from the translation are recognized through profit or loss in the income statement.

Pursuant to IAS 21, the separate financial statements of group companies outside the European currency union have been translated to euros on the basis of the concept of functional currency.

In the case of the Swiss subsidiary included in the consolidated financial statements of STRATEC AG, Robion AG, the functional currency was converted from the euro to the Swiss franc at the beginning of the financial year, given that the company's primary economic environment, especially its procurement market, has increasingly shifted to Switzerland. The conversion has been undertaken prospectively.

In the case of the Swiss subsidiary Robion AG and the British subsidiary Sanguin International Ltd. application has been made of the modified reporting date exchange rate method in view of the fact the company's operations are autonomous in financial, economic and organizational terms. Assets and liabilities have therefore been translated at the rate on the balance sheet reporting date, while income and expenses have been translated at annual average exchange rates. Equity has been translated at the historic rate valid upon initial consolidation (1 EUR = 1.55 CHF/ 1 EUR = 0.6946 GBP).

The differential amounts resulting from currency translation have been recognized under other equity.

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

1 EUR		Rate on reporting date		Average rate	
		2007	2006	2007	2006
UK	GBP	0.73	0.67	0.68	0.68
USA	USD	1.47	1.32	1.37	1.26
Switzerland	CHF	1.67	1.61	1.64	1.57

4. Accounting and valuation principles

Intangible assets

Pursuant to IFRS 3, the goodwill resulting from capital consolidation is not subject to scheduled amortization but is rather subject to an impairment test intended to ascertain any value impairment, with such test being undertaken annually or upon the occurrence of any significant event or change in circumstances. Should any value impairment be identified, then the balance sheet statement is to be adjusted through profit or loss.

For the investigation of the recoverability of its value, the goodwill has continued to be allocated to the "Sanguin Group" cash generating unit. The carrying amount of the goodwill is of major significance in terms of the total carrying amount. In addition to goodwill, the total carrying amount includes the other intangible assets (software) identified within the framework of the purchase price allocation and the shareholding held in Sanguin International Inc., Hamden, USA (financial asset directly related to services rendered).

The recoverable amount of the unit has been calculated on the basis of its use value. Use values are determined using the discounted cash flow method on the basis of the future cash flows of the cash generating units. The cash flow forecasts are based on a detailed budgeting horizon of five years. The annual rates of sales growth during the detailed budget period range from 3.0% to 6.0%. The calculation is undertaken on the level of pre-tax earnings using a discount rate of 10.60% (previous year: 10%). The cash flows beyond the detailed budget period are depicted as perpetuity based on the cash flows of the fifth year and a growth rate of 5% p.a. (previous year: 6%). The growth rate reflects the estimates made by the Board of Management and local management by reference to market studies (growth rates of 5% to 7%) and historic values. The year-on-year reduction in the growth rate by 1% reflects the external growth of Sanguin International Ltd., taking due account of the company's increased involvement in the internal group development process. The company's growth in absolute terms – measured in terms of the output of productive hours in the 2007 financial year – continues to show an unchanged target achievement rate for the original budget figures.

The investment quota amounts to 21% on average within the detailed budget period and to 26% in subsequent years.

The basis for determining the value of the underlying assumptions is as follows:

Budgeted sales
Based on historic values and market potential in line with the estimates made by the Board of Management and local management taking due account of market studies.

Development in exchange rates
Currency fluctuations are not expected to have any major implications.

Budgeted margins
Margins achieved in the past, taking due account of further efficiency increases based on increases already achieved.

Intangible assets acquired in return for payment have been measured at cost of acquisition, less scheduled straight-line amortization. The useful life of the intangible assets is limited and generally amounts to three years, and to three to eight years in the case of the intangible assets acquired with Sanguin International Ltd.

Research and development expenses have been recognized as expenses in the period in which they were incurred. Pursuant to IAS 38, development expenses cumulatively meeting the following criteria have been exempted from such treatment:

- The product or process can be clearly and unambiguously delineated and the corresponding costs can be clearly allocated and reliably determined
- The technical feasibility has been proven
- The product or process is either marketed or put to proprietary use

- The assets will generate future economic benefit (for example, there is a market for the product or, in the case of proprietary use, the benefit of the product for the company can be proven)
- Sufficient technical, financial and other resources are available to complete the project.

The capitalization of intangible assets manufactured internally is undertaken at cost of manufacture upon their first complying with the above criteria. The manufacturing costs include all costs directly allocable to the manufacturing process and relevant shares of those development expenses not dependent on production volumes (production-related overheads). Other overhead costs and financing costs are not capitalized. Expenditure recognized as expenses in previous accounting periods is not capitalized retrospectively.

The customer-specific development services performed by STRATEC AG and individual subsidiaries represent a major share of the STRATEC Group's development activities. These are recognized under inventories as unfinished services. Internally motivated development activities as defined in IAS 38 have not been capitalized.

The amortization of intangible assets is recorded in the income statement under "Amortization of intangible assets and depreciation of property, plant and equipment".

Property, plant and equipment

Property, plant and equipment have been measured at cost of acquisition or manufacture and, to the extent that they are depreciable, have been subject to scheduled depreciation. Such assets are subject to scheduled depreciation in line with the decline in the utility of the assets. Application is made of the straight-line method in most cases.

The manufacturing costs of assets manufactured internally include all direct expenses and a commensurate share of material and production overheads, including depreciation. Borrowing costs have not been capitalized.

In view of their immaterial significance, assets with a value of up to EUR 410.00 have been written down in full in the year of their addition and recorded as retirements.

Grants to finance investments in assets have been deducted upon the capitalization of the respective objects of investment. Non-repayable grants received within the framework of project subsidies for development expenses already incurred have been recognized through profit or loss and reported under other operating income (gross statement).

Leases

The company only has operating leases. A leasing arrangement is classified as an operating lease in cases where all major risks and rewards relating to ownership remain with the lessor. The corresponding leasing payments are to be recognized as expenses in the income statement over the term of the leasing arrangement (under "Other operating expenses").

Impairment

Any impairment in the value of intangible assets and property, plant and equipment is accounted for by means of write-downs as of the balance sheet reporting date. Pursuant to IAS 36, value impairments exist when the recoverable amount of the respective asset is lower than its carrying amount. The assets are reviewed using qualitative tests at each balance sheet reporting date to ascertain whether any events or change in circumstances indicate that the carrying amount of the respective assets may no longer be recoverable. Goodwill and assets with indeterminate useful lives are reviewed for impairments using quantitative tests on an annual basis.

Financial assets

Financial assets include shares in associated companies, shareholdings, receivables issued, securities and cash and cash equivalents. Financial assets are recognized at cost of acquisition on their respective performance dates. Receivables issued and financial assets held to maturity are subsequently measured at updated cost. Write-downs are undertaken as necessary. Financial assets available for sale and securities which are subsequently measured through profit or loss in the income statement have been measured at their fair values as of the balance sheet reporting date. Non-listed equity instruments, however, have only been recognized at fair value to the extent that such value can be reliably determined. Where this is not the case, such instruments have been recognized at their alternative cost of acquisition.

Unrealized changes in the value of financial assets available for sale have been recognized directly in equity in the fair value reserve under other equity up to the time of sale or of a permanent reduction in their fair value.

Suitable allowances have been stated to account for credit risks.

STRATEC has not made any use of the possibility of allocating financial assets to the “financial assets at fair value through profit or loss” category upon initial recognition.

Inventories

Inventories include raw materials and supplies, unfinished products not relating to specific orders, finished products and unfinished services. In addition to directly allocable manufacturing wage and material expenses, the costs of manufacture for unfinished and finished products also include a prorated share of material and production overheads, including depreciation. In addition to directly allocable manufacturing wage expenses, the costs of manufacture for unfinished services also include prorated production-related administration costs. Rather than being capitalized, sales overheads and borrowing costs are recognized in full through profit or loss. Inventories are measured at the lower of cost on the one hand and the recoverable net selling price as of the balance sheet reporting date, less any costs still to be incurred, on the other hand. Write-downs are undertaken on non-current inventories.

Future receivables from production orders

Pursuant to IAS 11, production orders have been recognized at their respective percentage of completion. The aggregate amount of the cumulative costs of acquisition or manufacture and the prorated share of earnings recognized as of the reporting date has been stated in the balance sheet under “Future receivables from production orders”. Changes in the level of future receivables have been recorded in the income statement as part of the sales item.

Provisions

Pension obligations have been measured pursuant to IAS 19 using the projected unit credit method for defined benefit pension plans. On account of its immaterial significance, the interest share of the pension expenses has not been recognized as interest expenses within the net interest expenses item.

Actuarial gains and losses are recognized through profit or loss in the valuation of pension provisions in the period in which they arise. Asset values relating to plan assets are netted against the obligations.

Provisions have been stated to cover those obligations to third parties resulting from past events which are likely to lead to an outflow of resources in future and for which the expected amount of the obligation can be estimated reliably.

Such obligations have been recognized as liabilities at their present values in cases where the outflow of resources is expected to occur at a time later than the following year.

The calculation of other provisions generally takes account of all cost components also included in the valuation of the inventories.

Deferred taxes

Deferred taxes have been calculated using the liability method (IAS 12). Deferred taxes have been stated on the level of the separate financial statements of the companies included in the Group for valuation differences between assets and liabilities in the tax balance sheet and those in the financial statements compiled in line with IFRS, to the extent that such differences are expected to be settled in later financial years (“temporary differences”).

Moreover, deferred taxes have also been accounted for at Group level in cases where such result from consolidation entries.

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. Given that the balance sheet is structured in terms of maturities, deferred tax liabilities have been stated as non-current liabilities.

Liabilities

Liabilities have been recognized at updated cost. Liabilities denominated in foreign currencies have been measured using the mean exchange rate on the balance sheet reporting date. Prepayments received have been recognized at face value.

STRATEC has not made any use of the possibility of allocating financial liabilities to the “financial liabilities at fair value through profit or loss” category upon initial recognition.

Recognition of sales

Sales and other operating income have been recognized upon the contractually agreed delivery being executed or the service provided. Sales have been reported less cash discounts, price reductions, customer bonuses and rebates. Sales deductions have been reported upon the respective sales being recognized.

In the case of order-related production, sales have been stated using the percentage of completion method in accordance with the level of progress made.

Operating expenses

Operating expenses have been recognized in their respective periods at the time at which they are incurred or at which the service is rendered.

Provisions for warranties have been stated upon the completion of the respective product or upon the respective service having been rendered in full on the basis of past experience of such expenses.

Research and development

The 2007 financial year saw a continuation of the trend observed in previous years towards development partners only entering the project development at STRATEC AG in a legally binding manner at a later stage of the overall development. The modular development practiced by STRATEC AG for several years now and the development of platform technologies take account of the requirements of the market in this respect.

Pursuant to IAS 38 (Intangible Assets), research expenses are not eligible for capitalization and are to be recognized as expenses in the income statement upon being incurred. Development expenses may be capitalized, but only in cases complying with the detailed requirements set out in IAS 38.

Prototypes are reported under “Property, plant and equipment”, while development projects undertaken on behalf of third parties are reported under “Inventories” and proprietary development activities are reported under “Intangible assets” – provided that they meet the requirements of IAS 38. The two latter items are amortized over five years, while property, plant and equipment items are depreciated over three years.

Income resulting from expense grants relating to projects in the research and development division is included in the income statement under “Other operating income”.

Cash flow statement

The cash flow statement has been subdivided into three sections: operations, investments and financing. In the case of transactions involving more than one category, the flow of funds has been allocated as appropriate to more than one of the sections. The presentation of the cash flow from operating activities has been based on the indirect method. This involves eliminating non-cash components from consolidated net income.

Cash and cash equivalents include cash holdings and bank credit balances with terms of less than three months and are equivalent to the respective balance sheet item.

Interest income and expenses have been allocated to the cash flow from operating activities. Dividend payments have been recorded in the cash flow from financing activities.

Tax payments have been allocated as a whole to the cash flow from operating activities, given that is not feasible to allocate such payments to individual business divisions.

The cash flows of foreign subsidiaries whose accounts are denominated in other currencies have been translated to euros using annual average rates.

The changes in balance sheet items referred to for the development of the cash flow have been adjusted to account for non-cash items resulting from currency translation and changes in the scope of consolidation. For this reason, the changes in the respective items in the accounts are not directly comparable with the corresponding figures in the published consolidated balance sheet.

III. Disclosures relating to the balance sheet

The composition and development of intangible assets, property, plant and equipment and financial assets have been depicted in detail in the following annexes to the notes to the consolidated financial statements: "Development in Intangible Assets and Property, Plant and Equipment of the STRATEC Group" and "Development in Financial Assets of the STRATEC Group".

(1) Intangible assets

Intangible assets relate to acquired development services, goodwill, licenses and software.

Goodwill

The goodwill results from the acquisition of the subsidiary Sanguin International Ltd. in the 2006 financial year. No write-down requirements have been identified.

There was a slight retrospective reduction of EUR 33k in the company acquisition costs in the 2007 financial year. This has been deducted directly from goodwill and reported under disposals.

The development in the carrying amount is as follows:

	2007 EUR 000s	2006 EUR 000s
01.01.	897	0
Additions due to company acquisitions	0	867
Disposals	-33	0
Currency translation	-75	30
12.31.	789	897

Other intangible assets

This item mainly includes the fair values of three software products identified within the framework of the acquisition of the subsidiary Sanguin International Ltd in the 2006 financial year. The respective software packages, which amount to EUR 3,468k, EUR 1,022k and EUR 1,061k, are subject to scheduled amortization in accordance with their forecast useful lives. The useful lives amount to three, six and eight years. The scheduled amortization of EUR 972k has been recorded in the income statement under "Amortization of intangible assets and depreciation of property, plant and equipment".

The development in the values of the software packages is as follows:

	2007 EUR 000s	2006 EUR 000s
01.01.	5,090	0
Additions due to company acquisitions	0	5,551
Scheduled amortization	-972	-641
Currency translation	-372	180
12.31.	3,746	5,090

No further development expenses were capitalized during the year under report.

The expenses for research and project supervision, as well as development expenses not meeting the criteria for capitalization set out in IAS 38, amounted to EUR 5,818k (previous year: EUR 7,138k) and have been reported in the income statement, in most cases as "Personnel expenses". Moreover, expenses of EUR 622k were incurred during the period under report on the procurement of materials serving research and development (previous year: EUR 603k). These expenses are included in cost of materials.

(2) Property, plant and equipment

For reasons of simplification, assets with costs of acquisition of up to EUR 410 have been written down in full upon addition. This immediate depreciation amounted to EUR 47k (previous year: EUR 75k).

The investments made in property, plant and equipment in the 2007 financial year mainly related to:

	EUR 000s
Cars	64
Internally produced test analyzer systems and inspection materials	419
Tools	507
IT components	76
Plant and office equipment	104
Prepayments made for tools	214

Test analyzer systems and inspection materials mainly involve testing systems and prototypes developed internally by the company. The respective capitalized own services of EUR 419k for the year under report (previous year: EUR 250k) have been subject to scheduled straight-line depreciation in line with their actual decline in use over an expected useful life of three years.

The following average useful lives have been applied for property, plant and equipment:

	U.L. in Years
Buildings	25 - 33
Outdoor facilities	10 - 15
Technical equipment and machinery	3 - 10
Vehicles	3 - 5
Tools	4 - 5
IT components	3 - 5
Other plant and office equipment	3 - 10

The company land is encumbered by land charges amounting to EUR 2,000k (previous year: EUR 2,000k) in order to secure liabilities to banks.

Financial assets

(3) Shares in associated companies

	2007 EUR 000s	2006 EUR 000s
Costs of acquisition		
01.01.	329	38
Additions	34	20
Changes in scope of consolidation	0	262
Currency differences	-25	9
12.31.	338	329
Residual carrying amount	338	329

STRATEC Biomedical Systems S.R.L., Rumania, was founded as a wholly-owned subsidiary of Robion AG and provided with share capital of LEI 87,750.00 (EUR 25k) during the financial year under report. The company was only active to an insignificant extent as of the balance sheet reporting date.

The shares have been categorized as "available for sale" pursuant to IAS 39. Unlisted equity instruments have been recognized in the balance sheet at the Group's cost of acquisition, given that no stock market or other market price is available. Due to materiality considerations, the Group has foregone any valuation of the shares based on the discounting of expected cash flows.

(4) Shareholdings

The item reported consists of the 12.35% shareholding held in the share capital of the listed company CyBio AG, Jena. Pursuant to IAS 39, these shares have been allocated to the "available for sale" category and measured at fair value as of the balance sheet reporting date. Adjustments to the fair value have been recognized directly in equity and reported in the "Other equity" item, taking due account of deferred taxes.

The value stated in the balance sheet has developed as follows:

	2007 EUR 000s	2006 EUR 000s
Costs of acquisition		
01.01.	2,316	665
Additions	299	1,654
Disposals	0	-3
12.31.	2,615	2,316
Fair-value measurement directly in equity		
01.01.	362	106
Write-up / write-down	-242	256
12.31.	120	362
Carrying amount	2,735	2,678

The share price had declined by 9.3% as of the balance sheet reporting date compared with the previous year. If the share price were to increase (reduce) by 10% compared with the price at the reporting date on December 31, 2007, then this would result in an increase (reduction) of EUR 273k recognized directly in Group equity (before taxes). If it were to be assumed in the case of a 10% decline in the share price that the value of the financial instrument would be permanently reduced, then this would result instead in a reduction of EUR 105k recognized directly in Group equity with a simultaneous reduction of EUR 168k being recognized through profit or loss under consolidated earnings (before taxes).

(5) Other financial assets

This item includes a loan to a former employee which bears interest at customary market rates. Pursuant to IAS 39, the loan has been allocated to the "Loans and receivables" category and has been measured at updated cost. This item was neither impaired nor overdue as of the balance sheet reporting date. The remaining term amounts to four years. Due to materiality considerations, the entire amount, including the current portion (EUR 5k; previous year: EUR 5k) has been reported under non-current financial assets.

(6) Inventories

As in the previous year, inventories have mainly been measured at cost of acquisition or manufacture at the balance sheet reporting date. Write-downs of EUR 298k were recognized through profit or loss in the financial year (previous year: EUR 386k). The write-downs arose due to topicality factors.

Unfinished products / unfinished services

Unfinished products and services are structured as follows:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Unfinished products	476	563
Unfinished services	10,087	8,359
	10,563	8,922

The unfinished services depict customer-specific development projects.

Capitalized development expenses relating to system platforms and other development projects have been amortized over the period of their expected economic useful lives from the time of the delivery of the first serial-produced appliances. This period is generally taken to be five years.

Finished products

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Finished products	302	213

(7) Accounts receivable

Accounts receivable have been allocated to the "Loans and receivables" category pursuant to IAS 39 and measured at cost, less any required write-downs.

Credit balances on the part of customers have been reported under other current liabilities.

Credit risk is accounted for by undertaking an appropriate level of write-downs. The write-downs required were structured as follows:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Individual allowances	136	96
General allowances	50	42
	186	138

The gross amount of receivables written down individually amounted to EUR 148k at the balance sheet reporting date (previous year: EUR 132k).

No expenses were incurred for the complete write-off of accounts receivable in the 2007 financial year. No write-ups had to be undertaken on volumes written down. Accounts receivable have terms of less than one year.

The time band structure of accounts receivable has been presented in the following table (all figures in EUR 000s):

	Carrying amount	of which: neither impaired nor overdue at reporting date	of which: not impaired at the reporting 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
12.31.2007	10,580	8,124	1,993	239	47	28
12.31.2006	8,885	6,670	1,669	216	20	178

There were no indications at the balance sheet reporting date of any default risks relating to the receivables neither impaired nor overdue.

Moreover, key volumes of receivables are covered by trade credit insurance policies.

(8) Future receivables from production orders

The future receivables from production orders item involves production orders stated at their respective percentage of completion. The service relationships involved are based on fixed-price agreements. The degree of completion has been determined in accordance with the so-called cost-to-cost method.

The figures stated include the cumulative costs of acquisition and manufacture of the production orders still underway at the reporting date (EUR 3,031k; previous year: EUR 3,404k), as well as a pro-rated share of the earnings thereby realized (EUR 1,819k; previous year: EUR 2,112k).

No account needed to be taken of prepayments received for production orders.

Work on the production orders was commenced during the 2007 financial year. The respective contractual agreements foresee completion in 2008.

Sales totaling EUR 60,648k have been recognized for production orders in the income statement for the 2007 financial year (previous year: EUR 66,014k).

The future receivables from production orders reported as of December 31, 2007 and as of the reporting date for the previous year were neither impaired nor overdue.

(9) Receivables from associated companies

The figure of EUR 136k stated (previous year: EUR 43k) relates to accounts receivables of EUR 37k due at Sanguin International Ltd. (UK) from Sanguin International Inc. (USA) and to a loan receivable of EUR 99k (previous year: EUR 0k) due at STRATEC Biomedical Systems AG from its US subsidiary STRATEC Biomedical Inc. The remaining term of the loan, which bears interest at 6% p.a., amounts to 15 months.

These receivables have been allocated to the "Loans and receivables" category pursuant to IAS 39 and measured at updated cost as of the balance sheet reporting date. They were neither impaired nor overdue as of December 31, 2007 or at the reporting date for the previous year.

Were the euro to fluctuate against the US dollar by 10% compared with the rate at the reporting date on December 31, 2007, then this would have an impact of less than EUR 20k on consolidated earnings.

(10) Other receivables and other assets

Other receivables and other assets have largely been allocated to the "Loans and receivables" category and have mainly been measured at updated cost. They have remaining terms of up to one year. They mainly relate to tax refund claims amounting to EUR 742k (previous year: EUR 511k) and to deferred expenses amounting to EUR 116k (previous year: EUR 66k).

Furthermore, this item also includes the corporate income tax credit pursuant to Section 37 (4) of the German Corporate Income Tax Act (KStG). This tax credit will be paid out in ten equal annual installments from 2008 to 2017. It has been measured at present value using a risk-free interest rate appropriate to the period involved. Due to materiality considerations, the non-current portion has not been reported separately.

The other assets reported were neither impaired nor overdue as of the balance sheet reporting date.

(11) Securities

Pursuant to IAS 39, shares in listed companies have been allocated to the "Financial assets held for trading" category and stated at their market values. These amounted to EUR 424k at the balance sheet reporting date (previous year: EUR 449k). The market valuation is recognized through profit or loss in the income statement. The valuation at the reporting date resulted in exchange losses of EUR 132k (previous year: EUR 94k), which have been reported under other financial income/expenses. Gains of EUR 113k (previous year: losses of EUR 104k) were generated on the sale of securities. In view of their denomination in euros, the securities were not subject to any exchange rate risk. Were the stock market prices to rise (fall) by 10% compared with the reporting date, then this would increase (reduce) consolidated earnings by EUR 27k.

(12) Cash and cash equivalents

Cash and cash equivalents include cash holdings and credit balances at banks with terms of less than three months. In view of the short terms involved, it was not necessary to undertake any adjustments due to interest rate fluctuations as of the balance sheet reporting date. The conversion of foreign currency credit balances at foreign group companies resulted in exchange rate differences amounting to EUR -288k (previous year: EUR 40k). These have been recognized directly in equity.

The other non-cash income and expenses neutralized in the calculation of the cash flow from operating activities in the cash flow statement largely related to the following income and expense items:

	2007 EUR 000s	2006 EUR 000s
Personnel expenses in connection with the granting of stock option rights	157	136
Increase in write-downs of receivables	46	0
Other expenses	40	0
Exchange rate differences on receivables denominated in foreign currencies	6	0
Expenses resulting from the market valuation of securities held for trading	132	
Income (previous year: expenses) from the market valuation		91
of derivative financial liabilities	-53	
Income from exchange rate differences on financial debt		25
denominated in foreign currencies	0	-58
Income from the release of other provisions and liabilities	-275	-91
Net balance (expenses / income)	**53**	**103**

(13) Shareholders' equity

The development of the shareholders' equity of the Group has been depicted in the statement of changes in group equity.

At the balance sheet reporting date, the **share capital** of STRATEC AG amounted to EUR 11,416k (previous year: EUR 11,260k). The share capital is divided into 11,415,751 ordinary shares with a nominal value of EUR 1.00 each (previous year: 11,260,246 ordinary shares). The shares have been paid in full and are bearer shares. STRATEC AG has been publicly listed since August 1998. Its shares have been listed in the Prime Standard of the Frankfurt Stock Exchange since January 2003.

Various capital increases amounting to EUR 156k in total were undertaken from conditional capital in the 2007 financial year in connection with the exercising of stock option rights (previous year: EUR 166k).

In summary, the subscribed capital of STRATEC AG showed the following developments in the 2007 financial year compared with the previous year:

	2007 EUR 000s	2006 EUR 000s
Balance at 12.31 of the previous year	11,260	3,660
Capital increase from company funds by issuing bonus shares	0	7,416
Capital increase in return for cash contributions in the course of exercising stock options (with corresponding reduction in conditional capital)	155	166
Capital increase in return for non-cash contributions by issuing new shares (with corresponding reduction in authorized capital; acquisition of Sanguin International Ltd.)	0	18
Share capital as of 12.31. of the financial year	**11,415**	**11,260**

Following the partial use of the existing authorized capital, the Board of Management continues to be authorized pursuant to Section 4 (4.5) of the Articles of Incorporation, subject to the consent of the Supervisory Board, to increase the share capital on one or more occasions prior to June 22, 2011 by issuing new shares with a nominal value of EUR 1.00 in return for non-cash or cash contributions, however only by maximum amount of EUR 5,500,000 (**Authorized Capital**). In general, the shareholders are to be granted subscription rights. Under certain circumstances outlined in the Articles of Incorporation, however, the Board of Management is entitled to exclude such subscription rights.

Conditional Capital I, which was created pursuant to Section 4 (4.6) Paragraph 1 of the Articles of Incorporation, was rescinded by resolution of the Annual General Meeting on May 16, 2007, given that no more stock options are outstanding from the stock option program adopted by the Annual General Meeting on July 27, 2000.

At the same time, the company's share capital was conditionally increased by up to EUR 800,000 by the issue of up to 800,000 new ordinary bearer shares with a nominal value of EUR 1.00 and with profit entitlement from the beginning of the year in which they are issued (Conditional Capital I). Pursuant to the resolution adopted by the Annual General meeting on May 16, 2007, the conditional capital increase serves to issue subscription rights (stock options) up to May 15, 2012 (new version of Section (4.6) Paragraph 1).

Section 4 (4.6) Paragraph 2 of the Articles of Incorporation 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 EUR 220,000 and the authorization to grant stock options dated May 28, 2003 rescinded to the extent that no new option rights may be granted; only existing option rights may be exercised. Following the issue of 155,505 ordinary shares due to the exercising of option rights in the 2007 financial year, the Conditional Capital II remaining as of December 31, 2007 amounted to EUR 64,495.

The **Conditional Capital III** of EUR 75,000 pursuant to Section 4 (4.6) Paragraph 3 of the Articles of Association was reduced to EUR 35,000 by resolution of the Annual General Meeting on May 16, 2007 given that this is sufficient for the option rights already issued in connection with the stock option program dated June 23, 2006 and that no further option rights are to be issued from this stock option program. The conditional capital increase serves to grant subscription rights (stock options) by the issue of up to 35,000 ordinary bearer shares with a nominal value of EUR 1.00 each up to June 22, 2011 on the basis of the resolution adopted by the Annual General Meeting on June 23, 2006.

Furthermore, Section 4 (4.7) of the Articles of Incorporation provides for **Conditional Capital IV**, which amounts to EUR 500,000. Conditional Capital IV serves exclusively to grant up to 500,000 new ordinary bearer shares to the owners or creditors of warrant or convertible bonds issued pursuant to the resolution adopted by the Annual General Meeting on June 23, 2006 by the company or by companies in which the company holds direct or indirect majority shareholdings.

Total conditional capital (Conditional Capitals I-IV) thus amounted to EUR 1,399k as of December 31, 2007 (previous year: EUR 1,202k).

The company holds 4,492 **treasury stock** shares (previous year: 4,492).

The authorization to acquire treasury stock granted by the Annual General Meeting on June 23, 2006 was rescinded by resolution of the Annual General Meeting held on May 16, 2007. Pursuant to a different AGM resolution, the Board of Management is still authorized until November 15, 2008 to acquire treasury stock up to a maximum total of ten percent of the share capital.

The **capital reserve i**ncludes the premium from the issuing of shares, less the costs of equity procurement and after taxes. Moreover, the benefit from the granting of stock options recorded as personnel expenses is also allocated to the capital reserve. Furthermore, this reserve includes the allocation of the statutory reserve of the Swiss subsidiary.

The development in the capital reserve has been presented in the statement of changes in group equity.

The **revenue reserves** contain the earnings generated in the past, to the extent that these have not been distributed, as well as free reserves.

The revenue reserves are thus structured as follows:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Free revenue reserves	3,539	1,539
Cumulative earnings	13,261	9,239
	16,799	10,778

Cumulative earnings showed the following developments during the year under report:

	EUR 000s
Cumulative earnings as of 12.31.2006	9,239
Consolidated net income 2006	7,741
Allocation to free revenue reserves	-2,000
Distribution (dividend for 2006)	-1,688
Allocation to statutory reserve	-31
Cumulative earnings as of 12.31.2007	13,261

The **other equity** contains the reserve for valuation at fair value, treasury stock and the reserve for foreign currency translation.

The reserve for valuation at fair value relates to changes in the value of financial instruments available for sale, which are recognized directly in equity.

Translation differences resulting from the translation of the separate financial statements of subsidiaries whose functional currency is not the euro are recognized directly in the reserve for foreign currency translation following any deferred tax effects.

Appropriation of earnings

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

During the 2007 financial year, a dividend of EUR 0.15 per share (total: EUR 1,688k) was paid for the 2006 financial year.

With the consent of the Supervisory Board, the Board of Management proposes that of the net earnings of EUR 14,048k calculated for STRATEC AG in accordance with the German Commercial Code (HGB) an amount of EUR 2.510.476,98 be distributed (EUR 0.22 per share) and that the remaining amount of EUR 11,537k be carried forward. The proposed dividend is dependent on approval by shareholders at the Annual General Meeting and has not been reported as a liability in the consolidated financial statements.

Within the framework of the compilation of the separate financial statements of STRATEC AG, an amount of EUR 2,000k was allocated by the Board of Management and the Supervisory Board from the consolidated net income for 2007 to other revenue reserves as of December 31, 2007.

Stock option programs

STRATEC AG has introduced stock option programs for the members of its Board of Management, its managers and its employees. Three stock option models were in place as of December 31, 2007. The programs are aimed at safeguarding the success of the company by enabling employees of STRATEC AG, as well as members of the management and employees of associated companies, to acquire shares in the company. For the members of the Board of Management, the stock options simultaneously serve as variable components of compensation with a long-term incentive nature and involving risk. An option entitles its owner to subscribe one ordinary bearer share in the company with a nominal value of one euro in return for payment of an exercise price at a later date. The options outstanding as of the balance sheet reporting date which were granted prior to the capital increase from company funds undertaken on July 14, 2006 entitle their owners to subscribe per option 2.9942188 ordinary bearer shares with a nominal value of one euro in return for payment of the exercise price agreed upon the granting of the options. Following the expiry of qualifying periods and the meeting of certain performance targets, the options may only be exercised during certain exercise windows. The exercise price is equivalent to the average closing price of the shares in STRATEC AG on the five trading days prior to the options being granted. The minimum exercise price in this respect is that of the prorated share of one such share in the share capital. The first half of the options may be exercised two years and the second half three years following their being granted. All options granted lapse following seven years.

The following basic conditions and assumptions apply for all stock option programs:

- The exercise and subscription prices are in each case determined at the time of the options being granted (share price at the time of granting).
- The expected term of all stock options so far allocated amounts to between 24 and 36 months from the time of such allocation.
- The exercising of the option rights is in each case dependent on various requirements (compliance with the qualifying period, defined exercise windows, relationship between the closing price upon the expiry of the qualifying period and the subscription price).

The respective stock option programs, the calculation of the fair value 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):

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Granted in:	2004	2004	2005	2005	2006	2006	2006	2006
Subscription price per share* in EUR	9.84	11.96	26.08	39.53	42.27	15.36	20.27	20.74
Subscription price per share following capital increase from company funds (bonus shares)* in EUR	3.28	3.99	8.71	13.20	14.12	15.36	20.27	20.74
Expected volatility of the share price in %	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Expected dividend yield in %	1.00	1.00	1.00	0.66	0.70	0.65	0.50	0.50
Risk-free interest rate in %	3.15	2.80	2.30	2.60	3.40	3.70	3.70	3.70
Assumed turnover of personnel entitled to subscribe in %	3.50	2.00	3.50	3.50	3.50	3.50	3.50	3.50
Personnel expenses to be distributed in EUR 000s	149	100	60	28	9	86	13	7

	(9)	(10)	(11)	(12)	(13)	(14)
Granted in:	2007	2007	2007	2007	2007	2007
Subscription price per share* in EUR	24.76	25.36	22.69	22.82	20.60	21.64
Subscription price per share following capital increase from company funds (bonus shares)* in EUR	24.76	25.36	22.69	22.82	20.60	21.64
Expected volatility of the share price in %	46.8	45.0	45.0	43.6	42.1	42.0
Expected dividend yield in %	0.60	0.60	0.60	0.60	0.70	0.70
Risk-free interest rate in %	4.02	4.10	4.50	4.50	4.22	4.28
Assumed turnover of personnel entitled to subscribe in %	3.50	3.50	0	3.50	3.50	3.50
Personnel expenses to be distributed in EUR 000s	2	2	243	1	7	4

* Following the capital increase from company funds on July 14, 2006 (1:2.9942188) 2.9942188 ordinary shares with a nominal value of EUR 1.00 each are granted for the subscription prices for Plans (1) to (5) depicted above, to the extent that these had not been exercised by July 14, 2006.

Stock option program II (SOP II)

Stock option program II was adopted by the Annual General Meeting on May 28, 2003. The option rights set out below were allocated on the basis of this resolution (each option right entitles the bearer to acquire one share in STRATEC AG; from July 14, 2006: to acquire 2.9942188 shares):

(1) 2nd tranche of SOP II:

A total of 70,000 option rights were issued to employees in April 2004. Prior to the execution of the capital increase from company funds (bonus shares), a total of 10,394 shares were issued to employees in the 2006 financial year following the exercising of 10,394 option rights. After the execution of the capital increase from company funds, a total of 68,639 shares were issued to employees following the exercising of 22,926 option rights. In the 2007 financial year, 80,654 shares were issued to employees following the exercising of 26,941 option rights. A total of 9,739 option rights therefore remain as of December 31, 2007, entitling their bearers to subscribe a maximum total of 29,156 shares.

(2) 3rd tranche of SOP II:

A total of 37,500 option rights were issued to members of the Board of Management of STRATEC AG in August 2004. In the 2006 financial year, 56,140 shares were issued to members of the Board of Management following the exercising of 18,750 option rights. In the 2007 financial year, 56,140 shares were issued following the issue of a further 18,750 option rights. This tranche has therefore now been exercised in full.

(3) 4th tranche of SOP II:

A total of 11,000 option rights were issued to employees of STRATEC AG in July 2005. Following the exercising of 5,500 option rights, 16,466 shares were issued in the 2007 financial year. 4,000 option rights have lapsed. The 1,500 option rights remaining at the end of the financial year entitle their bearers to subscribe a total of 4,490 shares.

(4) 5th tranche of SOP II:

A total of 3,250 option rights entitling their bearers to subscribe a maximum total of 9,731 shares were issued to employees of STRATEC AG in October 2005. Following the exercising of 750 option rights and the issue of 2,245 shares in the 2007 financial year, there were 2,500 option rights at the balance sheet reporting date. These entitle their bearers to subscribe a maximum total of 7,483 shares.

(5) 6th tranche of SOP II:

A total of 1,000 option rights were issued to employees of STRATEC AG in April 2006. The option rights entitled their bearers to subscribe a maximum total of 2,994 shares. All of these option rights lapsed in the 2007 financial year.

Stock option program III (SOP III)

Stock option program III was adopted by the Annual General Meeting on June 23, 2006. The following option rights were allocated on the basis of this resolution (each option right entitles the bearer to acquire one STRATEC share):

(6) 1st tranche of SOP III:

On the basis of a contract dated July 20, 2006, 9,000 option rights were issued to members of the Board of Management, 370 option rights to the management of associated companies and 15,630 option rights to employees of STRATEC AG.

(7) 2nd tranche of SOP III:

On the basis of a contract dated October 1, 2006, 2,800 option rights were issued to employees of STRATEC AG.

(8) 3rd tranche of SOP III:

On the basis of a contract dated November 1, 2006, 1,500 option rights were issued to employees of STRATEC AG.

(9) 4th tranche of SOP III:

On the basis of a contract dated January 29, 2007, 500 option rights were issued to employees of STRATEC AG.

(10) 5th tranche of SOP III:

On the basis of a contract dated April 2, 2007, 500 option rights were issued to employees of STRATEC AG. All of these option rights lapsed in the 2007 financial year.

Stock option program IV (SOP IV)

Stock option program IV was adopted by the Annual General Meeting on May 16, 2007. The following option rights were allocated on the basis of this resolution (each option right entitles the bearer to acquire one STRATEC share):

(11) 1st tranche of SOP IV:

On the basis of a contract dated June 8, 2007, 70,000 option rights were granted to members of the Board of Management of STRATEC AG.

(12) - (14) 2nd - 4th tranche of SOP IV:

On the basis of contracts dated July 2, 2007, October 1, 2007 and November 1, 2007, a total of 4,600 option rights were granted to employees of STRATEC AG.

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 issued to members of the Board of Management and employees of STRATEC AG, as well as to the management and employees of associated companies, amounts to EUR 787k (previous year: EUR 520k).

The total value of the option rights has been allocated as personnel expenses to the agreed qualifying periods and has resulted in an endowment of the same amount in the capital reserve. This led to personnel expenses of EUR 157k in the 2007 financial year (previous year: EUR 137k). Given the consistent, low level of personnel turnover, it was not necessary in subsequent periods to adjust the personnel expenses calculated at the date of issue.

The following options schedule provides an overview of the development of option rights:

	No. of Option Rights	Average Exercise Price
Outstanding on 12.31.2004	**168,000**	**EUR 7.93**
During the 2005 financial year		
- granted	14,250	EUR 29.15
- exercised	30,250	3.18
- lapsed	0	--
Outstanding on 12.31.2005	**152,000**	**EUR 10.86**
During the 2006 financial year		
- granted	30,300	EUR 16.97
- exercised	82,320	EUR 7.88
- lapsed	0	--
Outstanding on 12.31.2006	**99,980**	**EUR 15.15**
During the 2007 financial year		
- granted	75,600	EUR 22.62
- exercised	51,941	EUR 12.75
- lapsed	5,500	n.a.
Outstanding on 12.31.2007	**118,139**	**EUR 20.34**
Exercisable on 12.31.2007	**13,739**	**EUR 17.02**

The option rights outstanding as of December 31, 2007 entitle their holders to acquire a total of up to 41,129 shares at a total exercise price of EUR 233,777.00.

The weighted average share price of the stock options exercised during the reporting period amounted to EUR 21.05.

The weighted exercise prices and the weighted average of remaining contractual terms of the stock options outstanding at the end of the reporting period are depicted in the following table:

Number of Stock Options	Weighted Exercise Price (EUR)	Weighted Remaining Contractual Term (Months)
118,139	20.34	20.5

Provisions

(14) Provisions for pensions

As of the balance sheet reporting date, there were two undertakings to members of the Board of Management of STRATEC AG with regard to pension and capital allowance commitments. The right to payment of such old-age pensions and capital allowances comes into force upon the individuals reaching the age of 65.

Reinsurance policies have been concluded in order to cover these pension obligations. Actuarial surveys have been obtained in order to ascertain the corresponding asset values as of the balance sheet reporting date.

The obligations have been valued using the project unit credit method in accordance with the stipulations of IAS 19. The calculation has been based on the 2005G Guidelines published by Heubeck-Richttafeln GmbH, Cologne 2005, using an assumed interest rate of 5.50% (previous year: 4.50%). An annual pension increase of 2.00% has been assumed for the old-age pension entitlement (previous year: 1.75%).

Pension obligations have been netted against the pledged asset values of the reinsurance policies and reported as such in the balance sheet.

The plan assets developed as follows:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Fair value at 01.01.	274	173
Contribution payments	48	48
Income	2	53
Fair value at 12.31.	324	274

The contributions to plan assets are expected to amount to EUR 48k in the 2008 financial year (previous year: EUR 48k).

The obligations showed the following developments:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Current value of pension rights at beginning of financial year	327	249
Service cost	17	16
Interest expenses	15	11
Expected current value of pension rights at end of financial year	359	276
Actual current value of pension rights at end of financial year	315	327
Actuarial loss (+) / gain (-) on current value of pension rights	-44	51
Actuarial loss (+) / gain (-) on plan assets	8	8
Cumulative actuarial losses (+) / gains (-)	-36	59
Amortization of actuarial loss	36	-59
Gross obligation stated in balance sheet	315	327
Fair value of plan assets taking due account of limit stipulated by IAS 19.58 (b)	-315	-274
Net obligation stated in balance sheet	0	53

As a result of the limit on the capitalization of plan assets stipulated by IAS 19.58 (b), an amount of EUR 8k was not recognized as an asset

The total personnel and interest expenses reported under personnel expenses (Social security contributions, pension expenses and other benefits) in the income statement for the financial year under report amounted to EUR -14k (previous year: EUR 27k). The income (previous year: expenses) resulting from the immediate amortization of actuarial gains (previous year: losses) amounted to EUR 36k (previous year: EUR -59k).

The following income and expenses are expected for the 2008 financial year:

	EUR 000s
Service cost	16
Interest expenses	17
Expected income on plan assets	16
Expected net pension expenses	17

The following table shows the results of the calculation of obligations based on alternative scenarios (sensitivity analyses). These have been based on the following economic assumptions:

- Assumed interest rate of 4%
- Assumed interest rate of 5%
- Adjustment in current pensions of 1.25% p.a.
- Adjustment in current pensions of 2.25% p.a.
- Assumed interest of 4.25% and adjustment in current pensions of 0%

Parameters	Current value of pension rights as of 12.31.2007 EUR 000s	Personnel / interest expenses 2008 EUR 000s
Assumed interest rate of 5.0%	339	17
Assumed interest rate of 6.0%	294	14
Pension increase of 1.5%	302	15
Pension increase of 2.5%	330	16
Parameters in 2006:		
Assumed interest rate of 4.5%		
Pension increase of 1.75%	356	18

Further disclosures / five-year overview pursuant to
IAS 19 Subsection 120:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s	12.31.2005 EUR 000s	12.31.2004 EUR 000s	12.31.2003 EUR 000s
Present value of defined benefit obligation	315	327	269	222	181
Fair value of plan assets	324	274	225	173	129
Surplus obligation (prior to limit pursuant to IAS 19.58 (b))	-8	53	44	49	52
Cumulative actuarial gains (-) and losses (+)	-36	60	20	-7	-36

(15) Deferred taxes

The taxes on income include all taxes based on the taxable earnings of the companies included in the consolidated financial statements. Other taxes not based on earnings have been reported under "Other operating expenses".

The net balance of the following amounts of **deferred** income taxes has been reported in the balance sheet:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Deferred income tax claims	205	106
Deferred income tax obligations	1,679	2,347
Net obligations	1,474	2,241

Deferred taxes have been calculated using the liability method, which accounts for the deferred taxation implications of temporary differences on the level of the individual companies between the values of assets and liabilities for tax purposes and the values of the same as reported in the IFRS consolidated financial statements.

Furthermore, deferred taxes also arose as a result of consolidation procedures.

The amount of deferred taxes is calculated taking account of the local tax rates expected to be valid in future, i.e. the tax rates which are applicable upon the tax deferrals being realized. In the case of STRATEC AG, this results in an overall tax rate of 27.4% (previous year: 36.3%). The calculation of the tax rates accounts for trade tax, corporate income tax and the solidarity surcharge on corporate income tax.

In the case of foreign subsidiaries, the unweighted average underlying overall tax rate amounts to 21.5% (previous year: 21.0%). It was not necessary to undertake any write-downs on the value of deferred taxes taken during the previous year or those taken for the first time during the year under report.

The following table provides a breakdown of income tax expenses in terms of their origin:

	2007 EUR 000s	2006 EUR 000s
Earnings before taxes on income (consolidated)		
- Germany	8,973	6,897
- Other countries	5,545	3,896
	14,518	10,793
Actual taxes on income	4,389	2,460
- Germany	581	596
- Other countries	4,970	3,056
Deferred taxes (income (-) / expenses (+))	-201	170
- Germany	-243	-174
- Other countries	-444	-4
Income tax expenses	4,526	3,052

The net development of deferred taxes during the year under report is presented in the following overview:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Balance at 01.01.	2,241	394
Additions due to consolidation	0	1,743
Changes due to consolidation entries recognized in equity	-335	0
Changes due to consolidation entries recognized through profit or loss	-309	0
Changes due to temporary differences recognized in equity	14	117
Changes due to temporary differences recognized through profit or loss	-137	-13
Balance at 12.31.	1,474	2,241

The temporary differences result from the following items in the balance sheet:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s	Recognized through profit or loss EUR 000s	Recognized directly in equity EUR 000s
Other provisions	3	21	-18	0
Financial liabilities	33	64	-31	0
Pension provisions	0	21	-21	0
Deferred tax ASSETS (A)	**36**	**106**	**-70**	**0**
Intangible assets	1,125	1,528	-292	-109
Financial assets	88	81	0	7
Accounts receivable	13	10	3	0
Future receivables from production orders	419	635	-216	0
Inventories	26	33	-7	0
Pension provisions	8	0	8	0
Deferred tax LIABILITIES (L)	**1,679**	**2,287**	**-506**	**-102**
Deferred tax assets (previous year: liabilities) from currency translation of foreign companies	**152**	**60(L)**	**0**	**152 60(L)**
Deferred tax assets from elimination of inter-company profits	**17**	**0**	**17**	**0**
Total deferred tax assets	**205**	**106 60(L)**	**-53**	**212**
Balance (Net tax liabilities)	**1,474**	**2,241**	**-453**	**-314**

The reduction in net tax deferrals through profit or loss in the 2007 financial year (EUR -446k; previous year: EUR -13k) has been recognized in the income statement under “Deferred tax income”.

The change in deferred taxes recognized in equity for intangible assets and a significant share of financial assets result from the currency translation of hidden reserves relating to three software components disclosed in the 2006 financial year within the framework of the consolidation of Sanguin International Ltd. and from the shareholding in Sanguin International Inc. (USA) at the balance sheet reporting date in 2007 compared with the previous year's reporting date. The translation differences have been allocated after taxes to the currency reserve (other equity) within Group equity.

The offsetting of expenses relating to capital increases against the capital reserve resulted in additional deferred tax expenses amounting to EUR 2k (previous year: EUR 10k).

The following table contains a reconciliation between the tax expenses expected and those reported for the respective financial years. An overall Group tax rate of 36.3% has been applied to calculate the expected tax expenses. This corresponds to the overall tax burden of the STRATEC AG parent company for the 2007 financial year.

(-) Expenses (+) Income	2007 EUR 000s	2006 EUR 000s
Consolidated earnings before taxes	14,518	10.793
Expected tax expenses	-5,270	-3,918
Deviations in foreign tax rates (current taxation of foreign subsidiaries)	+886	+980
Reduction in the effective tax rate from 2008 (2008 Corporate Tax Reform) for STRATEC AG (deferred tax income from the devaluation of deferred liabilities)	+96	0
Changes in foreign tax rates	0	+15
Tax income from capitalization of corporate income tax credit	0	+45
Expenses not deductible for tax purposes less tax-exempt income	-32	-108
Personnel expenses IFRS (stock options)	-57	-49
Deviations in foreign tax rates (deferred taxes on disclosed hidden reserves / capital consolidation)	-61	0
Tax back payments/ refunds for previous years	-85	0
Other	-4	-17
Total (current and deferred) tax expenses reported in the income statement	-4,527	-3,052

The reduction in the effective tax rate for STRATEC Biomedical Systems AG in connection with the 2008 Corporate Tax Reform from 36.3% in the 2007 financial year to 27.4% from the 2008 financial year onwards has resulted in deferred tax income of EUR 96k as a result of the devaluation of deferred tax liabilities. This deferred tax income has been recognized through profit or loss as a component of deferred tax income in the income statement.

The following overview depicts the maturities of the deferred taxes reported as of the balance sheet reporting date. Deferred taxes are categorized as current in cases where they are expected to be realized within twelve months following the balance sheet reporting date.

	2007 EUR 000s	2006 EUR 000s
Current deferred tax assets	53	85
Non-current deferred tax assets	152	21
Current deferred tax liabilities	818	-964
Non-current deferred tax liabilities	861	-1,383
Net current deferred taxes	-765	-879
Net non-current deferred taxes	-709	-1,362

(16) Financial liabilities

These liabilities are mainly due to banks and have been allocated pursuant to IAS 39 to the category "Financial liabilities measured at updated cost". Long-term financial funds amounting to EUR 3,000k were taken up during the past financial year (previous year: EUR 1,000k). The weighted interest rate charged on the long-term loans amounted to 3.42% (previous year: 3.74%).

At the balance sheet reporting date, the company had foreign currency financial liabilities denominated in US dollars amounting to EUR 21k (previous year: US dollars EUR 545k; Swiss francs EUR 454k) with a remaining term of less than one year.

Income of EUR 12k (previous year: EUR 63k) has been stated in the income statement in connection with exchange rate differences relating to financial liabilities.

As of December 31, 2007, the company had unutilized short-term credit facilities amounting to EUR 5,129k (previous year: EUR 3,502k).

Interest expenses amounting to EUR 36k for current (previous year: EUR 60k) and to EUR 154k for non-current (previous year: EUR 92k) financial liabilities have been reported under financial expenses for the financial year under report.

The financial liabilities had the following maturity structure as of December 31, 2007:

	12.31.2007 EUR 000s	12.31.2007 EUR 000s	12.31.2006 EUR 000s	12.31.2006 EUR 000s
Remaining term				
Up to 1 year		340		1,255
- of which current liabilities				
- of which current portion of	21		999	
non-current liabilities	319		256	
1 year to 5 years		1,678		733
More than 5 years		3,425		1,552
		5,443		3,540

The company land has been encumbered with a land charge amounting to EUR 2,000k as security for bank loans.

The carrying amounts reported generally correspond to the market values.

Moreover, non-current financial liabilities also include the negative market value of a derivative financial instrument in the category "financial liabilities measured at fair value through profit or loss" amounting to EUR 122k (previous year: EUR 175k). The term of this contract runs until July 6, 2010. The change in value of EUR 53k was recorded in the income statement under "Other financial income/ expenses" together with the interest expenses of EUR 70k for the 2007 financial year.

The following table shows the contractually agreed interest and principal repayments (in EUR 000s) and the weighted interest rates (in %):

	Carrying amount 12.31.2007	Cash flow in 2008		Cash flow in 2009		Cash flows in 2010-2012		Cash flows in 2013 onwards	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Overdraft	21		21						
Loans	5,300	176	319	161	395	390	1,161		3,425
Derivatives	122						122		
Total	5,433	176	340	161	395	391	1,283	254	3,425
Interest rates	3.42	3.37		3.23		3.07		3.09	

(17) Accounts payable / liabilities to associated companies

Accounts payable mostly relate to goods and services provided in the months of November and December 2007 and are due for payment within one year.

The liabilities to associated companies amounting to EUR 91k (previous year: EUR 55k) are due to STRATEC NewGen GmbH and relate to the ongoing exchange of goods and services.

(18) Other current liabilities

The information presented accounts for the reclassification from Note (19) "Current provisions" of those liabilities whose degree of obligation and level can be measured with sufficient accuracy. The previous year's figures have been adjusted accordingly.

These liabilities have been accounted for at updated cost and are structured as follows:

	2007 EUR 000s	2006 EUR 000s
Wage and salary liabilities	1,123	932
Tax liabilities	684	309
Social security liabilities	106	127
Prepayments received on orders	2,966	3,202
Supervisory Board compensation	133	119
Other liabilities	228	463
	5,240	5,152

The liabilities have remaining terms of up to one year.

The wage and salary liabilities mainly consist of outstanding vacation, employee working time credits and profit participation.

The social security liabilities primarily relate to social security contributions. The tax liabilities relate to the settlement of employee remuneration.

The prepayments received on orders involve payments for the achievement of technical milestones within the development process for contractually agreed development services which have not yet been completed.

The other liabilities include an amount of EUR 51k relating to deferred interest expenses (previous year: EUR 334k for remaining purchase price for Sanguin).

(19) Current provisions and income tax liabilities

The information presented takes due account of the reclassification of those obligations whose degree of obligation and level can be measured with sufficient accuracy to Note (18) “Other current liabilities”. The previous year's figures have been adjusted accordingly.

This item showed the following developments:

	01.01.2007 EUR 000s	Utilized EUR 000s	Released EUR 000s	Added EUR 000s	12.31.2007 EUR 000s
Guarantees and warranties	850	536	161	713	866
Accounting and year-end expenses	259	233	0	255	281
Other	44	22	10	162	174
	1,153	791	171	1,130	1,321

The provisions for accounting and year-end expenses include the costs of compiling and auditing the annual financial statements, tax advisory and archiving expenses, as well as the costs incurred for holding the Annual General Meeting and compiling the Annual Report.

Income tax liabilities relate to current income tax obligations.

V. Disclosures relating to the income statement

(20) Breakdown of sales

The breakdown of sales into their respective geographical regions represents the distribution of the STRATEC Group. In view of the fact that the customers of the STRATEC Group generally supply their country outlets and customers from central distribution centers, however, this breakdown of sales does not represent the geographical distribution of the final operating locations of the analyzer systems supplied by STRATEC.

Sales can be broken down into their respective geographical regions (customer locations) as follows (figures in EUR 000s):

Year	Germany	EU	Other	Total
2007	13,315	41,899	12,313	67,527
2006	12,460	47,397	8,557	68,414

The sales during the year under report can be further broken down as follows:

	2007 EUR 000s	2006 EUR 000s
Sales involving analyzer systems and replacement parts, as well as other sales predominantly relating to the invoicing of development orders, licenses and other services	68,153	66,014
Reduction (previous year: increase) in the volume of future receivables from production orders	-626	2,400
	67,527	68,414

Taking due account of the type and structure of our product portfolio, our business model and the specific features of the distribution channels referred to above, segment reporting would not be meaningful and would therefore not provide readers of the financial statements with any information of relevance to their decisions. As a result of the business model and the homogeneous product portfolio (laboratory automation) of the STRATEC Group, it is not possible to compile any sector-based segmentation broken down by business division. This is still the case following the acquisition of the software company Sanguin International Ltd., given that the Group believes that any separate consideration of Sanguin International Ltd. as a software manufacturer would not do justice to the integration of the product range and thus of the expertise at Sanguin International Ltd. into the field of laboratory automation. For the reasons outlined above, the internal management of the company is, as in previous years, not based on segment-related information.

(21) Increase in the volume of finished and unfinished products and unfinished services

This item is structured as follows:

	2007 EUR 000s	2006 EUR 000s
Increase in finished products	90	213
Reduction (previous year: increase) in unfinished products	-85	260
Increase in unfinished services	1,728	96
	1,733	569

No extraordinary write-downs were undertaken on unfinished services during the 2007 financial year (previous year: EUR 285k).

(22) Other operating income

Other operating income mainly relates to exchange rate differences of EUR 198k (previous year: EUR 84k), grants related to income amounting to EUR 146k (previous year: EUR 227k) and auxiliary transactions amounting to EUR 97k (previous year: EUR 100k). This item also includes neutral income amounting to EUR 232k (previous year: EUR 150k), which mainly relates to the release of provisions and current liabilities. It also includes income of EUR 56k from the associated company STRATEC NewGen GmbH (previous year: EUR 52k).

(23) Number of employees

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

	2007 Number	2006 Number
Industrial workers	36	36
Salaried employees	186	166
Trainees	7	6
	229	208
Employees hired from temporary employment agencies	29	23
Total	258	231

	2007 Number	2006 Number
Fixed employees in Germany	198	186
Employees hired from temporary employment agencies in Germany	29	23
Employees in other countries	31	22
Total	258	231

The inclusion of the employees hired from temporary employment agencies in the employee totals is to be viewed in connection with the inclusion of the resultant expenses in personnel expenses.

(24) Depreciation and amortization

Depreciation and amortization were structured as follows:

	2007 EUR 000s	2006 EUR 000s
Intangible assets, scheduled amortization	1,138	771
Property, plant and equipment, scheduled depreciation	1,132	1,045
	2,270	1,816

(25) Other operating expenses

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

The item is structured as follows:

	2007 EUR 000s	2006 EUR 000s
Trade fair, advertising, travel and hospitality expenses	706	656
Outgoing freight and sales commissions	675	850
External services	1,140	1,112
Legal and advisory expenses	1,058	370
Insurance, contributions, fees	316	262
Expenses from currency differences and stock market losses	47	93
Costs of premises	472	384
Office and administration expenses	419	413
Other expenses	957	1,305
	5,790	5,445

Other expenses primarily relate to other personnel expenses, transitory expenses and expenses relating to warranty claims. The expenses reported under other operating expenses in previous years in connection with financial instruments measured at fair value through profit or loss have been reported under "Other financial income/expenses". The previous year's figures have been adjusted accordingly.

An amount of EUR 66k was paid in connection with operating leases during the financial year under report (previous year: EUR 100k).

(26) 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 number of shares in STRATEC AG.

The shares bought back by STRATEC AG in 1998 have been excluded from the calculation of the number of shares in circulation. The increase in the number of shares compared with the previous year is due to the issuing of new shares as a result of option rights being exercised within the framework of stock option programs. Account has been taken of shares issued in the course of the financial year by weighting the respective figures on a prorated basis. The resultant final weighted average number of outstanding shares used for the calculation of (basic) earnings per share amounted to 11,324,028 (previous year: 11,104,989).

Pursuant to IAS 33, the consolidated net income of EUR 9,991k (previous year: EUR 7,741k) reported in the income statement has been used as the unaltered basis for the calculation.

On account of the option rights outstanding as of December 31, 2007, both basic and diluted earnings per share have been calculated. This calculation has been based on the assumption that all outstanding as yet not exercised options are 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 at market conditions.

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 used in the calculation of (diluted) earnings per share amounts to 11,440,444 (previous year: 11,398,394).

(27) Financial instruments / risk management

Financial instruments are contractually regulated financial transactions involving a claim to liquid funds. A distinction is made in this respect between:

- primary financial instruments, such as accounts receivable and payable or financial receivables and liabilities
- derivative financial instruments not involving a hedging relationship with an underlying transaction
- derivative financial instruments, such as hedges deployed to cover risks relating to changes in exchange rates and interest rates.

The volume of **primary** financial instruments can be seen in the balance sheet. The financial instruments included on the asset side of the balance sheet have been subdivided pursuant to IAS 39 into various categories and stated in line with their respective classification at cost or at fair value. With the exception of shareholdings and securities, the current nature of receivables and cash and cash equivalents means that there are no significant variances between the respective carrying amounts and fair values.

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

Financial instruments which constitute financial liabilities have been stated at updated cost. The condition that loan liabilities be put to project-specific use means that their carrying amounts as reported in the accounts are equivalent to their fair values.

The fair value of a primary financial instrument is the price at which the instrument can be freely traded between third parties. In the case of securities, the fair value is generally based on stock market prices.

The financial instruments reported in the accounts have been presented below broken down into their classifications in line with IAS 39 and combined in terms of comparable features with regard to valuation uncertainties and risks:

The following abbreviations are used below for the various valuation categories:

Abbreviation	IAS 39 Valuation Category
AfS	Available for Sale
LaR	Loans and Receivables
AHfT	Assets Held for Trading
LHfT	Loans Held for Trading
LMAC	Loans Measured at Cost

Financial assets:
(Figures in EUR 000s)

Balance sheet item	Valuation category IAS 39	Carrying amount 12.31.2007 (2006)	Value pursuant to IAS 39				Not included under IFRS 7	Fair Value 12.31.2007 (2006)
			Updated Cost	Cost	Fair value in equity	Fair value through profit or loss		
Shares in associated companies	AfS	**338** (329)		**338** (329)				**338** (338)
Shareholdings	AfS	**2,735** (2,678)			**2,735** (2,678)			**2,735** (2,678)
Other financial assets	LaR	**21** (26)	**21** (26)					**21** (26)
Accounts receivable	LaR	**10,580** (8,885)	**10,580** (8,885)					**10,580** (8,885)
Future receivables from production orders	n.a.	**4,850** (5,517)					**4,850** (5,517)	**4,850** (5,517)
Receivables from associated companies	LaR	**136** (43)	**136** (43)					**136** (43)
Other receivables and other assets	LaR/n.a.	**1,014** (687)	**898** (621)				**116** (66)	**1,014** (687)
Securities	AHfT	**424** (449)				**424** (449)		**424** (449)
Cash and cash equivalents	LaR	**19,884** (11,991)	**19,884** (11,991)					**19,884** (11,991)

Financial liabilities

(Figures in EUR 000s)

Balance sheet item	Valuation category IAS 39	Carrying amount **12.31. 2007** (2006)	Value pursuant to IAS 39: Updated Cost	Value pursuant to IAS 39: Cost	Value pursuant to IAS 39: Fair value in equity	Value pursuant to IAS 39: Fair value through profit or loss	Not included under IFRS 7	Fair Value **12.31. 2007** (2006)
Pension provisions	n.a.	**0** (53)					**0** (53)	**0** (53)
Liabilities to banks	LMAC	**5,321** (3,540)	**5,321** (3,540)					**5,321** (3,540)
Derivative financial liabilities	LHfT	**122** (175)				**122** (175)		**122** (175)
Accounts payable	LMAC	**2,644** (2,934)		**2,644** (2,934)				**2,644** (2,934)
Liabilities to associated companiesn	LMAC	**91** (55)	**91** (55)					**91** (55)
Current provisions	LMAC/ n.a.	**1,321** (1,153)		**455** (303)			**866** (850)	**1,321** (1,153)
Other current liabilities	LMAC/ n.a.	**5,240** (5,152)	**1,484** (1,514)				3,756 **(3,638)**	**5,240** (5,152)

Current provisions include guarantee and warranty obligations, which do not represent financial liabilities as defined by IAS 39. The components of other current liabilities measured at updated cost mainly relate to liabilities in connection with wages and salaries. Liabilities in connection with taxes and social security contributions and prepayments received from customers are not to be classified as financial liabilities.

When summarized, the financial assets and liabilities were as follows:
(Figures in EUR 000s):

Category	Valuation category IAS 39	Carrying amount 12.31. 2007 (2006)	Value pursuant to IAS 39				Not included under IFRS 7	Fair Value 12.31. 2007 (2006)
			Updated Cost	Cost	Fair value in equity	Fair value through profit or loss		
Assets available for sale	AfS	**3,073** (3,007)		**338** (329)	**2,735** (2,678)			**3,073** (3,007)
Loans and receivables	LaR	**31,635** (21,632)	**31,519** (21,566)				**116** (66)	**31,635** (21,632)
Assets held for trading	AHfT	**424** (449)				**424** (449)		**424** (449)
Liabilities held for trading	LHfT	**122** (175)				**122** (175)		**122** (175)
Liabilities measured at (updated) cost	LMAC	**14,617** (12,834)	**6,896** (5,109)	**3,099** (3,237)			**4,622** (4,488)	**14,617** (12,834)

Cash and cash equivalents, accounts receivable, future receivables from production orders and other receivables have short remaining terms in most cases. As a result, their carrying amounts are virtually equivalent to their fair values as of the balance sheet reporting date.

The fair values of publicly listed equity instruments are equivalent to the number of instruments multiplied by the listed price at the balance sheet reporting date.

Alongside debt servicing obligations, loan liabilities are subject to further conditions concerning their use for specific projects. Their carrying amounts thus correspond to their fair values.

The net result on financial instruments broken down into the respective valuation categories was as follows:

EUR 000s 2007 (2006)	From interest and dividends	From subsequent measurement			From disposals	Net result 2007 (2006)
		Fair Value	Currency translation	Write-downs		
Loans and receivables	**419** (136)	**0** (0)	**77** (-9)	**-48** (2)	**0** (0)	**448** (129)
Assets available for sale	**1** (-5)	**0** (0)	**0** (0)	**0** (0)	**0** (2)	**1** (-3)
Assets held for trading	**4** (0)	**-132** (-94)	**0** (0)	**0** (0)	**113** (-104)	**-15** (-198)
Liabilities held for trading	**-70** (0)	**53** (-25)	**0** (0)	**0** (0)	**0** (0)	**-17** (-25)
Liabilities measured at cost	**-190** (-152)	**0** (0)	**12** (20)	**0** (0)	**0** (0)	**-178** (-132)
Total	**164** **(-21)**	**-79** **(-119)**	**89** **(11)**	**-48** **(2)**	**113** **(-102)**	**239** **(-229)**

The interest expenses and interest income resulting from financial instruments are reported under net financial expenses. The net result on financial instruments measured at fair value through profit or loss is reported under other financial income/expenses.

Within the framework of the recognition directly in equity of changes in the value of assets held for sale, valuation losses of EUR 257k after taxes (previous year: valuation gains of EUR 256k) were recorded in the fair value reserve within equity in the 2007 financial year.

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 group management report compiled in accordance with Section 315 of the German Commercial Code (HGB) represents an integral component of these IFRS consolidated financial statements.

The objective of financial risk management is to limit these risks primarily by means of operating activities. These measures 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:

STRATEC AG may be exposed to foreign currency risks as a result of its investments, financing measures and operating activities.

These risks have not been secured to date, since they only affect the cash flow of the Group to an immaterial extent. Foreign currency risks not affecting the Group's cash flow are not secured. These mainly relate to the conversion of the financial statements of foreign group companies into the group reporting currency (EUR). Exchange rate volatility thus affects consolidated earnings, as well as the Group's equity as a result of the allocation of conversion differences to the currency reserve directly in equity. Since the foreign group companies enjoy a high degree of autonomy within their respective functional currencies in terms of their operating and financial activities, fluctuations in exchange rates effectively do not result in any significant liquidity risks for the Group.

By analogy with the foreign companies, the parent company also performs the predominant share of its operating activities in its functional currency (EUR). The foreign currency risk faced by the STRATEC Group on account of its operating activities is therefore classified as low.

To present market risks, IFRS 7 requires companies to perform sensitivity analyses portraying the implications of hypothetical changes in the relevant risk variables for 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 as of the balance sheet reporting date.

The analysis of the hypothetical implications of exchange rate movements on consolidated earnings and group equity as a result of the conversion of the financial statements of foreign group companies has been based on the following assumptions:

	Annual Average Rate		Reporting Date Rate	
	GBP	CHF	GBP	CHF
Actual figures in 2007	**0.68**	**1.64**	**0.73**	**1.67**
10% depreciation in EUR compared with foreign currencies	0.61	1.48	0.66	1.50
10% appreciation in EUR compared with foreign currencies	0.74	1.80	0.80	1.84
Actual figures in 2006	**0.68**	**n.a.**	**0.67**	**n.a.**
10% depreciation in EUR compared with foreign currencies	0.61	n.a.	0.60	n.a.
10% appreciation in EUR compared with foreign currencies	0.75	n.a.	0.74	n.a.

Foreign currency sensitivities were of no relevance to the Swiss subsidiary in 2006, given that it had the same functional currency in the previous year as that used in the Group's reporting.

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

EUR 000s	2007 (2006) Consolidated Earnings	2007 (2006) Group Equity	2007 (2006) Currency Translation Reserve
Depreciation in EUR (10%)	+283 (-15)	+1,313 (+726)	+1,033 (+741)
Appreciation in EUR (10%)	-245 (+14)	-1,124 (-560)	-879 (-574)

Foreign currency risks affecting investment activities could result, among other factors, from the acquisition and disposal of foreign companies. At the balance sheet reporting date, STRATEC AG was not exposed to any significant risks resulting from transactions undertaken in foreign currencies in connection with investment activities. Should any significant risk items arise, then the hedging strategy for the individual case involved lies within the discretion of the Board of Management.

Foreign currency risks affecting financing activities could result from financial liabilities denominated in foreign currencies and from foreign currency loans granted to group companies. At the balance sheet reporting date, STRATEC AG was not exposed to any significant foreign currency risks in connection with its financing activities. Should any significant risk items arise, then the hedging strategy for the individual case involved lies within the discretion of the Board of Management.

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 interest rate risks to which STRATEC AG is exposed relate exclusively to the euro area. The financial assets at foreign group companies exclusively involve assets in the "Loans and receivables" category with terms of up to three months (cash and cash equivalents).

The market risks for primary financial instruments with fixed interest rates only affect earnings in cases where such instruments are measured at fair value. As a result, all financial instruments with fixed interest rates which are measured at updated cost are not subject to any interest rate risk of relevance to the cash flow, but are rather exposed to fair value risk.

When compared with the level of market interest rates, the interest rates presented in the notes to financial liabilities show that STRATEC AG was not subject to any market interest rate risk in connection with its fixed-interest financial liabilities at the balance sheet reporting date.

The use of derivative hedging instruments (such as swaps) may be considered to hedge interest rate risks in individual cases. STRATEC AG is subject to market interest rate risk in connection with its derivative financial instrument measured at fair value.

Other price risks:

The financial assets in the "available for sale" and "held for trading" categories are subject to the risk of changes in stock market prices. The impact of hypothetical changes in risk variables on consolidated earnings, as well as on group equity (fair value reserve) in the case of fair value changes measured directly in equity, have been presented in the notes to the respective items in the accounts.

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 by means of individual and general allowances.

Liquid funds are invested solely in the form of short-term deposits (with maximum terms of 3 months) at financial institutions with high-quality ratings.

The maximum default risk is reflected on the one hand by the carrying amount of the financial assets reported in the balance sheet. However, this figure does not account for the hedging measures outlined above.

Derivative financial instruments not involving a hedging relationship with an underlying transaction are classified as trading financial instruments and measured at fair value as of the balance sheet reporting date. Any differences between the cost of acquisition and the fair value are recognized through profit or loss.

Derivative financial instruments involving a hedging relationship to an underlying transaction, such as those deployed to hedge against currency and interest rate risks, are recognized through profit or loss or directly in equity depending on whether the hedge in question is intended to secure the fair value or the future cash flow.

One interest swap is deployed to secure variable financing in connection with the supply of working capital to the Swiss subsidiary Robion AG. This involves a so-called "Leveraged-Quanto-CMS-Swap". The negative fair value of this derivative financial instrument, amounting to EUR 122k (previous year: EUR 175k), has been reported under non-current financial liabilities. The assumed non-cash reference basis (nominal value) for this financial derivative, which is used exclusively as a basis for the calculation of interest payments, amounts to EUR 3,000k. Given that the strict requirements governing the recognition of hedging transactions in the accounts pursuant to IAS 39 were not fulfilled, the change in the aforementioned negative fair value of the financial derivative, which has improved further, was recognized in 2007, as in the previous year, through profit or loss under "Other financial income / expenses". Given that this reduction in value does not impact on payments, it has been recorded in the cash flow statement under "Other non-cash expenses / income".

The sensitivity analysis shows the following hypothetical values for the financial liability:

	12.31.2007 EUR 000s	12.31.2006 EUR 000s
Market value following a shift of +100 base points	-247	-330
Market value following a shift of -100 base points	-89	-131

The comparison of these hypothetical figures with the figure of EUR 122k reported in the accounts (previous year: EUR 175k) reveals the impact of such hypothetical shifts on consolidated earnings (before taxes).

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 its achievement of these objectives, the management refers to the equity ratio and the ratio of financial receivables to financial liabilities.

The equity ratio amounted to 0.7 as of December 31, 2007 and thus remained constant compared with the previous year. The target range for this figure amounts to 0.5 to 0.75.

The ratio of current financial assets to current financial liabilities amounted to 3.6 as of December 31, 2007, compared with 2.5 in the previous year. This ratio should not fall short of 1.5.

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 following two years.

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

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

	2007 EUR 000s	2006 EUR 000s
Current and non-current financial liabilities	15,499	13,539
Actual cash flows	8,183	1,989

The comparison of the actual figures for the financial year under report and the previous year reflects the level of target achievement for the 2007 and 2006 financial years.

(28) Disclosures concerning the auditor's fee pursuant to Section 314 (1) No. 9 of the German Commercial Code (HGB)

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

	2007 EUR 000s	2006 EUR 000s
Expenses for:		
a) Auditing of financial statements	80	75
b) Tax advisory services	64	6
c) Other services performed for STRATEC AG or its subsidiaries	43	47
Total auditor's fee	187	128

(29) Disclosures relating to closely related companies and individuals

Board of Management and Supervisory Board

The company's **Board of Management** has the following members:

> **Hermann Leistner**, Birkenfeld
> (Chairman / Development Division)
> Electrical Engineer
>
> **Marcus Wolfinger**, Remchingen
> (Chief Financial Officer)
> Graduate in Business Administration
>
> **Bernd M. Steidle**, Oberboihingen
> (Director of Marketing and Sales)
> Businessman

Hermann Leistner held around 14.3% of the shares in the company as of December 31, 2007 (previous year: 14.3%).

The Chairman of the Board of Management, Hermann Leistner, and the Chief Financial Officer, Marcus Wolfinger, are each authorized to solely represent the company.

There have been no alterations in the composition of the Board of Management between the balance sheet reporting date and the compilation of the consolidated financial statements.

The compensation of members of the Board of Management consists of fixed annual compensation (fixed salary) and a variable component dependent on the achievement of individual performance targets. 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.

On the basis of the resolution adopted by the Annual General Meeting of June 23, 2006 the company may forego (opt out of) the publication of the compensation of the members of the Board of Management on an individual basis and the additional disclosures required by Section 314 (1) No. 6 a) Sentence 6 to 9 of the German Commercial Code (HGB). The company has exercised this right in the period under report. The total compensation of the Board of Management amounted to EUR 841k during the period under report (previous year: EUR 759k). More specifically, the compensation was structured as follows:

	2007 EUR 000s	2006 EUR 000s
Fixed salary	488	493
Share-based compensation	83	46
Payments in kind	30	27
Insurance payments	57	57
Performance-related components	183	136
Total compensation	841	759

The short-term portion of the total compensation amounted to EUR 758k (previous year: EUR 713k).

The figure stated for share-based compensation involves the period-specific arithmetical value of the stock options issued to members of the Board of Management recorded pursuant to IFRS 2 as personnel expenses during the financial year under report. A total of 70,000 stock options with a subscription price of EUR 22.69 and an arithmetical total value of EUR 243k were issued to the Board of Management in the 2007 financial year (previous year: 9,000 stock options with a subscription price of EUR 15.36 and an arithmetical total value of EUR 30k).

The pension provisions for members of the Board of Management have been recognized as liabilities amounting to EUR 0k in the consolidated financial statements (previous year: EUR 53k).

Hermann Leistner is Managing Director of STRATEC NewGen GmbH, Birkenfeld. Marcus Wolfinger is a member of the Supervisory Board of CyBio AG, Jena, and a member of the Board of Sanguin International Ltd., Burton upon Trent, UK.

The **Supervisory Board** consisted of the following individuals at the balance sheet reporting date:

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

Dr. Robert Siegle, Birkenfeld
(Deputy Chairman)
Self-employed Lawyer

Burkhard G. Wollny, Göppingen
Banker

Dr. Juan Pedro Lorenz, Heidelberg
(Substitute Member)

The total compensation of the Supervisory Board amounted to EUR 117k during the year under report (previous year: EUR 119k). The specific structure of the compensation was as follows:

	2007 EUR 000s	2006 EUR 000s
Fixed compensation	36	36
Performance-related components	72	72
Meeting allowance	9	11
Total short-term compensation	117	119

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

The law firm of Dr. Siegle, a member of the Supervisory Board, "DR. WILLE • DR. SIEGLE • ZINDER", provided STRATEC AG with legal advisory services amounting to around EUR 12k during the 2006 financial year (previous year: EUR 29k).

Apart from this, there were no service relationships between members of the executive and supervisory bodies, or these closely related persons, and the companies included in the consolidated financial statements of STRATEC AG.

Closely related companies

In view of the fact that members of the Leistner family hold a considerable share of the voting rights in both STRATEC Biomedical Systems AG and in DITABIS Digital Biomedical Imaging Systems AG, the latter company is to be deemed a closely related company pursuant to IAS 24. During the year under report, STRATEC AG provided DITABIS Digital Biomedical Imaging Systems AG with services amounting to EUR 11k (previous year: EUR 14k). These services were invoiced at prices which would also be agreed with third parties.

Subsidiaries

During the 2007 financial year, STRATEC Biomedical Systems AG generated revenues of EUR 56k from transactions with STRATEC NewGen GmbH (previous year: EUR 52k) and purchased services amounting to EUR 272k (previous year: EUR 242k). These services were invoiced at market prices. The profit transfer agreement concluded with STRATEC NewGen GmbH resulted in income of EUR 0.5k during the year under report (previous year: expenses of EUR 5k due to assumption of losses). Sanguin International Ltd. (UK) generated sales of EUR 0k from transactions with Sanguin International Inc. (USA) during the period under report (previous year: EUR 32k).

During the 2007 financial year, STRATEC Biomedical Systems AG generated revenues of EUR 5k from transactions with Sanguin International Inc. and interest income of EUR 5k from a loan granted to STRATEC Biomedical Inc. The services purchased by STRATEC Biomedical Systems AG from STRATEC Biomedical Inc. amounted to EUR 48k.

The receivables and liabilities relating to associated companies as of the balance sheet reporting date have been noted in the respective balance sheet items.

Other closely related individuals

There were no relationships with other closely related individuals.

(30) Contingent liabilities and other financial obligations

The other financial obligations primarily relate to acceptance obligations (basic contracts with suppliers concerning modules and contractual obligations to acquire property, plant and equipment), operating leases and development orders and are structured as follows:

	2007 EUR 000s	2006 EUR 000s
Remaining term of up to three years	15.108	18.811
of which:		
Remaining term of up to one year	14.069	17.336

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

(31) Events after the balance sheet reporting date

We are not aware of any events having occurred within the STRATEC Group since December 31, 2007 which could have any notable impact on the financial and economic position of the Group.

(32) Date of approval for publication

The Board of Management of STRATEC AG has presented the consolidated financial statements to the Supervisory Board, which will pass resolution on their adoption on March 31, 2008.

Birkenfeld, March 20, 2008
STRATEC Biomedical Systems AG
The Board of Management

Hermann Leistner

Marcus Wolfinger

Bernd M. Steidle

Development in Intangible Assets and Property, Plant and Equipment of the STRATEC Group for the Period from January 1 to December 31, 2007

Historic Costs
EUR 000s

	01.01.2007	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	Reclassifications	12.31.2007
Intangible assets							
Goodwill	897	-75	0	0	33	0	789
Other intangible assets	6,636	-509	0	239	0	0	6,366
Development expenses	0	0	0	0	0	0	0
	7,533	**-584**	**0**	**239**	**33**	**0**	**7,155**
Property, plant and equipment							
Land, leasehold rights and buildings	5,001	0	0	20	0	0	5,021
Technical equipment and machinery	413	-1	0	23	0	0	435
Other equipment, plant and office equipment	5,614	-17	0	1,309	320	0	6,586
Prepayments made and assets under construction	0	0	0	232	0	0	232
	11,028	**-18**	**0**	**1,584**	**320**	**0**	**12,274**
Total non-current assets:	**18,561**	**-602**	**0**	**1,823**	**354**	**0**	**19,429**

Development in Intangible Assets and Property, Plant and Equipment of the STRATEC Group for the Period from January 1 to December 31, 2006

Historic Costs
EUR 000s

	01.01.2006	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	Reclassifications	12.31.2006
Intangible assets							
Goodwill	0	30	867	0	0	0	897
Other intangible assets	695	180	5,551	210	0	0	6,636
Development expenses	0	0	0	0	0	0	0
	695	**210**	**6,418**	**210**	**0**	**0**	**7,533**
Property, plant and equipment							
Land, leasehold rights and buildings	4,972	0	0	29	0	0	5,001
Technical equipment and machinery	412	0	0	7	6	0	413
Other equipment, plant and office equipment	4,729	1	212	864	206	14	5,614
Prepayments made and assets under construction	14	0	0	0	0	-14	0
	10,127	**1**	**212**	**900**	**212**	**0**	**11,028**
Total non-current assets:	**10,822**	**211**	**6,630**	**1,110**	**212**	**0**	**18,561**

Cumulative Depreciation and Amortization EUR 000s						Net Carrying Amounts EUR 000s	
01.01.2007	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	12.31.2007	12.31.2007	12.31.2006
0	0	0	0	0	0	789	897
1,278	-137	0	1,138	0	2,279	4,088	5,358
0	0	0	0	0	0	0	0
1,278	**-137**	**0**	**1,138**	**0**	**2,279**	**4,876**	**6,255**
1,022	0	0	140	0	1,162	3,859	3,979
257	-1	0	48	0	305	131	156
4,174	-11	0	944	317	4,790	1,796	1,440
0	0	0	0	0	0	232	0
5,453	**-12**	**0**	**1,132**	**317**	**6,256**	**6,018**	**5,575**
6,731	**-149**	**0**	**2,270**	**317**	**8,535**	**10,894**	**11,830**

Cumulative Depreciation and Amortization EUR 000s						Net Carrying Amounts EUR 000s	
01.01.2006	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	12.31.2006	12.31.2006	12.31.2005
0	0	0	0	0	0	897	0
507	0	0	771	0	1,278	5,358	188
0	0	0	0	0	0	0	0
507	**0**	**0**	**771**	**0**	**1,278**	**6,255**	**188**
883	0	0	139	0	1,022	3,979	4,089
214	0	0	46	3	257	156	198
3,342	0	171	860	199	4,174	1,440	1,387
0	0	0	0	0	0	0	14
4,439	**0**	**171**	**1,045**	**202**	**5,453**	**5,575**	**5,688**
4,946	**0**	**171**	**1,816**	**202**	**6,731**	**11,830**	**5,876**

Development in Financial Assets of the STRATEC Group for the Period from January 1 to December 31, 2007

	Historic Costs EUR 000s						
	01.01.2007	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	Reclassi-fications	12.31.2007
Shares in affiliated companies	329	-25	0	34	0	0	338
Shareholdings	2,316	0	0	299	0	0	2,615
	2,645	**-25**	**0**	**333**	**0**	**0**	**2,953**

Development in Financial Assets of the STRATEC Group for the Period from January 1 to December 31, 2006

	Historic Costs EUR 000s						
	01.01.2006	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	Reclassi-fications	12.31.2006
Shares in affiliated companies	38	9	262	20	0	0	329
Shareholdings	665	0	0	1,654	3	0	2,316
	703	**9**	**262**	**1,674**	**3**	**0**	**2,645**

Depreciation and Amortization EUR 000s						Fair Value of Asset Available for Sale EUR 000s		Net Carrying Amounts EUR 000s	
01.01.2007	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	12.31.2007	01.01.2007	12.31.2007	12.31.2007	12.31.2006
0	0	0	0	0	0	0	0	338	329
0	0	0	0	0	0	362	120	2,735	2,678
0	**0**	**0**	**0**	**0**	**0**	**362**	**120**	**3,073**	**3,007**

Depreciation and Amortization EUR 000s						Fair Value of Asset Available for Sale EUR 000s		Net Carrying Amounts EUR 000s	
01.01.2006	Currency Differences	Change in Scope of Consolidation	Additions	Disposals	12.31.2006	01.01.2006	12.31.2006	12.31.2006	12.31.2005
0	0	0	0	0	0	0	0	329	38
0	0	0	0	0	0	106	362	2.678	771
0	**0**	**0**	**0**	**0**	**0**	**106**	**362**	**3.007**	**809**

Audit Opinion of Group Auditor

We have audited the consolidated financial statements compiled by STRATEC Biomedical Systems Aktiengesellschaft, Birkenfeld, which consist of the balance sheet, the income statement, the statement of changes in shareholders' equity, the 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, 2007. 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 315a (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 315a (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 20, 2008

WirtschaftsTreuhand GmbH
Chartered Accountants
Tax Consultants

Richter
Chartered Accountant

Ernst
Chartered Accountant

Would you like to be kept regularly informed of developments at STRATEC Biomedical Systems AG in future? We would be very pleased to add your name to our electronic and/or postal mailing lists. Please cross the appropriate box:

❐ Yes, please add me to your electronic mailing list.

Surname ______________________________

First name ______________________________

E-mail ______________________________

❐ Yes, please add me to your postal mailing list.

Company ______________________________

Surname ______________________________

First name ______________________________

Street ______________________________

Zip-code/City ______________________________

Country ______________________________

Please make a copy of this page and fax it to:

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Financial Calendar

04.09.2008	Publication of consolidated/annual financial statements
04.09.2008	Annual Press Conference Call
05.15.2008	Publication of First Quarter Report
05.21.2008	Annual General Meeting, Pforzheim/Germany
08.14.2008	Publication of Second Quarter Report
11.18.2008	Publication of Third Quarter Report
November 2008	Deutsches Eigenkapitalforum, Frankfurt am Main/Germany (Analysts' Conference)

Subject to amendment

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Conception and layout	Dr. Jürgen Gauß, Straubenhardt
Text	STRATEC Biomedical Systems AG, Birkenfeld
Printing	Druckhaus Müller GmbH, Neuenbürg

This Annual Report is also available in German.

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