stratec® biomedical systems

ANNUAL REPORT 2008

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 2008 financial year, the STRATEC Group generated sales of EUR 61.0 million and earnings after taxes of EUR 6.1 million. Excluding a non-operating one-off expense of EUR 2.1 million due to a valuation adjustment, consolidated net income amounts to EUR 8.2 million.

Since 2000, sales at the STRATEC Group have increased by an average of around 24% per financial year, while its consolidated net income has risen by an average of around 53% per year over the same period.

Including temporary employees, the STRATEC Group had a total workforce of 284 employees on December 31, 2008. As an annual average, the total workforce of the STRATEC Group (excluding temporary employees) amounted to 238 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 Romania.

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.

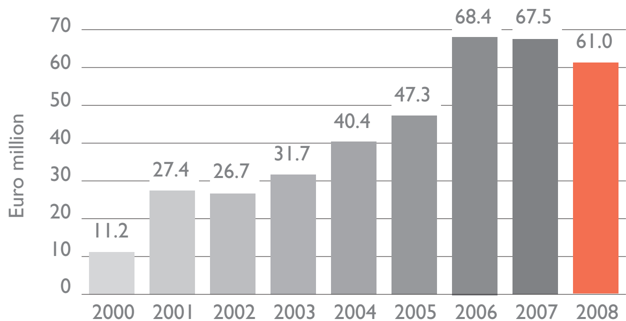
STRATEC Biomedical Inc., Hamden, Connecticut, USA, supports the service and sales activities of STRATEC Biomedical Systems AG in the USA.

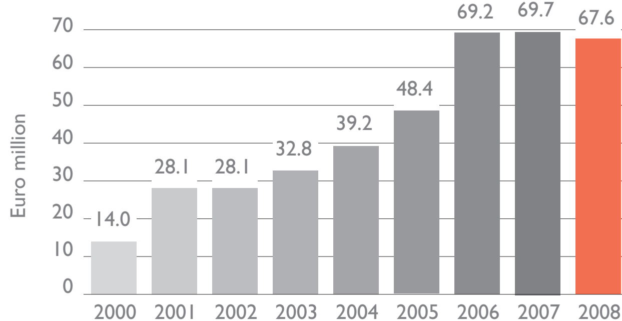
Sanguin International Ltd., which is based in Burton on Trent, UK, and its subsidiary Sanguin International Inc., based in Hamden, Connecticut, USA, provide FDA-approved software solutions which can be deployed by diagnostics companies around the world. Sanguin International thus ideally complements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

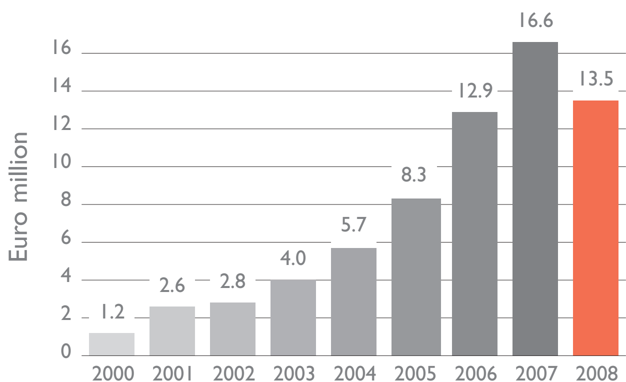
Based in Birkenfeld, Germany, STRATEC NewGen GmbH holds the exclusive global rights to a patented technology for the stabilization and purification of RNA and DNA from viruses. Within the rapidly developing market for molecular diagnostics, STRATEC NewGen GmbH is focusing on the enhancement of this technology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

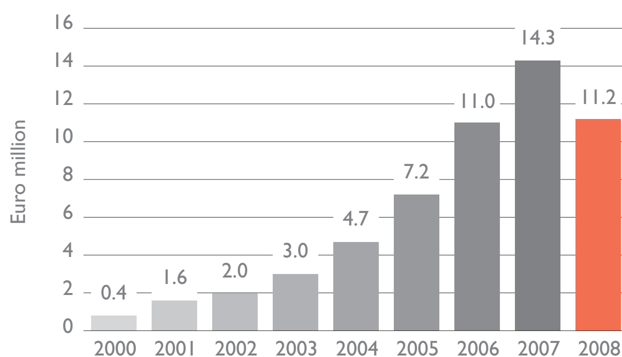
Robion AG, which is based in Neuhausen am Rheinfall, Switzerland, and its subsidiary STRATEC Biomedical Systems S.R.L., Cluj-Napoca, Romania, which was founded at the end of 2007, focus on the development and production of analyzer systems for clinical diagnostics and thus help to expand existing capacities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

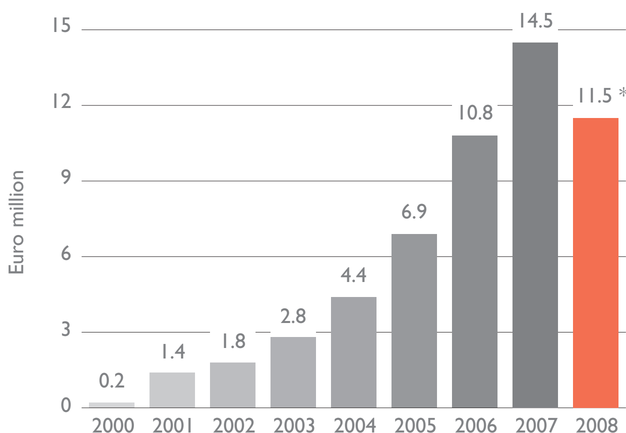
Overview of Key Figures for 2000 to 2008 (IFRS)

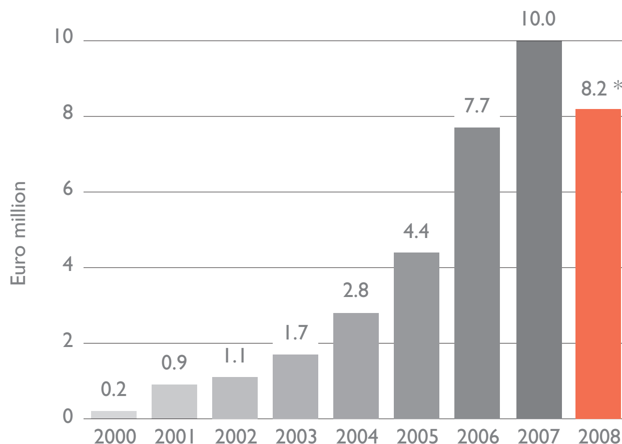


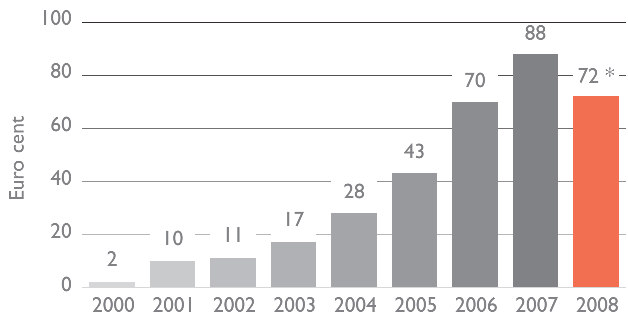


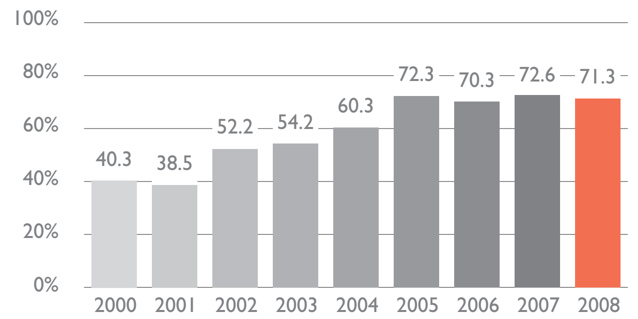


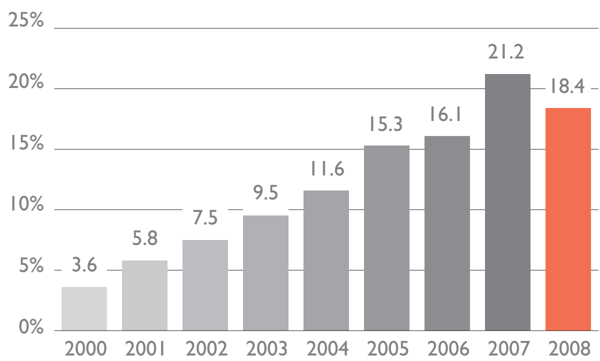


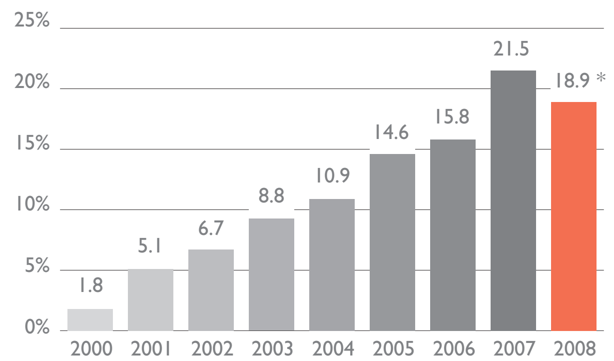


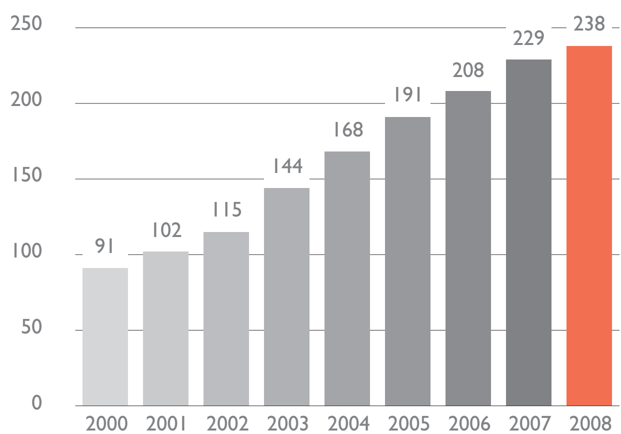


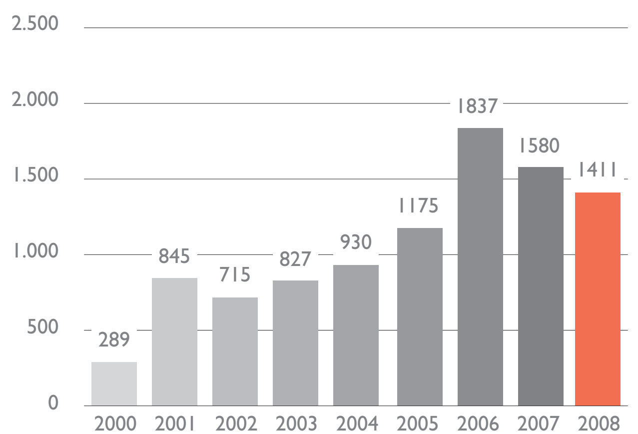












* Excluding a non-operating one-off expense of Euro 2.1 million due to a valuation adjustment. Including this expense, "EBT" (Earnings before taxes) amounts to Euro 9.4 million, "EBT margin" to 15.4%, "Consolidated net income" to Euro 6.1 million and "Earnings per share" to Euro 0.54.

Contents 5
Report of the Board of Management 6
Board of Management and Supervisory Board 8
Report of the Supervisory Board 9
Focus 11
Share 15
Corporate Governance Report 20
Responsibility Statement 22
Group Management Report 23
Facts and Figures 39
Consolidated Balance Sheet 40
Consolidated Income Statement 42
Statement of Changes in Group Shareholders' Equity 43
Consolidated Cash Flow Statement 44
Notes to Consolidated Financial Statements 45
Development in Intangible Assets and Property, Plant and Equipment 110
Audit Opinion of Group Auditor 112
Financial Calendar 113
Imprint 113

Dear Shareholders,
Dear Ladies and Gentlemen,

Today we can look back on 30 successful years in the development and innovation of automation and medical technology, and on a history of strong growth at our company. Founded as a proverbial one-man operation, the company has developed into a healthy, flourishing medium-sized company now operating at five locations in Europe and the USA and supplying its partners and customers around the world with first-class, innovative system solutions. We reached significant milestones in the 2008 financial year, and were able to announce the conclusion of several new development agreements. 2008 was nevertheless an eventful year, one which has provided us with valuable insights.

Our business model, which focuses on achieving sustainable growth, has proven highly immune to the crisis due to the company's robust capital resources, the long-term nature of its customer relationships and the fact that the sector in which it operates is largely independent of the financial markets. We are not aware of any financing bottlenecks at our partners' customers to date, an assumption which is backed up by the consistently high number of systems collected. What's more, we were also able to acquire several major development orders. These will contribute substantially to the company's growth in the coming quarters and secure its order situation for the coming years. Due to weak demand from one of our main customers in the past year on account of restructuring measures following several company takeovers, we have jointly revised our forecast system to enable us to plan more precisely in future and thus also to be better able to communicate our growth prospects.

We see 2007 and 2008 as representing an interim period, similar to the situation in 2004 and 2005, in which foundations were laid for growth in subsequent years.

Sales amounted to Euro 61.0 million in the past 2008 financial year, compared with Euro 67.5 million in the previous year. Due to a one-off, non-operative value adjustment within net financial expenses required following the announcement of a takeover bid for one of our shareholdings, our consolidated net income decreased from Euro 8.2 million to Euro 6.1 million.

The STRATEC Group had a total workforce of 284 employees, including temporary staff, at the end of the 2008 financial year. This year-on-year increase of 14 employees reflects the stepping up of development activities in preparation for the forthcoming market launches of new analyzer systems. Our optimism concerning the company's performance in the coming years and our past success are based on the achievements and commitment of our employees. We would like to thank them for their great efforts and look forward to continuing together on the course we have set. Our thanks are equally due to our business partners, customers and shareholders.

To underline our confidence in STRATEC's future performance and to reward the trust shown by our shareholders even during such a volatile period on the stock markets, the Board of Management and Supervisory Board have proposed an increase in the dividend for the 2008 financial year by 59% to Euro 0.35 per share for approval by the Annual General Meeting on 20 May 2009. This represents the sixth consecutive increase since dividend distributions began in 2003.

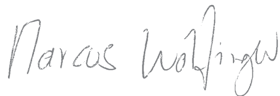
We continue to attach great significance to diversification, enabling us to further reduce our dependence by implementing new projects with strong partners, and are also keeping an eye on potential takeover candidates. With these measures and our early focus on molecular biological applications, we aim to further boost our position as an independent innovation leader and reliable partner to our customers. Our development pipeline, which is currently full to bursting, confirms this course.

Even though the 2008 financial year could have turned out better in terms of our sales and earnings performance, we nevertheless completed the groundwork for future growth at our company. STRATEC will continue to play a successful role in shaping developments and innovation in the automation of in-vitro diagnostics in the coming years as well.

Birkenfeld, March 2009

The Board of Management of
STRATEC Biomedical Systems AG

Hermann Leistner



Marcus Wolfinger

Bernd M. Steidle

Marcus Wolfinger (41),
Member of the
Board of Management,
Chief Financial Officer

Hermann Leistner (63),
Chairman of the
Board of Management

Bernd M. Steidle (56),
Member of the
Board of Management,
Marketing and Sales

Fred K. Brückner (66),
Chairman of the
Supervisory Board

Burkhard G. Wollny (58),
Member of the
Supervisory Board

Dr. Robert Siegle (41),
Deputy Chairman of the
Supervisory Board

In the 2008 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 issues of relevance to the company.

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

The Supervisory Board held four regular meetings in the 2008 financial year, each of which was attended by all members of the Supervisory Board and the Board of Management.

At these meetings, which took place on March 31, 2008, June 23, 2008, September 19, 2008 and December 12, 2008, the Supervisory Board addressed the Risk Handbook, compliance management, the sales and earnings performance, the financial position and status of the various development projects at the company and the Group, as well as discussing the implications of new legislative requirements. Particular importance was also attached at each of the meetings discussing the subsidiaries, organizational structure and potential company acquisitions.

Moreover, at its meeting on March 31, 2008, the Supervisory Board discussed and approved the annual financial statements and management report of STRATEC Biomedical Systems AG, as well as the consolidated financial statements and group management report for the 2008 financial year. It approved the agenda for the Annual General Meeting on May 21, 2008 and endorsed the proposal made by the Board of Management concerning the distribution of a dividend of EUR 0.22 per ordinary bearer share with dividend entitlement.

Furthermore, at its meeting on December 12, 2008, the Supervisory Board addressed the German Corporate Governance Code in its version dated June 6, 2008. To monitor compliance with the German Corporate Governance Code, the Supervisory Board reviewed implementation of the recommendations at STRATEC Biomedical Systems AG and the efficiency of its own work. This resulted in the Supervisory Board and Board of Management renewing their Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) on this date and making this permanently available to shareholders at the company's homepage.

On the basis of the resolution adopted by the Annual General Meeting on May 21, 2008, the Supervisory Board appointed WirtschaftsTreuhand GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, to conduct the audit of the annual and consolidated financial statements for the 2008 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 2008 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 30, 2009. 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 2008 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.

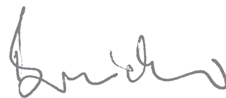
There were no changes in the composition either of the Supervisory Board or of the Board of Management in the 2008 financial year.

At its meeting on March 30, 2009, 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 Supervisory Board would like to thank the Board of Management and the management teams and employees at all group companies for their responsible, dedicated efforts and for their work in the 2008 financial year.

Birkenfeld, March 2009

On behalf of the Supervisory Board



Fred K. Brückner
Chairman

STRATEC is positioned very well in the high-growth market segments of in-vitro diagnostics. One such segment is molecular diagnostics.

Compared with the overall market for diagnostics products, which is estimated to have been worth more than US$ 30 billion in 2008 and which experts expect to grow at around 7% a year between 2006 and 2010, the market for molecular diagnostic processes only amounts to around US$ 3 billion. With annual growth rates of 17% between 2006 and 2010, however, it continues to develop more rapidly than any other segment within in-vitro diagnostics.

In the following pages, we will be focusing in particular on aspects of instrumentation within molecular diagnostics and will illustrate their significance for STRATEC's further growth.

Instrumentation in molecular diagnostics

Since STRATEC took its first steps in developing molecular diagnostics appliances eight years ago, with projects for Chiron Corporation, Emeryville, California, USA (now: Novartis Vaccines and Diagnostics Incorporation), this field, which previously had a niche status within STRATEC's business, has evolved into an important component of the company's core business in which almost half of the development team now works.

Experts expect molecular diagnostics to continue to show double-digit growth rates far beyond 2010 as well. Equally high disproportionate growth potential is also expected for the automation of molecular diagnostic applications, and thus for the products and services offered by STRATEC. This expectation is supported by three main factors:

1. Molecular diagnostic processes are becoming routine

Molecular biological processes were long seen as a specialist field basically only available to blood banks and large or specialist laboratories with suitably qualified personnel and adequate expertise. Not only that, the testing procedures required long processing times, sometimes lasting more than one working day, which meant that the additional time lost by sending samples to a large laboratory was less relevant. New processes now offer shorter processing times and provide economically expedient possibilities of performing such tests in smaller laboratories as well. The resultant demand for appliances with low throughput capacities and the lower costs associated with such appliances means that a completely new market is emerging alongside the high throughput segment previously in focus, one which numerous in-vitro diagnostics providers would now also like to access. While smaller appliances with lower reagent consumption represent a challenge for in-vitro diagnostics manufacturers, they open up enormous potential for appliance suppliers given the large number of small and medium-sized laboratories.

2. Change in the regulatory framework

The majority of molecular diagnostics processes used nowadays are based on three core work steps. The first step is sample purification, in which the genetic material is separated from the rest of the sample and thus purified. The second step involves amplification, in which the gene sequence to be investigated is typically multiplied. The third and final step is the detection of the material thereby multiplied. As these processes were primarily developed with the research market in mind, specialist providers were initially available for each individual work step. These offered very good products in their respective areas, but offered either no solutions at all for other process steps, or at best solutions which were not especially sophisticated. In the early days of molecular diagnostics, this meant the laboratories which achieved the best results were not those working with a complete package from a single provider, but those who skillfully combined the various products available on the market. Not only that, laboratories could save additional costs for parts of the process, especially the amplification and detection steps, by assembling the necessary test kits themselves from inexpensive laboratory chemicals, rather than acquiring complete, and thus expensive, test kits. As they are prepared internally, these test kits are referred to as "homebrews". One of the key cost factors when developing laboratory medical tests is validation, a process which can also require very time-consuming and costly clinical studies depending on the type of test involved. In view of

this, many smaller providers seized the opportunity to sell reagents not as complete, approved test kits, but rather as ASRs (Application Specific Reagents). ASRs and homebrews gained considerable significance, especially in the USA. Even today, more than 50% of molecular diagnostic tests there are still performed using such kits. This is mainly due to the fact that the FDA (Food and Drug Administration = the US authority for food and drug safety) previously adopted a far stricter approach towards tests developed by commercial providers than towards those developed and validated directly by laboratories as homebrews or ASRs. The immense cost involved in FDA approval brought commercial providers of approved tests into a comparatively weak competitive position. What's more, this approach meant that laboratories lacking the critical size for the initial investments and suitably high-qualified personnel were squeezed out of this market, as they were unable to offer these tests at competitive prices. In 2007, however, the FDA changed its previous course dramatically and significantly raised the hurdles for ASRs and homebrews.

What does this mean now for instrumentation in the field of molecular diagnostics and for STRATEC?

Since the move away from homebrew methods and towards complete in-vitro diagnostics products, the US market, the world's largest market for molecular diagnostics tests, is now also governed by the same rules as the rest of the in-vitro diagnostics market. As soon as laboratories are no longer able to offer internally developed tests cost effectively, then a trend arises towards complete in-vitro diagnostics systems, and automation represents a key component in this respect. This means that the change in the regulatory framework in the USA, which currently accounts for around 40% of the in-vitro diagnostics market and thus acts as a global trendsetter, will give rise to a considerable need for automation solutions, demand which STRATEC's customers can satisfy with their system solutions.

3. Consolidation

The third factor further favoring increasing use of automation solutions is the wave of consolidation already underway among diagnostics manufacturers. Small-scale providers starting as research-driven start-up companies and subsequently moving into the in-vitro diagnostics market often find that they lack the critical size to survive in an increasingly regulated and established market environment. The resultant mergers and takeovers lead to the emergence of ever larger market players. While small in-vitro diagnostics companies do not have the financial resources to develop their own system platforms, and are thus limited in terms of automation to "off-the-peg" standard appliances, the ability to offer a proprietary system platform with corresponding automation represents a key means of differentiation for larger-scale in-vitro diagnostics providers. As the majority of these providers tend to focus on their own core competencies, namely the development and marketing of reagents, the development and production of automation solutions is increasingly being outsourced to providers with specialist expertise and a correspondingly highly developed technology pool. This trend means that companies such as STRATEC are playing a leading role in developing the latest technologies.

Special requirements in molecular diagnostics systems

As already mentioned, the market for automation in the field of molecular diagnostics harbors considerable potential for providers such as STRATEC. However, it also places special requirements in terms of instrumentation, requirements for which intelligent solutions have to be offered to enable appliances to be developed as part of an overall system capable of maintaining its ground against the competition. A glance at the systems deployed in this area shows that there are basically three fields which are interesting for STRATEC.

The first field involves sample purification systems. Even though several appliances are already available for specific fields of application in this area, STRATEC believes that its clear focus on in-vitro diagnostics applications offers notable potential. With the "Pure" system it has developed internally, STRATEC intends to exploit this potential.

The second field of appliances involves combined automation of the amplification and detection steps. The reasons for maintaining the separation between sample purification and amplification are numerous, and range from existing approval for the assay with a purification system already in place from another provider, via the simple control of transmission problems, to the desire to offer systems with which the shift in the market away from ASRs can be bridged more easily. For these customers, the middleware software (software components enabling specific software systems to be combined with each other) developed by STRATEC's subsidiary Sanguin International is especially interesting. This enables the various appliances responsible for sample purification and for other process steps to be consolidated at least in terms of data, thus ensuring consistent traceability of the individual work steps for each primary sample or blood donation thereby measured.

The third field relates to the fully integrated automation of all work steps required in handling molecular diagnostic tests. Various in-vitro diagnostics providers have already launched the first appliances onto the market. One of the greatest challenges involved in instrumentation is to prevent the real problem of transmission from the amplified (multiplied) material back to the sample purification process.

Various trends relevant for instrumentation can be seen not only in the automation of the individual process steps, but also in the field of assay development. On the one hand, development work is moving away from purely qualitative methods towards quantitative methods, typically referred to in this area as real-time assays. In terms of instrumentation, this means that it has to be possible to perform the measurement of the results during the amplification stage already. This is also one of the main reasons for combining the detection step with amplification. A further trend emerging is that molecular diagnostic processes are increasingly being used as a means of confirming the results of other methods, such as immunological assays. This link acts as a driving factor for developing appliances with low throughput rates to be sold as partner systems to another system already established on the market. A further major development is the increasing application of isothermal processes as the means of amplification rather than PCRs (Polymerase Chain Reaction). This trend is very positive for STRATEC in its capacity as a manufacturer of appliances and automation specialist, as the sophisticated temperature profiles required by PCRs make the appliances not only complex and expensive, but also comparatively inflexible.

What developments will molecular diagnostics therefore bring in future in terms of automation?

The key objective of molecular diagnostic automation is to overcome the technical challenges involved in integrating molecular diagnostic testing processes by merging complex work processes into an integrated system. The ease of application of this type of appliance would facilitate the move from a niche product for highly-qualified laboratories to a user-friendly system for a majority of laboratories worldwide. This would make the application of ever increasing numbers of molecular diagnostic tests, which offer the advantage of more sensitive diagnoses and the possibility of earlier detection, accessible to a significantly larger share of the world's population, not least due to the lower costs involved. STRATEC will help to shape this transformation together with its customers and will offer new types of automation solution opening up new doors in the field of molecular diagnostics.

120
110

2008 on the stock markets

The global financial market crisis weighed heavily on the German stock market in 2008. Starting in mid-2007, the crisis spread from the real estate sector into the banking and financial sector, pushing the global economy into recession at the end of 2008. This gave rise to financial imbalances and liquidity shortages at banks and mortgage financers, as well as to a marked deterioration in the economic outlook, especially for Western Europe, the USA and Japan. As a result, stock markets showed highly volatile developments, with sharp reductions in share prices.

The effects of the crisis, exchange rate movements and volatile commodity prices all left their mark on German stock indices in 2008 in the form of a drastic reduction in prices. Over the twelve-month period, for example, the DAX fell by 40%, while with a minus of 47% the TecDAX virtually halved in value.

Performance of STRATEC's share

Against the backdrop of these very weak developments on the German stock market, companies in the German medical technology sector also reported a poor share price performance in 2008. The DAXsubsector Medical Technology, for example, fell by almost 37%.

STRATEC's share was also unable to escape the overall negative trend on stock markets in 2008. Starting at EUR 20.75 (Xetra, closing price on December 28, 2007), the share already reached its annual high at EUR 22.00 on January 4, 2008 (Xetra, Intraday) and then fell, accompanied by significant fluctuations, to its annual low of EUR 10.56 (Xetra, Intraday), which was reached on October 27, 2008. Following its subsequent recovery, STRATEC's share rose to EUR 13.55 at the end of the year (Xetra, closing price on December 30, 2008) and closed the 2008 trading year down 34.7%.

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 104.6 million changed hands on German marketplaces in 2008 (previous year: EUR 176.0 million). Of this total, the Xetra and Frankfurt marketplaces accounted for 96% (previous year: 93%). By far the greatest share of trading took place on the Xetra trading system.

Landesbank Baden-Württemberg and WestLB AG acted as designated sponsors for STRATEC in the 2008 financial year. The traders at these banks provide binding bid and offer prices for STRATEC shares on XETRA, thus supplying 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.

STRATEC issued a mandate to HSBC Trinkaus & Burkhardt AG, also awarded an AA rating, to act as designated sponsor with effect from March 1, 2009. The highly successful cooperation already in place 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. The cooperation with Landesbank Baden-Württemberg in the field of designated sponsoring was terminated as of February 28, 2009.

German Stock Exchange stock index ranking

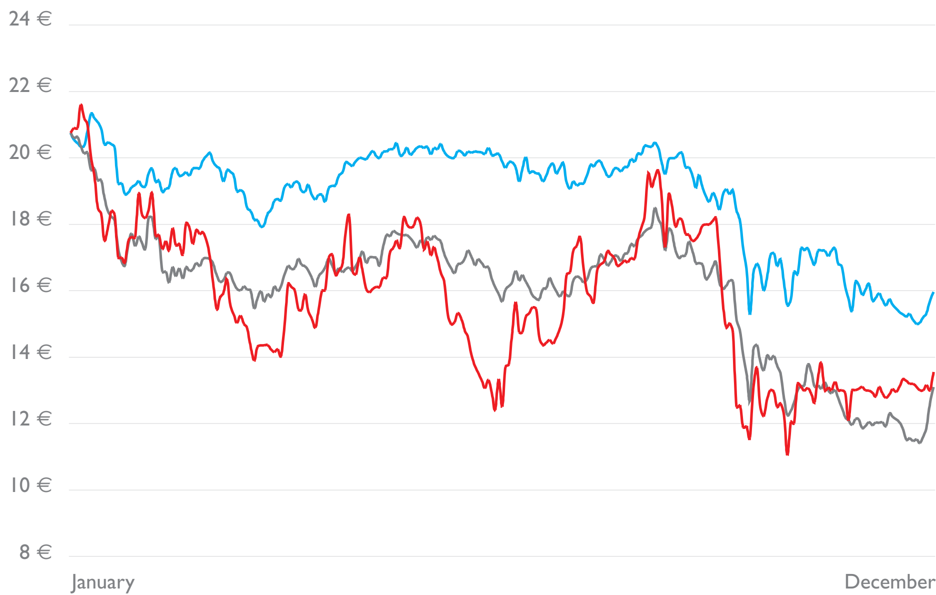
STRATEC's shares are listed in the Prime Standard, a segment of the Regulated Market of the Frankfurt Stock Exchange. The German Stock Exchange (Deutsche Börse), the company which operates the Frankfurt Stock Exchange, publishes stock index rankings at the beginning of every month. These serve as the 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 twelve 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 33rd position in terms of its free float market capitalization (previous year: 46th) and 43rd position in terms of order book turnover (previous year: 48th) as of December 31, 2008.

An increase in the share price accompanied by further growth at the company, coupled with an ongoing increase in trading volumes, 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 2008



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

Key Figures for STRATEC's Share

Key figures		2008	2007
Earnings per share	Euro	0.54	0.88
Dividend per share	Euro	0.35	0.22
Cash flow per share	Euro	0.92	1.06
Share capital	Euro million	11.4	11.4
Market capitalization	Euro million	154.8	236.9

Stock market prices		2008	2007
Year-end price	Euro	13.55	20.75
Annual high	Euro	22.00	29.53
Annual low	Euro	10.56	17.16

Shareholder-friendly dividend policy

In view of the expected future business performance of the STRATEC Group, its high volume of liquidity and its high equity ratio, the Supervisory Board and Board of Management will propose the distribution to shareholders of a dividend of EUR 0.35 per share with dividend entitlement (previous year: EUR 0.22) for approval by the Annual General Meeting on May 20, 2009. Subject to approval by the Annual General Meeting, this would be equivalent to a total distribution of EUR 4.0 million (previous year: EUR 2.5 million).

Shareholder structure

The level of free float for STRATEC's shares calculated in line with the definition of the German Stock Exchange amounted to 56.6% as of December 31, 2008 (previous year: 56.7%). The remaining shares involve fixed shareholdings and are attributable to the company's founder and Chairman of its Board of Management, Hermann Leistner, his family and their investment company.

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 attract new investors. STRATEC's investor relations activities ensure that investors, analysts and the business and financial media are actively provided with continuous, up-to-date information as to the company's business performance.

Our financial calendar, which is published in the annual report, quarterly reports and on our company's homepage, allows shareholders to inform themselves of important dates regularly and with sufficient notice. In the 2008 financial year, STRATEC published seven press releases, eight ad-hoc announcements, one extensive annual report and three interim reports. Via our electronic newsletter, we drew readers' attention to the publication of press releases and ad-hoc announcements, as well as to special events relating to STRATEC.

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

We further raised the interest shown in our company by the capital market in the 2008 financial year as well. Among other factors, this is documented by the further increase in the number of financial instructions publishing reports about STRATEC and providing regular commentaries on important events at the company. In addition to Berenberg Bank, Crédit Agricole Cheuvreux, HSBC Trinkaus & Burkhardt, Landesbank Baden-Württemberg, and WestLB, Viscardi and Goldman Sachs now also regularly compile 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 August 2008, 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 2008. The previous round of amendments was adopted in June 2007.

On December 12, 2008, the Board of Management and Supervisory Board submitted the following Declaration of Conformity for the 2008 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 14, 2007 since submitting its previous Declaration of Conformity on December 13, 2007 – 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 6, 2008 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 und 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 5.4.6
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 31 "Disclosures relating to closely related companies and individuals" and to the group management report, Chapter 8 "Basic features of the compensation system for the Board of Management and Supervisory Board".
- Disclosures concerning stock option programs and similar share-based incentive systems: Reference is made to the notes to the consolidated financial statements, Note 14 "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.

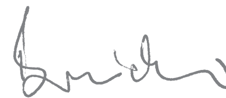
The securities transactions subject to these disclosure requirements have been published on the internet site of the company and on the internet site of the Federal Financial Supervisory Authority.

Birkenfeld, March 2009

On behalf of the Board of Management

Hermann Leistner
Chairman

On behalf of the Supervisory Board



Fred K. Brückner
Chairman

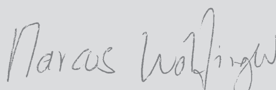
Responsibility Statement

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

Birkenfeld, March 20, 2009

STRATEC Biomedical Systems AG
The Board of Management

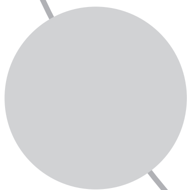
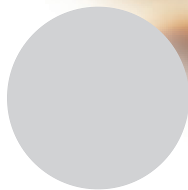
Hermann Leistner



Marcus Wolfinger

Bernd M. Steidle

GROUP MANAGEMENT REPORT

Group Management Report of STRATEC Biomedical Systems AG for the 2008 Financial Year

1. Overview of business performance and earnings

For STRATEC, the 2008 financial year was characterized by maximum development output. Decisive milestones were reached in a total of five major customer projects in 2008. Even though this record level of development output was accompanied by turnover difficulties on the part of one of our customers, the company nevertheless managed to maintain its margin at a very high level.

- EBITDA margin of 22.2% well above industry standard
- Consolidated net income down by just 17.9% (*) – notwithstanding 10% reduction in sales and record development output
- Earnings per share at EUR 0.72 (*), as against EUR 0.88 in previous year
- Liquid resources of EUR 19.2 million in spite of record dividend
- Proposed increase in dividend by 59% to EUR 0.35 per share

(*) excluding a non-operating one-off expense of around EUR 2.1 million due to a valuation adjustment

Major development projects in highly advanced stages:

- Further substantial gain in significance for automation of molecular biological applications
- Share of system platform business expanded within product portfolio
- STRATEC addresses high-growth market segments in the field of clinical diagnostics.

As the STRATEC Group had to contend with weak turnover, notably in the fourth quarter of 2008, caused by restructuring measures at a major customer in the wake of its consolidation of several individual companies, it was unable to maintain the strong course of growth seen in the past eight years.

On account of the following considerations, however, this is no significance for the company's long-term development:

- Contractual agreements and long lead times, with project terms of up to 20 years (up to three years for development, one year for approval, eleven years of active marketing and up to five years supplying consumables), mean that periods of consolidation at individual customers are of no significance.
- The company's growth in coming years is secured by several projects involving sales volumes in a high double-digit and triple-digit million euro range.
- In view of its business model and technology pool, STRATEC is positioned as a global market leader for outsourcing projects in the field of fully automatic diagnostics systems.

The relative margin contribution of the two largest individual companies within the STRATEC Group, namely STRATEC AG and Robion AG, developed in favor of STRATEC AG in the 2008 financial year. This was due to the products marketed by Robion AG having been particularly affected by the weakness in turnover referred to above.

2. Market and sector

Market and sector: overview

A great majority of the analyzer systems designed and produced by STRATEC are used for in-vitro diagnostics (e.g. blood donation services).

The users of these analyzer systems, for example hospital laboratories, do not constitute 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 partners relates in particular to the development and worldwide sale of reagents (the chemicals required for the reaction), as well as related marketing activities and the development of the relevant industrial property rights. Moreover, there has been no let-up in the trend towards some of the world's leading diagnostics companies outsourcing even the development and enhancement of testing processes in some cases to reagent development companies.

Due in particular to the positions in which market players find themselves and to the overall macroeconomic situation, the long-term trend towards consolidation within the diagnostics industry witnessed a temporary interruption in 2008. All in all, however, experts within the industry concur that the trend towards consolidation will continue.

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%, the relatively high level of growth in the overall market will, according to experts, continue unchanged at around 7% (CAGR) between 2006 and 2010.

Given the rising number of tests per patient and increasing volume of patients, experts are in agreement that there should be no negative implications for the segments of the clinical diagnostics markets served by STRATEC.

Demographic factors mean that the diagnostics market is automatically expected to see substantial growth in the longer term. As already in past years, we expect the overall market to achieve growth of more than 5% per annum in the coming three years.

Within the diagnostics sector, it is still apparent that individual segments will post significantly higher growth rates than the market average. More specifically, these high-growth segments include molecular diagnostics (expected CAGR of 17% from 2006 to 2010), near-patient testing and diagnostics based on the use of luminescence immunoassays (currently one of the methods offering the best value for money).

The in-vitro diagnostics market segments referred to here all represent the main markets of the STRATEC Group, which has a wealth of expertise and experience, as well as systems currently being sold and in development, in these areas.

Market and sector: key success factors

Economic effectiveness – The expertise built up within the STRATEC Group over many years enables the company's customers to define the development costs and transfer prices for the analyzer systems in development at the beginning of a development project already. Once the specifications for an automated solution have been determined, the parties contractually agree fixed prices for the use of STRATEC technology and the transfer price per analyzer system.

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, development transfer and production available under one roof at STRATEC, coupled with the relevant logistical structures, make for a highly economic overall package for STRATEC's customers.

Quality of development results – Alongside the quality of development results and the achievement of a balanced relationship between price-sensitive specific development work and recycling parts and modules, the reliability of analyzer systems as 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 introduced at a later stage during serial production often oblige customers to undertake a renewed audit 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 shaped 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.

Customized development – Based on two fundamental approaches to development, namely the system platform business, in which a generic system is adapted to customer-specific requirements, and the business in which completely new analyzer systems are developed on the basis of existing technologies, we generate the predominant share of our sales with solutions developed or adjusted to specific customer requirements and which, once development is complete, are then serially produced over a period of several years.

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.

The Group initiated new retailer and distributor sales compatible with our core distribution channels for two analyzer systems in 2008.

Market and sector: the market position of the STRATEC Group

The companies within the STRATEC Group have significantly extended their already very good competitive positions and unique selling points by agreeing new development cooperations, and in particular by means of successful project management concerning the achievement of major development milestones. STRATEC's leadership in the field of outsourcing solutions for the diagnostics industry is based on the consistent implementation of its corporate strategy.

Customers – In recent years, STRATEC has succeeded in substantially raising its presence among market and technology leaders in the diagnostics industry. Agreements are concluded 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 2008. 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.

Innovation and project management – STRATEC's management adopts systematic and heuristic approaches internally 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 solutions for diagnostics applications.

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. This expertise is 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 automation solution in question on behalf of the customer, thus allowing all aspects of further development performed during the marketing stage to be portrayed at STRATEC. The unique scope of our services provides us with a substantial competitive advantage.

3. Financial position and investments

The cash flow reduced from EUR 12.7 million in the previous year to EUR 9.1 million. As a result, and due to increased inventories, the inflow of funds from operating activities also fell from EUR 9.7 million to EUR 4.7 million.

Investment activities focused in the year under report on investments of EUR 1.4 million made in development-related and product-related property, plant and equipment. Furthermore, the STRATEC Group invested EUR 0.4 million in software.

Financing activities led to an overall outflow of funds of EUR 3.7 million in 2008. This figure includes an outflow of funds amounting to EUR 2.5 million for the distribution of the dividend for the 2007 financial year and outgoing payments of EUR 2.0 million for the acquisition of treasury stock. This was countered by a net inflow of funds of EUR 0.8 million resulting in particular from the taking up of an innovation loan on favorable interest terms.

The net total of all inflows and outflows of funds in 2008 led to a currency-adjusted reduction in liquid funds by EUR 0.7 million to EUR 19.2 million as of December 31, 2008.

4. Earnings position

The high volume of development work on current customer projects and resultant increase in volumes of unfinished services meant that the overall performance amounted to EUR 67.6 million, thus almost matching the previous year's figure of EUR 69.7 million, even though sales fell from EUR 67.5 million in the previous year to EUR 61.0 million.

Given the lower share of sales accounted for by sales not requiring materials input, it was not possible to reduce the cost of sales to the same extent.

As a result of the further expansion of development activities, personnel expenses grew from EUR 15.8 million to EUR 16.7 million. Other operating expenses rose from EUR 5.8 million to EUR 6.4 million, although the expenses for exchange differences included in this item increased by EUR 1.0 million.

At EUR 2.3 million, amortization of intangible assets and depreciation of property, plant and equipment remained constant. The EBIT for the 2008 financial year amounted to EUR 11.2 million, compared with EUR 14.3 million in 2007.

The net financial expenses of EUR -1.8 million were attributable to the reduction in the carrying amount of CyBio AG by EUR -2.1 million in line with its fair value.

Taxes on income amounted to EUR 3.3 million in 2008, compared with EUR 4.5 million in the previous year. Consolidated net income thus amounted to EUR 6.1 million.

5. Asset and capital structure

Total assets rose to EUR 70.0 million, an increase of EUR 3.1 million on the previous year. Non-current assets decreased from EUR 14.0 million to EUR 10.5 million.

The goodwill recognized under intangible assets was adjusted to account for currency fluctuations. Other intangible assets mainly relate to the fair values identified, which were recognized due to the acquisition of Sanguin International Ltd. and are being amortized over their useful lives.

Due to adjustment in the fair value measurement through profit or loss, the amount carried for the shareholding held in CyBio AG reduced by EUR 2.1 million to EUR 0.6 million.

Current assets grew by EUR 6.6 million to EUR 59.5 million. Raw materials and supplies rose from EUR 5.1 million to EUR 7.0 million, while unfinished products and unfinished services increased from EUR 10.6 million to EUR 16.8 million.

Trade receivables could be reduced by EUR 0.9 million to EUR 9.7 million, while future receivables on construction contracts remained constant at EUR 4.9 million.

The securities were acquired for trading purposes and recognized at a value of EUR 0.3 million at the reporting date.

Notwithstanding the dividend payment of EUR 2.5 million, shareholders' equity grew from EUR 48.6 million to EUR 49.9 million. The equity ratio amounted to 71.3% as of December 31, 2008.

Non-current liabilities remained virtually unchanged at EUR 6.8 million. Trade payables increased by EUR 1.0 million to EUR 3.6 million, while other current liabilities grew by 39% to EUR 7.3 million. By contrast, current provisions could be reduced from EUR 1.3 million to EUR 0.9 million and income tax liabilities from EUR 2.1 million to EUR 1.0 million.

6. Development

The successful completion of each individual development project in such a way as to meet the requirements jointly defined with the customer represents the key characteristic of the STRATEC Group and is at the same time one of its most important USPs. Although STRATEC is to be viewed in objective terms as a development company, we are of the opinion that the requirements set out in IAS 38 for the capitalization of development projects as intangible assets were still not adequately met in 2008. This is largely due to the fact that the underlying criteria can only be assessed at a relatively late stage of development. By adopting this approach, we have accounted for the actual situation and conservatively evaluated the resultant risks and opportunities as of the 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 erroneous 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 sharpest growth in development output in the company's history was accompanied by a substantial increase in the number of employees working in our development departments.

A total of 14 new jobs were created at the STRATEC Group in 2008. Including the personnel hired from a temporary employment agency, the STRATEC Group had 284 employees as of December 31, 2008 (previous year: 270). The average number of personnel (excluding temporary personnel) employed at the STRATEC Group increased to 238 (previous year: 229).

Personnel expenses rose by a total of 5.4% to EUR 16.7 million in the year under report (previous year: EUR 15.8 million). This increase in personnel expenses is mainly due to the growth in the workforce. The development departments in particular witnessed substantial increases in their personnel totals.

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 growth focus. The largest share of STRATEC's 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 2009 and 2012 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 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 resolutions adopted by the Annual General Meetings on May 16, 2007.

A D&O insurance policy has been concluded for the Board of Management and Supervisory Board of STRATEC AC and the managing directors of subsidiaries. No deductible is foreseen, as 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 capped at 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

STRATEC covers only a small part of the production chain, focusing its production activities on the share creating the greatest value and requiring the greatest expertise. This approach increases revenues, but at the same time also raises the complexity of its logistics, which basically involve complex functional modules. These modules are purchased from a small number of suppliers distinguished by their quality management systems and a process orientation compatible with that at STRATEC. STRATEC works with long-term master agreements to secure supply capabilities and price reliability.

10. 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's analyzer systems.

11. Sales logistics

The companies in the STRATEC Group forward the analyzer systems directly to the centralized procurement organizations of the 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.

12. Corporate compliance

STRATEC 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 instrumentation of clinical-diagnostic applications, 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 was significantly extended in 2008 and is currently being integrated into the existing risk management system. In particular, definitions of rules and regulations have been substantially refined within the individual specialist departments governed by compliance 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 is crucially dependent 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 being incurred at the respective customer due to non-compliance with general product requirements as a result of development shortfalls as representing an equally 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 the company's directors and officers. The availability of considerable expertise 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 dealt with appropriately. The investor relations and communications departments of the STRATEC Group are the contact partners 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. This process is dependent on the clear instruction 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 requirements (including those applicable to the capital market).

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

All key positions at the STRATEC Group are filled with responsible, competent employees. Within their respective areas of responsibility, however, managers 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. Accounting procedures and the flow of funds at the companies are inspected by applying the dual control principle and by undertaking audits of key areas upon the preparation of the financial statements.

The Board of Management is regularly informed about the compliance system and about important compliance-related 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 directors and officers 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, including those arising over time, to be viewed and assessed 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 products, lie outside the control of the STRATEC Group. Due to our business model, trials, validation, the extent to which minimum purchase volumes are exceeded and 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, a factor which by definition limits the number of potential partners. This can potentially result in a high degree of dependency. The resultant concentration of sales on a limited number of key customers and volatilities in the sale of analyzer systems to these customers can lead to fluctuations in STRATEC's performance. By further diversifying its customers in the market for laboratory automation in the fields of diagnostics and research, the STRATEC Group is endeavoring to further reduce the aforementioned vulnerability to individual 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 directly or indirectly 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 coupled 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 necessitates this degree of concentration in terms of suppliers. 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 payment. A distinction is made in this respect between:

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

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

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 material variances between the respective carrying amounts and fair values.

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

Financial risks can in principle arise from currency and interest rate fluctuations, as well as from financial dependency on individual debt capital providers.

Currency risks in procurement and sales markets are still of immaterial significance for the STRATEC Group, as the majority of its procurement markets are located within the euro area and group companies also mainly denominate their invoices in euros. There was no increase in the flow of payments from outside the euro area in 2008. 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, the internationalization of procurement activities and in particular the high volume of currency holdings, the Group is facing significantly increased risk in terms of currency fluctuations. In 2008, the exchange rate differences between CHF and EUR and GBP and EUR had a tangible impact in connection with the Swiss subsidiary Robion AG and the British subsidiary Sanguin International Ltd.

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 substantial growth expected at the company in the coming years, 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.
- 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 with 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 11,425,694 ordinary shares with a nominal value of EUR 1.00 each (previous year 11,415,751 ordinary shares). The shares are bearer shares. At the reporting date, the Chairman of the Board of Management, Hermann Leistner, held 9.44% of the share capital directly and a further 9.98% indirectly via an investment company under his control.

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 opposing provisions in this respect.

The Annual General Meeting held on May 21, 2008 authorized the company up to November 20, 2009 to acquire treasury stock up to a total of ten percent of the company's share capital. The company acted on this authorization in the period from June 30, 2008 to September 12, 2008 by acquiring a total of 130,000 treasury stock with an equivalent value of EUR 2.0 million.

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 must generally 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 provision of the Articles of Incorporation, the company has various conditional capitals with a total value of EUR 1.4 million as of December 31, 2008. 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 Board of Management and Supervisory Board 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 German Corporate Governance Code.

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

Events after the reporting date

STRATEC held a 13.42% stake in CyBio AG, Jena, as of December 31, 2008. Taken together with the posting of a Supervisory Board member, an overall assessment of the circumstances substantiated the assumption of the existence of significant influence pursuant to IAS 28.2 in conjunction with IAS 28.7 at the reporting date on December 31, 2008.

A voluntary public takeover bid addressed to the shareholders in CyBio AG offering to acquire their shares in CyBio AG, which was published on February 20, 2009, and the resultant gaining of control over CyBio AG by third parties on February 23, 2009 refuted this assumption and was accounted for in the overall assessment upon preparation of STRATEC's consolidated financial statements as of December 31, 2008 (subsequent event of retrospective relevance as of the reporting date).

Due to the refutation of the assumption of significant influence, the measurement of the CyBio shareholding was not converted to the equity method (amortized cost) in STRATEC's annual financial statements.

The shares in CyBio AG have rather been measured at fair value as of the reporting date in accordance with the "financial assets available for sale" measurement category in IAS 39. As CyBio AG is publicly listed, the fair value is equivalent to the share price of EUR 0.84 as of December 31, 2008.

In this respect, the difference in value has now been recognized through profit or loss pursuant to IAS 39.68, as the significant and prolonged reduction in the share price below cost in the 2008 financial year is deemed to represent a permanent impairment.

STRATEC accepted the voluntary public takeover bid addressed to shareholders in CyBio AG, which involved an offer to acquire their shares at EUR 1.10 per share. The relevant agreement includes an income adjustment clause.

Business strategy

With continuous growth in its development output, the expansion of its technological leadership and a consistently rising rate of reinvestment, STRATEC is upholding its long-term strategy as a growth-driven, 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. As the volume of financial funds available showed less volatility in 2008 than in previous years, thus enabling us to create reserves for potential acquisitions, diversified investment strategies have once again returned to the foreground. In the short term, these involve cases where short-term liquidity reserves are required, for example to undertake the 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, given 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 relate to a general transaction.

Objectives for 2009

Our budgets are based on the assumption that component prices will remain stable within a medium range.

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 at least twice as fast on average as the overall market in the coming five years.

Our efforts to increase our margins 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 especially after the reporting date, such as the development status of existing development projects, as well as new orders, 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.

Birkenfeld, March 20, 2009

STRATEC Biomedical Systems AG
The Board of Management

Hermann Leistner

Marcus Wolfinger

Bernd M. Steidle

Consolidated Balance Sheet of STRATEC Biomedical Systems AG as of December 31, 2008

ASSETS

	Note	12.31.2008 EUR	12.31.2008 EUR	Prev. year EUR 000s
Non-current assets				
Intangible assets	(1)			
Goodwill		608,254.34		789
Other intangible assets		2,692,056.03		4,088
			3,300,310.37	4,877
Property, plant and equipment	(2)		6,296,084.82	6,017
Financial assets				
Investments in associates	(3)	285,175.93		338
Shareholdings	(4)	608,918.52		2,735
Other financial assets	(5)	0.00		21
			894,094.45	3,094
			10,490,489.64	13,988
Current assets				
Inventories	(6)			
Raw materials and supplies		6,986,321.15		5,130
Unfinished products, unfinished services		16,825,090.21		10,563
Finished products		283,467.12		302
			24,094,878.48	15,995
Receivables and other assets				
Trade receivables	(7)	9,681,573.29		10,580
Future receivables from construction contracts	(8)	4,901,607.54		4,850
Receivables from associates	(9)	167,050.29		136
Income tax receivables	(10)	139,997.39		0
Other receivables and other assets	(11)	988,920.31		1,014
			15,879,148.82	16,580
Securities	(12)		292,781.04	424
Cash and cash equivalents	(13)		19,208,359.38	19,884
			59,475,167.72	52,883
TOTAL ASSETS			69,965,657.36	66,871

SHAREHOLDERS' EQUITY AND DEBT

	Note	12.31.2008 EUR	12.31.2008 EUR	Prev. year EUR 000s
Shareholders' equity	(14)			
Share capital			11,425,694.00	11,416
Capital reserve			10,746,425.16	10,554
Revenue reserves			24,279,687.50	16,799
Consolidated net income			6,130,961.80	9,991
Treasury stock			-2,013,781.63	-13
Other equity			-667,156.67	-171
			49,901,830.16	48,576
Debt				
Non-current debt				
Non-current financial liabilities	(17)	5,660,956.73		5,103
Pension provisions	(15)	0.00		0
Deferred taxes	(16)	1,089,311.97		1,474
			6,750,268.70	6,577
Current debt				
Current financial liabilities	(17)	446,744.01		340
Trade payables	(18)	3,631,750.77		2,644
Liabilities to associates	(18)	70,306.76		91
Other current liabilities	(19)	7,304,886.68		5,240
Current provisions	(20)	891,836.13		1,321
Income tax liabilities	(20)	968,034.15		2,082
			13,313,558.50	11,718
TOTAL SHAREHOLDERS' EQUITY AND DEBT			69,965,657.36	66,871

Consolidated Income Statement of STRATEC Biomedical Systems AG for the Period from January 1 to December 31, 2008

	Note	2008 EUR	2008 EUR	Prev. year EUR 000s
Sales	(21)		60,970,789.54	67,527
Increase in volume of finished and unfinished products and unfinished services	(22)		6,219,375.69	1,733
Other own work capitalized	(2)		456,028.00	419
Overall performance			**67,646,193.23**	**69,679**
Other operating income	(23)		1,146,113.61	747
Cost of materials				
a) Cost of raw materials and supplies		31,216,504.04		31,564
b) Cost of purchased services		946,355.36		653
			32,162,859.40	32,217
Personnel expenses	(24)			
a) Wages and salaries		14,525,891.28		13,731
b) Social security contributions, pension expenses and other benefits		2,168,256.54		2,102
			16,694,147.82	15,833
Amortization of intangible assets and depreciation of property, plant and equipment	(25)		2,285,251.95	2,270
Other operating expenses	(26)		6,424,923.69	5,790
Income from profit transfer agreements		-70,576.42		1
Financial income		644,018.89		423
Financial expenses		224,447.79		191
Other financial income/expenses		-2,187,099.74		-32
Net financial expenses	(27)		**-1,838,105.06**	**201**
Operating result (EBT)			**9,387,018.92**	**14,517**
Taxes on income	(16)			
a) Current tax expenses		3,554,552.69		4,970
b) Deferred tax expenses		-298,495.57		-444
			3,256,057.12	4,526
Consolidated net income			**6,130,961.80**	**9,991**
Earnings per share in Euro	(28)		**0.54**	**0.88**
No. of shares used as basis			11,359,898	11,324,028
Diluted earnings per share in Euro	(28)		**0.54**	**0.87**
No. of shares used as basis (diluted)			11,387,716	11,440,444

Statement of Changes in Group Shareholders' Equity of STRATEC Biomedical Systems AG for the 2008 Financial Year

EUR 000s	Share capital	Capital reserve	Revenue reserves: Retained earnings	Revenue reserves: Other revenue reserves	Consolidated net income	Treasury stock	Other equity: Reserve for fair value measurement	Other equity: Currency translation	Group equity
December 31, 2006	**11,260**	**9,864**	**9,239**	**1,539**	**7,741**	**-13**	**362**	**142**	**40,134**
Dividend payment					-1,688				-1,688
Transfer to other 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	156	501							657
Transfers due to stock option plans		157							157
Adjustment due to fair value measurement of items available for sale							-257		-257
Currency translation								-418	-418
Consolidated net income 2007					9,991				9,991
December 31, 2007	**11,416**	**10,553**	**13,261**	**3,539**	**9,991**	**-13**	**105**	**-276**	**48,576**
Dividend payment					-2,510				-2,510
Transfer to other revenue reserves				2,000	-2,000				0
Profit carried forward			5,481		-5,481				0
Statement of statutory reserves		0	0						0
Acquisition of treasury stock						-2,001			-2,001
Issue of subscription shares from stock option programs, less costs of capital issue after taxes	10	28							38
Transfers due to stock option plans		164							164
Adjustment due to fair value measurement of items available for sale							-105		-105
Currency translation								-391	-391
Consolidated net income 2008					6,131				6,131
December 31, 2008	**11,426**	**10,745**	**18,742**	**5,539**	**6,131**	**-2,014**	**0**	**-667**	**49,902**

Consolidated Cash Flow Statement of STRATEC Biomedical Systems AG for the Period from January 1 to December 31, 2008

	Note	EUR 000s 2008	EUR 000s 2007
I. Operations			
Consolidated net income		6,131	9,991
Depreciation and amortization		2,285	2,270
Current income tax expenses		3,555	4,970
Income taxes paid less income taxes received		-4,809	-4,572
Financial income		-644	-423
Financial expenses		224	191
Interest paid		-274	-141
Interest received		602	416
Other non-cash expenses	(13)	2,578	381
Other non-cash income	(13)	-543	-328
Change in net pension provisions	(15)	0	-53
Cash flow		**9,105**	**12,702**
Change in deferred taxes through profit or loss		-298	-444
Profit on the disposal of non-current assets		-24	-13
Increase in inventories, trade receivables and other assets		-7,210	-2,939
Increase in trade payables and other liabilities		3,117	262
Inflow of funds from operating activities		**4,690**	**9,568**
II. Investments			
Incoming payments from the disposal of non-current assets		49	19
Outgoing payments for investments in consolidated non-current assets			
Intangible assets		-381	-239
Property, plant and equipment		-1,432	-1,584
Financial assets		-78	-333
Outflow of funds for investment activities		**-1,842**	**-2,137**
III. Financing			
Incoming payments from the taking up of financial liabilities		1,000	3,000
Outgoing payments for the repayment of financial liabilities		-253	-1,219
Incoming payments from the issue of shares for employee stock option programs		38	657
Outgoing payments for the acquisition of treasury stock		-2,001	0
Dividend payments		-2,510	-1,688
Outflow of funds (previous year: inflow) for financing activities		**-3,726**	**750**
IV. Cash-effective change in cash and cash equivalents (Balance of I - III)		**-878**	**8,181**
Cash and cash equivalents at start of period		19,884	11,991
Change in cash and cash equivalents due to changes in exchange rates		202	-288
Cash and cash equivalents at end of period	(13)	**19,208**	**19,884**

I. Principles and methods

1. General disclosures

STRATEC Biomedical Systems AG (hereinafter "STRATEC AG") designs and manufactures fully automated systems for its partners in the fields of clinical diagnostics and biotechnology. These partners market such systems, in general together with their own reagents, to laboratories, blood banks and research institutes around the world. The company develops its products on the basis of its own patented technologies.

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 12, 2008.

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 prepare 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 prepared by STRATEC AG as the topmost parent company as of December 31, 2008 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 reporting date. Account has been taken of the IAS and IFRS applicable as of the 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 or revised standards and interpretations whose application had no or no material implications for the consolidated financial statements were applied for the first time in the 2008 financial year:

IFRIC 11 "Discretionary Issues in Share-based Compensation"

This interpretation addresses two issues. The first involves the question as to whether certain transactions should be recognized as equity-settled or cash-settled pursuant to the requirements of IFRS 2. The second issue involves share-based payment transactions involving two or more companies within the same group. This interpretation required application for the first time in financial years beginning on or after March 1, 2007.

IFRIC 12 "Service Concession Arrangements"

IFRIC 12 sets out how operators in the context of service concession arrangements are required to apply existing IFRS to record the obligations assumed and rights received within the framework of such arrangements. IFRIC 12 requires application for the first time in financial years beginning on or after January 1, 2008.

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"

IFRIC 14 addresses the interaction between an obligation to make additional contributions to a pension plan as of the reporting date (minimum funding requirement) and the requirements of IAS 19 concerning the limit on any positive balance of plan assets and the defined benefit obligation (asset ceiling). IFRIC 14 requires mandatory application in financial years beginning on or after January 1, 2008.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"

On October 13, 2008, the IASB adopted amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and to IFRS 7 "Financial Instruments: Disclosures". These amendments to IAS 39 and IFRS 7 allow specified financial instruments to be reclassified in exceptional circumstances from the held for trading category to another category. The financial crisis on the money and capital markets is deemed to represent such exceptional circumstance, meaning that companies would be justified in drawing on this possibility. To this end, IAS 39.50 has been amended, with the addition of paragraphs 50B-50F and 103G. Moreover, IFRS 7.12 has been amended, with the addition of paragraphs 12A and 44E. According to the amendments to IAS 39 and IFRS 7, companies should be permitted to reclassify specified financial instruments from July 1, 2008 already.

In view of the financial crisis and the fact that certain financial instruments are no longer being traded or that the relevant markets are no longer active, or are out of balance, the IASB and EU were of the opinion that these amendments must be introduced immediately on October 15, 2008 already to enable specified financial instruments to be reclassified retrospectively for the quarterly financial statements as of September 30, 2008 already. STRATEC AG has made no use of this possibility.

Update to the IAS 39 amendment

On November 27, 2008, the IASB published an update to the amendments to IAS 39 published on October 13, 2008 in respect of the reclassification of financial instruments. In this slightly modified version of the amended version of IAS 39, the transitional regulations, which had resulted in a lack of clarity in practice, are formulated more clearly. It is clarified that reclassifications introduced on or after November 1, 2008 enter effect from the date of reclassification and may not refer to earlier dates. Reclassification regulations applied prior to November 1, 2008 may refer to earlier dates up to November 1, 2008 or later. However, the reclassification regulations may not be applied to dates prior to November 1, 2008. Even though these amendments have not yet been adopted in European law, they should nevertheless be accounted for in their currently valid wording when interpreting doubtful cases arising upon the amendments becoming effective, as the IASB published the clarification now included in the amendment in the October issue of IASB Update already and as the amendment does not in principle constitute a new requirement, but rather clarifies the requirements already adopted in EU law.

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

Revision of IAS 1 "Presentation of Financial Statements"

A revised version of IAS 1 was published in September 2007. The amendments chiefly relate to the separate presentation of changes in equity resulting from transactions with owners and other amendments, as well as amendments in the title of some of the components of the financial statements. The amended standard requires application in financial years beginning on or after January 1, 2009.

Amendment to IAS 1 "Recognition of current financial assets and liabilities"

An amendment to IAS 1 "Presentation of Financial Statements" (revised 2007) has clarified that financial assets and liabilities categorized as held for trading pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" do not automatically have to be recognized as current assets or liabilities (IAS 1.68 and 1.71). The previous wording had given rise to doubtful cases, especially in the case of standalone derivatives. The decisive criterion governing allocation to non-current or current balance sheet items is whether the financial asset or liability item is expected to be held by the company for more or less than twelve months. Accordingly, the categorization as held for trading pursuant to IAS 39.9 determines the measurement of the respective financial instrument, but not the specific item under which it must be recognized.

Amendment to IAS 20 "Accounting treatment of low-interest government loans"

The existing version of IAS 20.37 did not require the benefits of a government loan with an interest rate below market interest rates to be quantified by calculating the interest. According to IAS 39.43 "Financial Instruments: Recognition and Measurement", however, financial liabilities must be measured at fair value upon initial recognition, i.e. the interest benefit of low-interest loans must be included. IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" has therefore now been amended, with the deletion of Paragraph 37 and the addition of a new Paragraph 10A requiring mandatory recognition and measurement of low-interest government loans in accordance with the requirements of IAS 39. The amount identified from a comparison of the cash amount received with the amount initially recognized for the loan in the balance sheet is to be recognized as the benefit pursuant to the requirements of IAS 20.

Amendment to IAS 23 "Borrowing Costs"

The amendment provides for the mandatory capitalization of borrowing costs that are directly attributable to the acquisition, construction or manufacture of qualifying assets. The option of recognizing such costs immediately through profit or loss has thus been abolished. This amendment requires application for the first time in financial years beginning on or after January 1, 2009.

Amendments to IAS 32

The IASB published the revised version of IAS 32 "Financial Instruments: Presentation" on February 14, 2008. This standard is of key importance for the distinction between equity and debt capital. The IASB has thus responded to 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. Voluntary premature application is possible.

Amendment to IAS 39 – Reclassification of Financial Instruments

The amendments to IAS 39 "Financial Instruments: Recognition and Measurement" relate to exceptions to the principle – watered down in October 2008 – set out in IAS 39.50 that financial instruments in the fair value through profit or loss category may not be classified to another category as long as they are held. IAS 39.50A now clarifies that neither of the following two actions constitutes reclassification: firstly, designation of a financial instrument in this category as a cash flow hedge derivative for the first time and secondly the termination of the cash flow hedge relationship due to the requirements of such no longer being met.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"

On July 31, 2008, the IASB published an amendment to IAS 39 "Financial Instruments: Recognition and Measurement" with the title "Eligible Hedged Items". In this amendment to the standard, the IASB has focused on compiling guidelines for the application of hedge accounting principles. The revision to IAS 39 on the one hand specified the risks which classify for hedge accounting and on the other hand clarified the cases in which a company may designate a portion of the cash flow from a financial instrument as a hedged item. This revision has not led to the amendment of any existing requirements, but has rather supplemented existing requirements with additional explanatory paragraphs in the Application Guidance. The amendments to IAS 39 require mandatory application in financial years beginning on or after July 1, 2009. Earlier application is possible. From a current perspective, the amendment to this standard will not have any implications for the consolidated financial statements of STRATEC AG, as accounting practice at the company already conformed with these clarifying requirements previously.

Amendments to IFRS 1 "First-time Adoption of IFRS"

On November 27, 2008, the IASB published a revised version of IFRS 1 "First-time Adoption of IFRS". The amendments to IFRS 1 merely affect the structure of the standard in the interests of enhancing legibility and comprehension of the standard and of allowing future amendments to be included more easily. No amendments have been made to the requirements of IFRS 1 in respect of the first-time adoption of IFRS. Since its adoption in 2003, IFRS 1 had undergone numerous amendments and extensions. As a result, the standard and its structure had become highly complex. An improved structure for IFRS 1 was already proposed in 2007 in the context of the Annual Improvements Project but was then reclassified as a separate project. The revised version of IFRS 1 requires mandatory application in financial years beginning on or after January 1, 2009. Earlier application is permitted. The amendment to this standard has no implications for the consolidated financial statements of STRATEC AG, as the requirements of IFRS 1 are of no relevance.

Revised version of IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements"

The International Accounting Standards Board (IASB) published the revised version of IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements" on May 22, 2008. This marks the completion of a project launched in March 2006 to simplify the measurement of investments in subsidiaries in separate financial statements prepared for the first time in accordance with IFRS. The revised version has resulted in simplifications, particularly with regard to initial measurement of investments in subsidiaries, jointly controlled entities and associates at fair value or, as a substitute, at their carrying amounts in previous accounting practice. A further simplification involves the deletion of the definition of the purchase cost method from IAS 27. This eliminates the costly process of separating profits into "before" and "after" the acquisition. According to the new requirements of IAS 27, dividends are to be recognized in full as income. A further amendment relates to the reorganization of an existing group structure. The revised version of IAS 27 foresees the possibility of taking the carrying amount of the existing parent company upon transition as the cost of acquisition of the existing parent company within a newly established holding company. The amendment to these standards has no implications for the consolidated financial statements of STRATEC AG, as the requirements of IFRS 1 are of no relevance, while the amendments to IAS 27 also do not have any implications as STRATEC AG does not prepare any separate financial statements in accordance with IFRS.

Amendments to IFRS 2

The IASB published the revised version of IFRS 2 "Share-based Payment" on January 17, 2008. The amendments are based on the exposure draft IFRS 2 "Vesting Conditions and Cancellations" published in February 2006. IFRS 2 amend on the one hand provides a more precise definition of the concept of vesting conditions and also regulates the cancellation of share-based payments plans by persons other than the company. According to IFRS 2 amend, vesting conditions only include service conditions, which require the completion of a specified period of service, and performance conditions, which involve the achievement of specified performance targets. Other contractual terms do not constitute vesting conditions. In view of the numerous inquiries submitted, the Implementation Guidance for IFRS 2 also includes assistance in the decision as to whether a vesting condition exists or not (e.g. decision tree and an overview of conditions). Cancellation of share-based payments by parties other than the company, such as employees, shareholders, or other parties, must be accounted for in the same way as cancellation by the company. IFRS 2 amend requires mandatory application in financial years beginning on or after January 1, 2009. Earlier application is possible.

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. Prospective application is required. Earlier application is possible, but in this case premature application must be made of the amendments to both IFRS 3 and IAS 27. The amendments to these standards result in subsequent amendments to IAS 28 and IAS 31.

Amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" relates to situations in which a company plans to sell part of its shares in a subsidiary and where this disposal will result in a loss of control. For these situations, IFRS now clarifies that – provided the disposal plan meets the requirements of IFRS 5 – all of the subsidiary's assets and liabilities must be classified as available for sale. The amendment assumes that it will no longer be possible to exercise control over the subsidiary following the disposal of the shares. Should the plan to sell shares not involve loss of control, however, then the regulations of IFRS 5 are not applicable. The assets and liabilities of the subsidiary representing the shares (available for sale) would then continue to be recognized and measured in full in accordance with the relevant IFRS requirements.

Based on the information currently available to us, the other amendments to the standards do not have any implications for the consolidated financial statements of STRATEC AG, as the problems addressed are either irrelevant for STRATEC AG or are already accounted for by the company in the way presented by the IASB.

Improvements to IFRS – Omnibus standard amending various International Financial Reporting Standards (IFRS)

The International Accounting Standards Board (IASB) published "Improvements to IFRS", an omnibus standard amending various International Financial Reporting Standards (IFRS), on May 22, 2008. These amendments represent the results of the IASB's first Annual Improvements Process Project (AIP Project). The AIP Project was initiated by the IASB in July 2006 to implement minor, not urgent but necessary amendments to existing standards not addressed within any other larger project. The IASB aimed in this respect to reduce the efforts of all involved by publishing the amendments in an omnibus document rather than issuing individual amendments on an ongoing basis. The omnibus standard is divided into two sections:

Part 1 includes amendments to individual standards with implications for the recognition, measurement and reporting of individual business transactions. The amendments in Part 2 must rather be classified as immaterial, as they involve terminological or editorial modifications. In all, amendments have been made to 19 standards. Four of these can be found both in Part 1 and in Part 2. Unless otherwise specified in the standard, the amendments require application in financial years beginning on or after January 1, 2009. The amendments to IFRS 5, on the other hand, require first-time application in financial years beginning on or after July 1, 2009. Earlier application of the standard is possible. As the omnibus standard involves a large number of individual amendments, it is as yet hardly possible to provide any conclusive statement as to their expected implications.

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 15 "Agreements for the Construction of Real Estate"

The IFRIC published IFRIC 15 "Agreements for the Construction of Real Estate" on July 3, 2008. This interpretation builds on the draft interpretation IFRIC D21 "Real Estate Sales" published on July 5, 2007 and is intended to regulate the accounting treatment of real estate sales in which the contract is concluded with the buyer prior to completion of construction work. IFRIC 15 provides assistance in deciding whether the construction agreement should be accounted for under IAS 11 "Construction Contracts" or IAS 18 "Revenue" and correspondingly when revenues are to be recognized. IFRIC 15 lays down that application may only be made of IAS 11 when the definition of a construction contract set out in IAS 11.3 is met. IFRIC 15.11 underlines that this definition is only met when the buyer may determine significant design aspects before construction work begins and may specify significant aspects during construction, irrespective of whether this possibility is exercised or not. Construction contracts in which the buyer only has limited rights of participation, e.g. the right merely to decide between predetermined options, must be accounted for under IAS 18. IFRIC 15 requires mandatory application in financial years beginning on or after January 1, 2009. Earlier application is possible. Due to its lack of relevance for the company's business model, STRATEC AG assumes that this interpretation will not have any implications for the consolidated financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

The IFRIC published IFRIC "Hedges of a Net Investment in a Foreign Operation" on July 3, 2008. This interpretation is based on the draft interpretation IFRIC D22 published on July 19, 2007. IFRIC 16 regulates the following accounting questions:

- Which risk is to be hedged or which risks are capable of being hedged?
- Transaction risk (risk relating to transactions in the functional currency of the subsidiary) or translation risk (currency risk relating to the translation of the financial statements of the subsidiary from the functional to the reporting currency)?
- Which company within the group may hold the hedging instrument?
- Accounting treatment of translation differences recognized in equity upon the sale of the investment?

With regard to these questions, IFRIC 16 stipulates that:

- Translation into the reporting currency does not constitute a risk which can be hedged with the assistance of hedge accounting.
- Only transaction risks are eligible for hedging.
- The hedging instrument may be held by any company within the group.
- In respect of the recognition and measurement upon sale of the investment, IAS 39 must be applied for the hedge and IAS 21 for the transaction thereby hedged, i.e. the underlying transaction.

IFRIC 16 requires mandatory application in financial years beginning on or after October 1, 2008. Earlier application is possible. The interpretation requires prospective application, i.e. IAS 8 is not to be applied. Due to the absence of corresponding hedging strategies, STRATEC AG does not expect this interpretation to have any implications for its consolidated financial statements.

IFRIC 17 "Distributions of Non-cash Assets to Owners"

The International Financial Reporting Interpretations Committee (IFRIC) published the interpretation IFRIC 17 "Distributions of Non-cash Assets to Owners" on November 27, 2008. IFRIC 17 is based on the draft interpretation IFRIC D23 published on January 17, 2008 and regulates the accounting treatment of distributions of non-cash assets. IFRS previously did not include any regulations governing the way in which companies should account for dividends not taking the form of cash payments to shareholders. In practice, therefore, a wide variety of accounting treatments has been observed, with distributions of non-cash assets sometimes being measured at carrying amount and sometimes at fair value. With regard to the recognition of dividends, IFRIC 17 clarifies that:

- The dividend must be recognized at the time at which it is authorized and is no longer within the company's discretion (depending on relevant national legislation, this may be the date on which the dividend is resolved or the time at which it is announced)
- The company must measure the dividend payable at the fair value of the asset to be distributed to shareholders as a dividend
- The difference between the carrying amount and the fair amount of the asset to be distributed to shareholders as a dividend must be recognized through profit or loss in the income statement
- Additional disclosures must be made when the asset to be distributed as a dividend meets the criteria defining classification as available for sale.

IFRIC 17 is applicable to all distributions of non-cash assets apart from transactions under joint control. IFRIC 17 requires prospective application in all financial years beginning on or after July 1, 2009. Earlier application is permitted. As STRATEC AG currently does not foresee the distribution of any non-cash assets, the company does not expect this interpretation to have any implications for its consolidated financial statements.

IFRIC 18 "Transfers of Assets from Customers"

The International Financial Reporting Interpretations Committee (IFRIC) published the interpretation IFRIC 18 "Transfers of Assets from Customers" on January 29, 2009. IFRIC 18 provides further guidelines concerning the accounting treatment of transfers of assets by customers and is of particular relevance for the energy sector. It clarifies the requirements of IFRS for agreements in which a company receives property, plant or equipment, or cash, from a customer which the company must use either to connect the customer to a distribution network or to provide the customer with permanent access to a supply of goods or services. The interpretation is to be applied prospectively to financial years beginning on or after July 1, 2009. However, limited retrospective application is also permitted. Due to its lack of relevance to the company's business model, STRATEC AG does not expect this interpretation to have any implications for its consolidated financial statements.

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 implications for the net asset, financial and earnings position of the Group. New standards and interpretations, or amendments to existing standards, are generally only implemented at the STRATEC Group from the date on which mandatory application is required.

3. Basic principles

The consolidated financial statements have been prepared on the assumption that the company constitutes a going concern. Up to the conclusion of the preparation 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 prepared based on historic cost, except for derivative financial instruments, securities available 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 prepared as of the same reporting date as the consolidated financial statements.

The income statement has been prepared 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 twelve months are classified as current. Assets and liabilities earmarked for realization in the company's usual course of business are also classified as current, even when their maturities exceed twelve months. In the case of loan obligations, a distinction has been made between the repayment installments due for payment within the next twelve months (current financial debt) and the long-term portions (non-current financial debt).

Assumptions and estimates

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

Specifically, assumptions and estimates are required for the assessment of the criteria governing capitalization of intangible assets pursuant to IAS 38, the establishment of uniform useful lives for non-current assets at the Group, the fair-value measurement of the stock options granted, the determination of the costs still to be incurred and percentage of completion for construction contracts, and the measurement of provisions.

Moreover, estimates are also required in the context of company acquisitions when determining the fair values of the assets, liabilities and contingent liabilities thereby acquired. In particular, the identification and measurement of intangible assets requires offers substantial discretionary scope. Fair values are determined on the basis of forecast future cash flows. Depending on the type of asset and the information available, application is made of valuation methods based on cost, market prices or capitalized values.

Values based on assumptions and estimates may deviate from actual values. The assumptions and estimates are reviewed on an ongoing basis, with resultant amendments being recognized through profit or loss upon more accurate information becoming available.

The most significant forward-looking assumptions and major sources of uncertainty concerning estimates at the reporting date involving a substantial risk of significant adjustments being required in the assets and liabilities thereby recognized within the coming financial year are presented below.

Discretionary decisions

1. Recognition of internally generated intangible assets for development expenses pursuant to IAS 38
   Reference is made to the comments in Section "II. Principles of the consolidated financial statements – 4. Accounting and valuation principles – Other intangible assets".
2. Methodology for determining revenue recognition using the percentage of completion method (POC) for order-related services pursuant to IAS 11
   The decision for each individual order as to whether it represents a construction contract requiring revenue recognition in line with its percentage of completion using the POC method pursuant to IAS 11 or whether it rather represents a sale of goods requiring revenues to be recognized only upon all significant risks relating to ownership being transferred to customers pursuant to IAS 18, is discretionary. STRATEC assumes that its business model and the structure of its individual contracts conform with IAS 11.3 except for cases where the contract clearly involves the sale of merchandise or maintenance services.
3. Allocation of goodwill to cash generating units (CGUs) for the purpose of impairment tests pursuant to IAS 36
   The allocation of the goodwill acquired upon the acquisition of Sanguin International Ltd., UK, to the "Sanguin Group" cash generating unit required substantial discretionary assessments to be made.

Uncertainties involved in estimates

1. Goodwill impairment test
   The carrying amounts of goodwill and the principal assumptions underlying the impairment test performed as of the reporting date are presented in Section "II. Principles of the consolidated financial statements". Due to the large number of variables involved, this test requires a difficult and highly subjective discretionary decision to be made.

2. Measurement of pension provisions using the projected unit credit method and measurement of the defined benefit obligation pursuant to IAS 19
   Due to the large number of variables involved, the measurement of defined benefit obligations requires forward-looking estimates to be made, especially when calculating interest rates and the development in the return on plan assets. Moreover, the measurement refers to biometrical assumptions based on past statistical values. The key assumptions have therefore been subject to a sensitivity analysis presented in Section III "Disclosures relating to the balance sheet – (15) Provisions for pensions".

3. Measurement of stock option rights granted upon contractual commitment and calculation of the resultant personnel expenses
   Due to the large number of variables involved, the calculation of the value of stock option rights granted to be distributed as personnel expenses over the vesting period requires forward-looking estimates to be made. In particular, the selection of the option price model underlying the calculation is made on the subjective assessment of the management. The management is convinced that the Black-Scholes model used represents a suitable valuation model for the stock options granted at the STRATEC Group.
   The principal parameters involving estimates (expected volatility, expected dividend yield, assumed personnel turnover of subscription beneficiaries) have been presented in Section III "Disclosures relating to the balance sheet – Stock option programs".

4. Calculation of guarantee obligations
   When calculating the future expenses to be accounted for as guarantee provisions, the management takes due account of historic values from previous years and projects these onto sales involving guarantee commitments in the financial year under report. Actual expenses in future financial years may deviate from the estimated figures.

There are no other significant forward-looking assumptions and major sources of uncertainty concerning estimates at the reporting date involving a substantial risk of significant adjustments being required in the assets and liabilities thereby recognized within the coming financial year.

II. Principles of the consolidated financial statements

1. Consolidation methods

Capital consolidation has been performed using the purchase 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 carried forward 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 to be cancelled in the consolidated financial statements. No such write-ups or write-downs were undertaken either in the previous year or in the 2008 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 amortized cost under “Financial assets – (3) Investments in associates”.

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 (control relationship). Such companies are included for the first time as soon as the possibility of exercising control arises.

In addition to STRATEC AG, the consolidated financial statements as of December 31, 2008 include the subsidiaries

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

which have been included by way 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 shareholding in Sanguin International Inc., Hamden, CT, USA., which amounted to 75% at that point, 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 attributable 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 have not been fully consolidated in the consolidated financial statements as of December 31, 2008, 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 amortized 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	85.0
STRATEC Biomedical Systems S.R.L., Cluj-Napoca, Romania	87,750.00 LEI	100.0

The level of the shareholding held by Sanguin International Ltd., Burton on Trent, UK, in Sanguin International Inc., Hamden, CT, USA, increased from 80% to 85% in the financial year under report.

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

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 at the reporting date. Differences arising upon 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 based on the concept of functional currency.

For the Swiss subsidiary Robion AG and the British subsidiary Sanguin International Ltd. application has been made of the modified reporting date exchange rate, as these companies' operations are autonomous in financial, economic and organizational terms. Assets and liabilities have therefore been translated at the rate on the 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). Equity components arising at the subsidiaries since their affiliation to the Group have been translated at the historic rates valid upon the respective date of addition.

Differences arising upon currency translation have been recognized under other equity.

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

1 Euro		Rate on reporting date		Average rate	
		2008	2007	2008	2007
UK	GBP	0.95	0.73	0.80	0.68
USA	USD	1.39	1.47	1.47	1.37
Switzerland	CHF	1.49	1.67	1.59	1.64

4. Accounting and valuation principles

Goodwill

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 identify any impairment. This test is performed annually or upon the occurrence of any significant event or change in circumstances.

For the purpose of impairment tests, goodwill continues to be allocated to the "Sanguin Group" cash generating unit (CGU). The carrying amount of the goodwill accounts for a material share of the total carrying amount. In addition to goodwill, the total carrying amount includes the other intangible assets (software) identified upon purchase price allocation and the shareholding held in Sanguin International Inc., Hamden, USA (financial asset with direct relevance 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 costs of capital are calculated as the weighted average cost of equity and debt capital (WACC = Weighted Average Cost of Capital). The recoverable amount calculated in this way is subsequently compared with the carrying amount of the cash generating unit (CGU). Where the carrying amount of the CGU is higher than its recoverable amount, then the difference represents an impairment loss which primarily results in the goodwill of the CGU being expensed in the income statement. Any remaining residual loss is proportionately charged to the other assets at the CGU.

The impairment tests performed in the financial year under report and the previous year did not identify any impairment.

The cash flow forecasts are based on a detailed budgeting horizon of three years (previous year: five years). The annual rates of sales growth during the detailed budget period range from 10.8% to 13.6% (previous year: 3.0% to 6.0%). The calculation is performed on the level of pre-tax earnings using a discount rate (WACC before taxes) of 9.14% (previous year: 10.60%). Cash flows beyond the detailed budget period are presented as perpetuity based on the cash flows of the final year in the detailed budget period and a growth rate of 5% p.a. (previous year: 5%). 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 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 by reference to market studies.

Development in exchange rates
Currency fluctuations are not expected to have any material implications in the context of the impairment test.

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

The results of the impairment test were as follows:

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Goodwill carrying amount	608	789
CGU carrying amount	3,476	4,438
Recoverable amount	9,683	14,425
Impairment loss	0	0

Other intangible assets

Intangible assets acquired in return for payment have been measured at cost, less scheduled straight-line amortization. The useful life of the intangible assets is finite 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.

Internally generated intangible assets are capitalized at cost upon their first complying with the above criteria. Manufacturing costs include all costs directly allocable to the manufacturing process. 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 account for 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.

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

Due to materiality considerations, assets with costs of acquisition of between EUR 150.00 and EUR 1,000.00 are pooled and uniformly subject to straight-line depreciation over five years.

Grants to finance investments in assets have been deducted upon capitalization of the respective objects of investment. Non-repayable grants received as 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 reporting date. Pursuant to IAS 36, impairment exists when the recoverable amount of the respective asset is lower than its carrying amount. The assets are reviewed using qualitative tests at each 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 indefinite useful lives are reviewed for impairment using quantitative tests on an annual basis.

Financial assets

Financial assets include investments in associates, shareholdings, receivables issued, securities and cash and cash equivalents. Financial assets are recognized at cost on their respective performance dates. Receivables issued and financial assets held to maturity are subsequently measured at amortized cost. Write-downs are undertaken as necessary. Financial assets available for sale and securities subsequently measured through profit or loss in the income statement have been measured at fair value as of the reporting date. Unlisted 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 in equity in the fair value measurement reserve under other equity up to disposal or prolonged reduction in their fair value.

Suitable allowances have been stated to account for credit risks.

STRATEC has made no use of the possibility of classifying financial assets upon initial recognition as financial assets at fair value through profit or loss.

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 or the recoverable net selling price as of the reporting date. Write-downs are undertaken on non-current inventories.

Future receivables from construction contracts

Pursuant to IAS 11, construction contracts have been recognized at their respective percentage of completion. The aggregate amount of cumulative costs and the prorated share of earnings recognized as of the reporting date has been stated in the balance sheet under "Future receivables from construction contracts". Changes in the level of future receivables have been recognized under "Sales" in the income statement.

Provisions

Pension obligations have been measured pursuant to IAS 19 using the projected unit credit method for defined benefit pension plans. Given its immaterial significance, the interest portion of pension expenses has not been recognized as an interest expense under net financial expenses.

Actuarial gains and losses are charged or credited to the measurement of pension provisions in the period in which they arise. Asset values relating to plan assets are netted against the obligations.

Provisions have been recognized 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 measurement of inventories.

Deferred taxes

Deferred taxes are calculated using the liability method (IAS 12). Deferred taxes have been recognized 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 recognized as non-current liabilities.

Liabilities

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

STRATEC has made no use of the possibility of classifying financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss.

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 recognized using the percentage of completion method in accordance with the degree 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 recognized upon completion of the respective product or upon the respective service having been rendered in full on the basis of historic values for such expenses.

Research and development

The 2008 financial year saw a continuation of the trend observed in previous years towards development partners only committing to 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 recognized as expenses in the income statement upon being incurred. Development expenses may be capitalized, but only in cases meeting the detailed requirements set out in IAS 38.

Prototypes are recognized under "Property, plant and equipment", while development projects performed on behalf of third parties are recognized as "Inventories" and proprietary development activities are recognized as "Intangible assets" – provided that they meet the requirements of IAS 38. Inventories are depreciated over the average period over which customers are committed to minimum call-up volumes. Property, plant and equipment are subject to scheduled depreciation 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 are allocated to operating activities, as are the components of other financial income/expenses. Dividend payments are recognized in the cash flow from financing activities. Overall, tax payments are reported under operating activities, as allocation to individual business divisions is practically impossible.

Starting in the financial year under report, the presentation of interest paid/received and income taxes paid/refunded within the cash flow from operating activities has been based on the direct method. This involves consolidated net income being adjusted in the first stage to exclude the income and expenses recognized in the income statement. The interest and income taxes paid or received are subsequently reported separately. The previous year's figures have been adjusted accordingly.

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. 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 non-current financial assets have been depicted in detail in the Development in Non-Current Assets at the STRATEC Group (an annex to the consolidated financial statements).

(1) Intangible assets

Intangible assets relate to acquired development services, goodwill, licenses, software and prepayments made for intangible assets.

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 costs of the company acquisition 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:

	2008 EUR 000s	2007 EUR 000s
01.01.	789	897
Additions due to company acquisitions	0	0
Disposals	0	-33
Currency translation	-181	-75
12.31.	608	789

Other intangible assets

This item mainly includes the fair values of three software products identified upon the acquisition of the subsidiary Sanguin International Ltd in the 2006 financial year. The software packages, which amount to EUR 3,468k, EUR 1,022k and EUR 1,061k respectively, are subject to scheduled amortization over their forecast useful lives. The useful lives amount to three, six and eight years. The scheduled amortization of EUR 836k for the year under report (previous year: EUR 972k) has been recognized 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:

	2008 EUR 000s	2007 EUR 000s
01.01.	3.746	5.090
Additions due to company acquisitions	0	0
Scheduled amortization	-836	-972
Currency translation	-719	-372
12.31.	2,191	3,746

No further development expenses were capitalized in 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 5,397k (previous year: EUR 5,818k) and have been recognized in the income statement, in most cases as “Personnel expenses”. Moreover, expenses of EUR 671k were incurred in the period under report for the procurement of materials for use in research and development (previous year: EUR 622k). These expenses are included in cost of materials.

(2) Property, plant and equipment

In the interests of simplification, assets with costs of acquisition of EUR 150.00 to EUR 1,000.00 are subject to straight-line depreciation over five years irrespective of their individual useful lives. Depreciation amounted to EUR 21k (previous year: EUR 47k). Moreover, in accordance with foreign tax simplification procedures, immediate tax write-downs of EUR 10k (previous year: EUR 0k) were included without amendment in the consolidated financial statements.

Investments in property, plant and equipment mainly involved:

	2008 EUR 000s	2007 EUR 000s
Cars	87	64
Internally produced test analyzer systems and inspection materials	456	419
Tools	603	507
IT components	29	76
Plant and office equipment	147	104
Prepayments made for tools	109	214

Test analyzer systems and inspection materials mainly involve testing systems and prototypes developed internally by the company. The respective own work capitalized of EUR 456k for the year under report (previous year: EUR 419k) is subject to scheduled straight-line depreciation in line with the 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:

	Useful Life 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) Investments in associates

	2008 EUR 000s	2007 EUR 000s
Carrying amount at 01.01.	338	329
Additions	8	34
Currency translation	-61	-25
Carrying amount at 12.31.	285	338

Due to materiality considerations, STRATEC Biomedical Systems S.R.L., Romania, a wholly-owned subsidiary of Robion AG founded in the previous year with share capital of LEI 87,750.00 (EUR 25k) continues not to be included in the consolidated statements by way of full consolidation.

Investments in associates are presented in Section 2 "Scope of Consolidation" and are classified pursuant to IAS 39 as "available for sale". Unlisted equity instruments have been recognized in the balance sheet at amortized group cost, as no stock market or other market price is available. Due to materiality considerations, the Group has foregone measurement of these investments using the discounted cash flow method.

(4) Shareholdings

The item reported consists of the 13.42% stake (previous year: 12.35%) held in the share capital of the listed company CyBio AG, Jena. Taken together with the posting of a Supervisory Board member, an overall assessment of the circumstances substantiated the assumption of the existence of significant influence pursuant to IAS 28.2 in conjunction with IAS 28.7 at the reporting date on December 31, 2008. A voluntary public takeover bid addressed to the shareholders in CyBio AG offering to acquire their shares in the company, which was published on February 20, 2009, and the resultant gain of control over CyBio AG by the issuer of this takeover bid on February 23, 2009 refuted this assumption and was accounted for in the overall assessment upon preparation of these consolidated financial statements as of December 31, 2008 (subsequent event of retrospective relevance as of reporting date). Due to the refutation of the assumption of significant influence, the measurement of the shareholding in Cybio AG held at the reporting date was not converted to the equity method (amortized cost).

The shares have rather been measured at fair value as of the reporting date in accordance with their classification under IAS 39 as "financial assets available for sale". The fair value of the publicly listed shares is represented by their share price as of the reporting date.

CyBio's share price fell from EUR 4.10 to EUR 0.84 in the 2008 financial year. According to the requirements of IAS 39.61, any significant or prolonged reduction in the fair value of equity holdings below cost represents an objective indication of impairment. In this case, the difference between cost and the current fair value must be recognized through profit or loss. In this respect, IAS 39.67 requires any impairment previously recognized in equity to be retired. Accordingly, the cumulative write-up recognized in equity in previous years due to reporting date measurement has been retired from equity (fair value measurement reserve) and the corresponding deferred liability reversed. The reduction in value below cost, amounting to EUR -2,075k, was recognized through profit or loss under other financial income/expenses.

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

	2008 EUR 000s	2007 EUR 000s
Costs of acquisition		
01.01.	2,615	2,316
Additions	69	299
Disposals	0	0
12.31.	**2,684**	**2,615**
Fair value measurement		
in equity at 01.01.	120	362
Write-up / write-down	0	-242
Reclassification due to write-down through profit or loss	-120	0
Fair-value measurement in equity at 12.31.	**0**	**120**
Write-down	**-2,075**	**0**
through profit or loss		
Carrying amount at 12.31.	**609**	**2,735**

IFRS 7 requires the impact on earnings and shareholders' equity of hypothetical changes in market prices compared with the respective reporting date prices to be presented. The share price at the reporting date was 79.5% lower than at the previous year's reporting date. Were the listed share price to show a further reduction on the same scale compared with the reporting date price as of December 31, 2008, then this would have a negative impact of EUR 484k on annual earnings. Conversely, any opposing recovery in the share price would result in a write-up of the same amount being recognized in equity.

(5) Other financial assets

In the previous year, this item included a loan to a former employee which bore interest at customary market rates and was repaid in full in the 2008 financial year. Pursuant to IAS 39, the loan was assigned to the "Loans and receivables" category and measured at amortized cost.

(6) Inventories

Raw materials, supplies and unfinished products are recognized at cost. Unfinished services are measured at amortized cost. Write-downs of raw materials and supplies amounting to EUR 357k were recognized through profit or loss in the financial year (previous year: EUR 298k). The write-downs arose due to topicality considerations.

Unfinished products / unfinished services

Unfinished products and services are structured as follows:

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Unfinished products	1,375	476
Unfinished services	15,450	10,087
	16,825	10,563

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

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Finished products	283	302

(7) Trade receivables

Trade receivables 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 recognizing an appropriate volume of allowances. The allowances required were structured as follows:

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Individual allowances	124	136
General allowances	47	50
	170	186

The gross amount of receivables for which individual allowances were recognized amounted to EUR 129k at the reporting date (previous year: EUR 148k).

No expenses were incurred for the complete write-down of trade receivables in the 2008 financial year (previous year: EUR 0k). No write-backs were required on volumes written down. Trade receivables have terms of less than one year.

The time band structure of trade receivables 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
12.31.2008	9,682	8,398	1,223	37	65	0
12.31.2007	10,580	8,311	1,993	239	47	28

There were no indications at the reporting date of any default risks in connection with receivables which were neither impaired nor overdue.

Furthermore, critical receivables are covered by trade credit insurance policies.

(8) Future receivables from construction contracts

The future receivables from construction contracts item involves construction contracts recognized at their respective percentages of completion. The service relationships involved are based on fixed-price agreements. The percentage of completion has been determined using the cost-to-cost method.

The figures stated include the accumulated cost of construction contracts still underway at the reporting date (EUR 3,347k; previous year: EUR 3,031k), as well as a prorated share of earnings realized (EUR 1,555k; previous year: EUR 1,819k).

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

Work began on the construction contracts in the 2008 financial year. The respective contractual agreements foresee completion in 2009.

Sales totaling EUR 57,818k have been recognized for construction contracts in the income statement for the 2008 financial year (previous year: EUR 60,648k).

The future receivables from construction contracts recognized as of December 31, 2008 and as of the reporting date for the previous year were neither impaired nor overdue.

(9) Receivables from associates

The figure of EUR 167k stated (previous year: EUR 136k) relates to trade receivables of EUR 56k due at Sanguin International Ltd., UK, from Sanguin International Inc., USA, and of EUR 13k due at Robion AG from STRATEC Biomedical Inc., USA, and to a loan receivable of EUR 98k (previous year: EUR 99k) 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 three months.

These receivables have been assigned to the "Loans and receivables" category pursuant to IAS 39 and measured at amortized cost at the reporting date. They were neither impaired nor overdue as of December 31, 2008 or at the reporting date for the previous year.

The receivables due from associates are subject to foreign currency risks, but these do not have any material impact on consolidated earnings.

(10) Income tax receivables

The amount stated (EUR 140k; previous year: EUR 0k) relates to the refund claim at Robion AG due to prepayments of current income taxes, as well as to refund claims for withholding taxes withheld for the 2008 financial year.

(11) 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 amortized cost.

	IAS 39 categories*	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Other tax receivables	n.a.	664	742
Deferred expenses	n.a.	175	116
Corporate income tax credit	n.a.	45	48
Interest receivable	LAR	46	0
Debit balances at creditors	LAR	31	29
Other	LAR	28	79
		989	1,014

* Reference is made to the information provided in Note "(29) Financial instruments / risk management" with regard to the IAS 39 categories and the abbreviations used here.

The remaining terms amount to up to one year, except for 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 at the reporting date.

(12) 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 293k at the reporting date (previous year: EUR 424k). The market valuation is recognized through profit or loss in the income statement. The valuation at the reporting date resulted in price-related losses of EUR 131k (previous year: EUR 132k), which have been recognized under other financial income/expenses. There were no additions or disposals in the 2008 financial year (previous year: disposal gains of EUR 113k). In view of their denomination in euros, the securities were not subject to any foreign currency 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 29k.

(13) 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 reporting date. The translation of foreign currency credit balances at foreign group companies resulted in exchange rate differences amounting to EUR 213k (previous year: EUR -288k). These have been recognized in equity. Furthermore, the measurement of US dollar holdings at the reporting date led to a non-cash reduction of cash holdings (in the income statement) by EUR 190k.

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:

	2008 EUR 000s	2007 EUR 000s
Expenses:		
Currency translation losses from measurement of cash holdings at the reporting date	190	0
Personnel expenses in connection with the granting of stock option rights	164	157
Exchange rate differences on receivables denominated in foreign currencies	9	6
Increase in allowances recognized for receivables	0	46
Expenses resulting from fair value measurement of securities held for trading	131	132
Impairment losses from the fair value measurement of financial assets available for sale	2,075	0
Other expenses	9	40
	2,578	**381**
Income:		
Reduction in write-downs on receivables	17	0
Income from disposal (previous year: from fair value measurement) of derivative financial liabilities	63	53
Income from reversal of other provisions and liabilities	463	275
	543	**328**
Net balance of additions (+) / deductions (-)	**2,035**	**53**

(14) Shareholders' equity

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

At the reporting date, the **share capital** of STRATEC AG amounted to EUR 11,426k (previous year: EUR 11,416k). The share capital is divided into 11,425,694 ordinary shares with a nominal value of EUR 1.00 each (previous year: 11,415,751 ordinary shares). The shares have been paid up 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 10k in total were undertaken from conditional capital in the 2008 financial year in connection with the exercising of stock option rights (previous year: EUR 155k).

In summary, the subscribed capital of STRATEC AG showed the following developments in the 2008 financial year compared with the previous year:

	2008 EUR 000s	2007 EUR 000s
Balance at 12.31 of the previous year	11,416	11,260
Capital increase in return for cash contributions due to exercising of stock options (with corresponding reduction in conditional capital)	10	156
Share capital as of 12.31. of the financial year	11,426	11,416

Having drawn on part of the existing authorized capital, the Board of Management remains 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 up to a maximum amount of EUR 5,500,000 (**Authorized Capital**). In general, shareholders must be granted subscription rights. In specific 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 as no more stock options were 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. 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. The Conditional Capital II remaining as of December 31, 2008 amounted to EUR 31,188.

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 on the basis of the resolution adopted by the Annual General Meeting on June 23, 2006. The Conditional Capital III remaining as of December 31, 2008 amounted to EUR 28,600.

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 1,360k as of December 31, 2008.

Treasury stock

The authorization to acquire treasury stock granted by the Annual General Meeting on May 16, 2007 was rescinded by resolution of the Annual General Meeting held on May 21, 2008. The Annual General Meeting on May 21, 2008 further authorized the company until November 20, 2009 to acquire treasury stock up to a maximum total of ten percent of the share capital. The company acted on this authorization in 2008 and acquired a total of 130,000 treasury stock shares in several tranches at a cost of EUR 2,000,470.66. The average cost of acquisition of the shares thereby acquired amounted to EUR 15.39 per share.

	2008 Number	2007 Number
Balance at 12.31. of the previous year	4,492	4,492
Acquisition of treasury stock	130,000	0
Treasury stock at 12.31. of the financial year	134,492	4,492

Treasury stock is recognized at cost in a separate item in equity at cost at a total amount of EUR 2,103,781.63. The previous year's figure (EUR -13k), which had been reported under other equity due to materiality considerations, has been adjusted accordingly.

The **capital reserve** includes the premium from the issuing of shares, less the costs of equity procurement, after taxes. Moreover, the benefit from the granting of stock options recognized 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 earnings generated in the past, to the extent that these have not been distributed, as well as other reserves.

The revenue reserves are thus structured as follows:

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Other revenue reserves	5,539	3,539
Retained earnings	18,741	13,261
	24,280	16,799

Retained earnings developed as follows in the year under:

	EUR 000s
Retained earnings as of 12.31.2007	13,261
Consolidated net income 2007	9,991
Allocation to other revenue reserves	-2,000
Distribution (dividend for 2007)	-2,510
Retained earnings as of 12.31.2008	18,742

Other equity contains the reserve for measurement at fair value and the reserve for foreign currency translation.

The reserve for measurement at fair value includes those changes in the value of financial instruments available for sale that are recognized 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 net of 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).

In the 2008 financial year, a dividend of EUR 0.22 per share (total: EUR 2,511k) was paid for the 2007 financial year.

With the consent of the Supervisory Board, the Board of Management proposes that of the net earnings of EUR 14,248k calculated for STRATEC AG in accordance with the German Commercial Code (HGB) an amount of EUR 3,951,920.70 be distributed (EUR 0.35 per share) and that the remaining amount of EUR 10,338k be carried forward. The proposed dividend is dependent on approval by shareholders at the Annual General Meeting and has not been recognized as a liability in the consolidated financial statements.

Upon preparation 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 consolidated net income for 2008 to other revenue reserves as of December 31, 2008.

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, 2008. 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 associates, to acquire shares in the company. For members of the Board of Management, the stock options simultaneously serve as variable components of compensation of 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 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 specified 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 portion of the share capital attributable to one such share. The first half of the options may be exercised two years and the second half three years following allocation. 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 individual stock option programs, fair value calculation using the Black/Scholes option pricing model, and 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)
Granted in:	2004	2005	2005	2006	2006	2006
Subscription price per share* in EUR	9.84	26.08	39.53	15.36	20.27	20.74
Subscription price per share following capital increase from company funds (bonus shares)* in EUR	3.28	8.71	13.20	15.36	20.27	20.74
Expected share price volatility in %	50.0	50.0	50.0	50.0	50.0	50.0
Expected dividend yield in %	1.00	1.00	0.66	0.65	0.50	0.50
Risk-free interest rate in %	3.15	2.30	2.60	3.70	3.70	3.70
Assumed turnover of personnel entitled to subscribe in %	3.50	3.50	3.50	3.50	3.50	3.50
Allocable personnel expenses in EUR	149	60	28	86	13	7

	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Granted in:	2007	2007	2007	2007	2007	2008	2008	2008
Subscription price per share* in EUR	24.76	22.69	22.82	20.60	21.64	17.37	11.98	12.28
Subscription price per share following capital increase from company funds (bonus shares)* in EUR	24.76	22.69	22.82	20.60	21.64	17.37	11.98	12.28
Expected share price volatility in %	46.8	45.0	43.6	42.1	42.0	48.81	55.82	55.66
Expected dividend yield in %	0.60	0.60	0.60	0.70	0.70	1.00	1.50	1.50
Risk-free interest rate in %	4.02	4.50	4.50	4.22	4.28	3.88	3.88	3.56
Assumed turnover of personnel entitled to subscribe in %	3.50	0	3.50	3.50	3.50	5.00	5.00	5.00
Allocable personnel expenses in EUR 000s	2	243	1	7	4	4	186	9

* 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 (3) 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. In the 2008 financial year, 7,698 shares were issued to employees following the exercising of 2,572 option rights. A total of 7,167 option rights therefore remain as of December 31, 2008, entitling their bearers to subscribe a maximum total of 21,459 shares.

(2) 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 lapsed in 2007. Following the exercising of 750 option rights, 2,245 shares were issued to employees in 2008. The 750 option rights remaining at the end of the financial year entitle their bearers to subscribe a maximum total of 2,246 shares.

(3) 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 as of 31 December, 2008. These entitle their bearers to subscribe a maximum total of 7,483 shares.

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):

(4) 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 associates and 15,630 option rights to employees of STRATEC AG. As 1,200 option rights lapsed in 2008, there were 23,800 options rights entitling their bearers to subscribe a maximum of 23,800 shares at the reporting date.

(5) 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.

(6) 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.

(7) 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.

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):

(8) 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.

(9) - (11) 2nd to 4th tranches 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.

(12) + (14) 5th and 7th tranche of SOP IV:

On the basis of contracts dated October 1, 2008 and November 1, 2008, a total of 7,300 option rights were granted to employees of STRATEC AG.

(13) 6th tranche of SOP IV:

On the basis of a contract dated October 30, 2008, a total of 85,000 option rights were granted to members of the Board of Management 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 granted to members of the Board of Management and employees of STRATEC AG, as well as to the management and employees of associates, amounts to EUR 787k (previous year: EUR 520k).

The total value of the option rights has been spread as personnel expenses over 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 164k in the 2008 financial year (previous year: EUR 157k). Given the consistent, low level of personnel turnover, it has not been necessary in subsequent periods to adjust the personnel expenses calculated upon the respective rights being granted.

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**	**7.93 EUR**
During the 2005 financial year		
- granted	14,250	29.15 EUR
- exercised	30,250	3.18 EUR
- lapsed	0	n.a.
Outstanding on 12.31.2005	**152,000**	**10.86 EUR**
During the 2006 financial year		
- granted	30,300	16.97 EUR
- exercised	82,320	7.88 EUR
- lapsed	0	n.a.
Outstanding on 12.31.2006	**99,980**	**15.15 EUR**
During the 2007 financial year		
- granted	75,600	22.62 EUR
- exercised	51,941	12.75 EUR
- lapsed	5,500	n.a.
Outstanding on 12.31.2007	**118,139**	**20.34 EUR**
During the 2007 financial year		
- granted	92,300	12.16
- exercised	3,322	13.51
- lapsed	1,200	n.a.
Outstanding on 12.31.2008	**205,917**	**16.81 EUR**
Exercisable on 12.31.2008	**7,442**	**14.97 EUR**

The option rights outstanding as of December 31, 2008 entitle their holders to acquire a total of up to 22,282 shares at a total exercise price of EUR 111k.

The weighted average share price of the stock options exercised during the reporting period amounted to EUR 15.14.

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 in EUR	Weighted Remaining Contractual Term (Months)
205,917	16.81	17.4

Provisions

(15) Pension provisions

Pension and capital allowance commitments had been made to two members of the Board of Management of STRATEC AG at the reporting date. 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 to cover these pension obligations. Actuarial surveys have been obtained to ascertain the corresponding asset values at the reporting date.

The obligations have been measured using the projected unit credit method in accordance with the requirements 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 5.80% (previous year: 5.50%). An annual pension increase of 2.00% has been assumed for the old-age pension entitlement (previous year: 2.00%).

Pension obligations have been carried in the balance sheet net of the pledged asset values of the reinsurance policies.

Plan assets developed as follows:

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Fair value at 01.01.	324	274
Contributions	48	48
Income	6	2
Fair value at 12.31.	378	324

Contributions to plan assets are expected to amount to EUR 48k in the 2009 financial year (previous year: EUR 48k).

Obligations developed as follows:

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Current value of pension rights at beginning of financial year	315	327
Current service cost	16	17
Interest expenses	17	15
Expected current value of pension rights at end of financial year	348	359
Actual current value of pension rights at end of financial year	333	315
Actuarial loss (+) / gain (-) on current value of pension rights	-15	-44
Actuarial loss (+) / gain (-) on plan assets	10	8
Cumulative actuarial losses (+) / gains (-)	-5	-36
Amortization of actuarial gain	5	36
Gross obligation stated in balance sheet	333	315
Fair value of plan assets taking due account of limit stipulated by IAS 19.58 (b)	-333	-315
Net obligation stated in balance sheet	0	0

As a result of the limit on the capitalization of plan assets stipulated by IAS 19.58 (b), an amount of EUR 44k was not recognized as an asset (previous year: EUR 8k).

Personnel and interest expenses totaling EUR 12k were recognized under personnel expenses (social security contributions, pension expenses and other benefits) in the income statement in the financial year under report (previous year: EUR -14k). The income resulting from the immediate amortization of actuarial gains amounted to EUR 5k (previous year: EUR 36k).

The following income and expenses are expected for the 2009 financial year:

	EUR 000s
Current service cost	16
Interest expenses	19
Expected income on plan assets	-18
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 5.3%
- Assumed interest rate of 6.3%
- Adjustment in current pensions of 1.50% p.a.
- Adjustment in current pensions of 2.50% p.a.
- Assumed interest of 5.50% and adjustment in current pensions of 2.0% (Budgeting assumptions for 2007)

Parameter	Current value of vested pension rights at 12.31.2008 EUR 000s	Personnel / interest expenses 2009 EUR 000s
Assumed interest rate of 5.3%	356	17
Assumed interest rate of 6.3%	312	14
Pension increase of 1.5%	320	15
Pension increase of 2.5%	348	16
Parameters in 2007:		
Assumed interest rate of 5.5%		
Pension increase of 2.0%	346	16

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

	12.31.2008 EUR 000s	12.31.2007 EUR 000s	12.31.2006 EUR 000s	12.31.2005 EUR 000s	12.31.2004 EUR 000s
Present value of defined benefit obligation	333	315	327	269	222
Fair value of plan assets	377	324	274	225	173
Surplus obligation (prior to limit pursuant to IAS 19.58 (b))	-44	-8	53	44	49
Cumulative actuarial gains (-) and losses (+)	-5	-36	60	20	-7

(16) 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:

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Deferred income tax receivables	68	205
Deferred income tax liabilities	1.157	1.679
Net liabilities	1.089	1.474

Deferred taxes have been calculated using the liability method, which accounts for the deferred tax 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 on account of consolidation procedures.

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

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

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

	2008 EUR 000s	2007 EUR 000s
Earnings before taxes on income (consolidated)		
- Germany	8,726	8,974
- Other countries	661	5,545
	9,387	14,517
Actual taxes on income		
- Germany	3,492	4,389
- Other countries	63	581
	3,555	4,970
Deferred taxes (income (-) / (+) expenses)		
- Germany	-68	-201
- Other countries	-231	-243
	-298	-444
Income tax expenses	3,256	4,526

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

	12.31.2008 EUR 000s	12.31.2007 EUR 000s
Balance at 01.01.	1,474	2,241
Changes due to consolidation entries recognized in equity	-89	-335
Changes due to consolidation entries recognized through profit or loss	-269	-309
Changes due to temporary differences recognized in equity	4	14
Changes due to temporary differences recognized through profit or loss	-31	-137
Balance at 12.31.	1,089	1,474

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

	12.31.2008 EUR 000s	12.31.2007 EUR 000s	Change recognized through profit or loss EUR 000s	Change recognized in equity EUR 000s
Other provisions	3	3	0	0
Financial liabilities	0	33	-33	
Pension provisions	14	0	14	0
Deferred tax ASSETS prior to consolidation (A)	**17**	**36**	**-19**	**0**
Deferred tax assets from currency translation of foreign companies	16	152	0	-136
Deferred tax assets from elimination of inter-company profits	35	17	18	0
Total deferred tax ASSETS (A)	**68**	**205**	**-1**	**0**
Intangible Assets	657	1.125	-251	-217
Non-current financial assets	57	88	0	-31
Trade payables	0	13	-13	0
Future receivables from construction contracts	340	419	-89	10
Inventories	86	26	52	8
Deferred tax liabilities from currency translation of foreign companies	9	0	0	9
Pension provisions	0	8	-8	0
Other liabilities and provisions	8	0	8	0
Deferred tax LIABILITIES (L)	**1,157**	**1,679**	**-301**	**-221**
Balance (net deferred tax liabilities)	**1,089**	**1,474**	**-300**	**-85**

The reduction in net tax deferrals through profit or loss in the 2008 financial year (EUR -300k; previous year: EUR -446k) 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 non-current financial assets results from the currency translation of hidden reserves relating to three software components disclosed in the 2006 financial year upon consolidation of Sanguin International Ltd. and of the shareholding in Sanguin International Inc. (USA) at the reporting date in 2008 compared with the previous year's reporting date. The translation differences have been allocated net of tax to the currency translation item within Group equity (other equity).

Costs of capital increases (after taxes) have been offset against the capital reserve (EUR 2k; previous year: EUR 2k).

The following table presents a reconciliation of the tax expenses expected and those reported for the respective financial years. An overall Group tax rate of 27.4% has been applied to calculate the expected tax expenses (previous year: 27.4%). This corresponds to the overall tax burden of the STRATEC AG parent company for the 2008 financial year.

(-) Expenses (+) Income	2008 EUR 000s	2007 EUR 000s
Consolidated earnings before taxes	9,387	14,518
Expected tax expenses	-2,572	-5,270
Deviations in foreign tax rates (current taxation of foreign subsidiaries)	+28	+886
Reduction in the effective tax rate from 2008 (2008 Corporate Tax Reform) for STRATEC AG (deferred tax income from the devaluation of deferred liabilities)	0	+96
Expenses not deductible for tax purposes less tax-exempt income (of which: write-downs of shareholdings: EUR -569k)	-627	-32
Personnel expenses IFRS (stock options)	-45	-57
Deviations in foreign tax rates (deferred taxes on disclosed hidden reserves / capital consolidation)	+22	-61
Tax back payments/ refunds for previous years	-47	-85
Other	-15	-4
Total (current and deferred) tax expenses recognized in the income statement	-3,256	-4,527

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

	2008 EUR 000s	2007 EUR 000s
Current deferred tax assets	38	53
Non-current deferred tax assets	30	152
Current deferred tax liabilities	685	818
Non-current deferred tax liabilities	472	861
Net current deferred taxes	-647	-765
Net non-current deferred taxes	-442	-709

(17) Financial liabilities

These liabilities are mainly due to banks and have been classified pursuant to IAS 39 as "Financial liabilities measured at amortized cost". Long-term financial funds amounting to EUR 1,000k were taken up during the past financial year (previous year: EUR 3,000k). The weighted interest rate charged for loans amounted to 3.29% (previous year: 3.42%).

At the reporting date, the company had no financial liabilities denominated in foreign currencies with remaining terms of less than one year (previous year: US dollars EUR 21k).

Income of EUR 0k (previous year: EUR 12k) has been recognized in the income statement in connection with exchange rate differences relating to financial liabilities.

Short-term credit facilities amounting to EUR 5,148k were unutilized as of December 31, 2008 (previous year: EUR 5,129k).

Interest expenses amounting to EUR 25k for overdraft liabilities (previous year: EUR 60k) and to EUR 199k for loan liabilities (previous year: EUR 154k) have been recognized under financial expenses for the financial year under report

Financial liabilities had the following maturity structure at the reporting date:

	12.31.2008 EUR 000s	12.31.2008 EUR 000s	12.31.2007 EUR 000s	12.31.2007 EUR 000s
Remaining term				
Up to 1 year		447		340
- of which current liabilities	2		21	
- of which current portion of non-current liabilities	445		319	
1 year to 5 years		2,146		1,678
More than 5 years		3,515		3,425
		6,108		5,443

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

Moreover, the non-current financial liabilities reported for the previous year also included the negative market value of a derivative financial instrument in the category "financial liabilities measured at fair value through profit or loss" (LHfT) amounting to EUR 122k. This contract, whose term originally ran until July 6, 2010, was wound up in full in the financial year under report. The redemption of the negative market value of EUR 59k upon termination of the contract was taken into the income statement together with the interest expenses of EUR 52k for the 2008 financial year (previous year: EUR 70k) and charged to "Other financial income/expenses". The income of EUR 122k from the reversal of the negative market value at the beginning of the financial year was credited to "Other financial income/expenses".

The following table shows the contractually agreed interest and principal payments (in EUR 000s):

	Carrying amount	Cash flow 2009		Cash flow 2010		Cash flows 2011-2013		Cash flows 2014 onwards	
	12.31.2008	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Overdraft	2	0	2	0	0	0	0	0	0
Loans	6,106	189	445	131	427	411	1,719	171	3,515
Total	6,108	189	447	131	427	411	1,719	171	3,515

The loans with terms of up to five years charge interest at a weighted average rate of 5.11%. The equivalent figure for loans with terms of more than five years is 3.09%.

	Carrying amount	Cash flow 2008		Cash flow 2009		Cash flows 2010-2012		Cash flows 2013 onwards	
	12.31.2007	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Overdraft	21	0	21	0	0	0	0	0	0
Loans	5,300	176	319	161	395	391	1,161	0	3,425
Derivatives	122	0	0	0	0	0	122	0	0
Total	5,443	176	340	161	395	391	1,283	254	3,425

The loans with terms of up to five years as of 12.31.2007 charged interest at a weighted average rate of 5.27%. The equivalent figure for loans with terms of more than five years was 3.17%.

(18) Trade payables / liabilities to associates

Trade payables mostly involve goods and services provided in December 2008 and are due for payment within one year.

The liabilities to associates amounting to EUR 70k (previous year: EUR 91k) are due to STRATEC NewGen GmbH (EUR 25k; previous year: EUR 91k) and to STRATEC Biomedical Systems S.R.L., Romania (EUR 45k), and relate to the ongoing exchange of goods and services.

These liabilities are assigned to the “Financial liabilities measured at amortized cost” (LMAC) category pursuant to IAS 39.

(19) Other current liabilities

Liabilities classified pursuant to IAS 39 as "Financial liabilities measured at amortized cost" (LMAC) are measured at amortized cost. Obligations not falling within the scope of IAS 39, such as sovereign liabilities or prepayments received are measured at their nominal performance amounts or at the nominal amount of prepayments received.

These liabilities are structured as follows:

	IAS 39 categories*	2008 EUR 000s	2007 EUR 000s
Wage and salary liabilities	LMAC	907	1.123
Tax liabilities	n.a.	283	684
Social security liabilities	n.a.	100	106
Prepayments received on orders	n.a.	5,685	2,966
Supervisory Board compensation	LMAC	108	133
Other liabilities	LMAC	222	228
		7,305	5,240

* Reference is made to the information provided in Note "(29) Financial instruments / risk management" with regard to the IAS 39 categories and the abbreviations used here.

These liabilities have remaining terms of up to one year.

The wage and salary liabilities mainly consist of outstanding vacation (EUR 602k; previous year: EUR 626k), employee working time credits (EUR 243k; previous year: EUR 202k) and profit participation (EUR 62k; previous year: EUR 270k).

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

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.

Other liabilities mainly related to deferred interest expenses of EUR 0k (previous year: EUR 51k) and outstanding invoices and creditor debit balances of EUR 197k.

(20) Current provisions and income tax liabilities

Current provisions developed as follows:

	01.01. 2008 EUR 000s	Currency differences EUR 000s	Utilized EUR 000s	Reversed EUR 000s	Added EUR 000s	12.31 2008 EUR 000s
Guarantees and warranties	866	21	507	279	486	587
Accounting and year-end expenses	281	1	239	16	222	249
Other	174	0	47	121	49	55
	1,321	22	793	416	757	891

	01.01. 2007 EUR 000s	Currency differences EUR 000s	Utilized EUR 000s	Reversed EUR 000s	Added EUR 000s	12.31 2007 EUR 000s
Guarantees and warranties	850	0	536	161	713	866
Accounting and year-end expenses	259	0	233	0	255	281
Other	44	0	22	10	162	174
	1,153	0	791	171	1,130	1,321

Income tax liabilities relate to current income tax obligations.

V. Disclosures relating to the income statement

(21) 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
2008	12,542	33,868	14,561	60,971
2007	13,315	41,899	12,313	67,527

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

	2008 EUR 000s	2007 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	61,093	68,153
Reduction in the volume of future receivables from construction contracts	-122	-626
	60,971	67,527

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., as 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 company's internal management is, as in previous years, not based on segment-related information.

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

This item is structured as follows:

	2008 EUR 000s	2007 EUR 000s
Reduction (previous year: increase) in finished products	-19	90
Increase (previous year: reduction) in unfinished products	899	-85
Increase in unfinished services	5,363	1,728
Foreign currency differences	-24	0
	6,219	1,733

No extraordinary write-downs were undertaken on unfinished services during the 2008 financial year (previous year: EUR 0k). Inventories amounting to EUR 31,549k were recognized as costs of sales in the income statement in the financial year under report (previous year: EUR 35,094k).

(23) Other operating income

	2008 EUR 000s	2007 EUR 000s
Income from foreign currency translation	411	198
Expenditure grants	34	146
Auxiliary transactions	131	97
Income from reversal of other provisions and measurement of liabilities	463	232
Income from services provided to associates:		
- STRATEC NewGen GmbH	32	56
- STRATEC Biomedical Systems S.R.L., Romania	15	0
Other income	60	18
	1,146	747

(24) Number of employees

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

	2008 Number	2007 Number
Industrial workers	37	36
Salaried employees	193	186
Trainees	8	7
	238	229
Employees hired from temporary employment agencies	30	29
Total	268	258

	2008 Number	2007 Number
Permanent employees in Germany	205	198
Employees hired from temporary employment agencies in Germany	30	29
Employees in other countries	33	31
Total	268	258

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 corresponding expenses under personnel expenses.

(25) Depreciation and amortization

Depreciation and amortization were structured as follows:

	2008 EUR 000s	2007 EUR 000s
Intangible assets, scheduled amortization	1,133	1,138
Property, plant and equipment, scheduled depreciation	1,152	1,132
	2,285	2,270

(26) 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:

	2008 EUR 000s	2007 EUR 000s
Trade fair, advertising, travel and hospitality expenses	766	706
Outgoing freight and sales commissions	797	675
External services	1,275	1,140
Legal and advisory expenses	470	1,058
Insurance, contributions, fees	316	316
Expenses for foreign currency differences	1,051	47
Costs of premises	473	472
Office and administration expenses	462	419
Maintenance expenses	186	155
Supervisory Board compensation	108	117
Other expenses	521	685
	6,425	5,790

Other expenses mainly include miscellaneous personnel expenses, costs in transit and expenses in connection with warranty claims. Furthermore, this item also includes services procured from STRATEC NewGen GmbH (EUR 46k) and STRATEC Biomedical Inc., USA (EUR 101k).

Expenses of EUR 144k were incurred for operating leases in the year under report (previous year: EUR 66k) and are included in the above presentation.

(27) Net financial expenses

The income from profit transfer agreements (EUR -71k; previous year: EUR +1k) is attributable to the profit transfer agreement with STRATEC NewGen GmbH.

Financial income is structured as follows:

	IAS 39 categories*	2008 EUR 000s	2007 EUR 000s
Interest income on cash and cash equivalents	CCE	634	417
Interest income on receivables from associates	LAR	7	5
Interest income on other loans issued	LAR	0	1
Other interest income	n.a.	3	0
		644	423

Financial expenses are structured as follows:

	IAS 39 categories*	2008 EUR 000s	2007 EUR 000s
Interest expenses on loan liabilities to banks (current and non-current)	LMAC	199	154
Interest expenses on other current financial liabilities	LMAC	25	36
Other interest expenses	n.a.	0	1
		224	191

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

	IAS 39 categories*	2008 EUR 000s	2007 EUR 000s
Gains/losses on financial assets measured at fair value **through profit or loss**:	AHfT		
- Interest and dividends		8	4
- Gains/losses on retirement		0	113
- Gains/losses on measurement at reporting date		-131	-133
		-123	**-16**
Gains/losses on financial assets measured at fair value **in equity**:	AfS		
- Interest and dividends		0	1
- Gains/losses on measurement at reporting date*		-2,075	0
		-2,075	**1**
Gains/losses on financial liabilities measured at fair value **through profit or loss**:	LHfT		
- Interest expenses		-52	-70
- Gains/losses on retirement		63	0
- Gains/losses on measurement at reporting date		0	53
		11	**-17**
		-2,187	**-32**

* Reference is made to the information provided in Note "(29) Financial instruments / risk management" with regard to the IAS 39 categories and the abbreviations used here.

Financial instruments available for sale are generally measured at fair value in equity; changes upon measurement at the reporting date must be recognized through profit or loss in cases where the fair value shows a significant or prolonged reduction below cost (objective indication of impairment).

(28) 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 and during the 2008 financial year have been excluded pro rata temporis 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 11,359,898 (previous year: 11,324,028).

Pursuant to IAS 33, the consolidated net income of EUR 6,131k (previous year: EUR 9,991k) reported in the income statement has been used as the unaltered basis for the calculation.

Due to the option rights outstanding as of December 31, 2008, both basic and diluted earnings per share have been calculated. The calculation of diluted earnings per share has been based on the assumption that all outstanding options not yet exercised are actually exercised. The number of additional shares to be accounted for is calculated by comparing the proceeds generated by such exercising of options with the proceeds which could theoretically be generated by issuing new shares at customary 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 accounted for in the calculation of (diluted) earnings per share amounts to 11,387,716 (previous year: 11,440,444).

(29) Financial instruments / risk management

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

- primary financial instruments, such as trade receivables and payables or financial receivables and financial liabilities
- derivative financial instruments not involving a hedging relationship with a hedged item
- derivative financial instruments, such as hedges deployed to cover risks resulting from changes in exchange rates and interest rates.

The volume of **primary** financial instruments can be seen in the balance sheet. Financial assets have been subdivided into the categories defined in IAS 39 and recognized at cost or at fair value in line with their respective classification. 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 of these items.

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. However, any permanent impairments in the value of such instruments are recognized through profit or loss. Changes in the fair value of financial instruments held for trading are recognized through profit or loss.

Financial instruments which constitute financial liabilities have been recognized at amortized cost.

The fair value of a 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 fair value of loan liabilities is calculated by discounting future payments of interest and principal with market conditions for loans with congruent terms and risk profiles as of the reporting date. Due to project-related fund allocation requirements and the resultant interest benefit, the fair value calculated in this way is not directly comparable with loans unless these company-specific factors are accounted for.

The financial instruments reported in the accounts have been presented below broken down into their IAS 39 classifications and aggregated in terms of comparable features in terms of measurement uncertainties and risks. Holdings of cash and cash equivalents – hereinafter "CCE" – have been presented separately as they do not fall within the scope of IAS 39. The presentation of CCE together with financial assets in the "LaR" category in the previous year in the interests of simplification has been adjusted accordingly.

The following abbreviations are used for the various measurement categories in the following pages:

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

Financial assets:

(EUR 000s)

Balance sheet item	Valuation category IAS 39	Carrying amount **12.31. 2008** (2007)	Measurement under IAS 39				Not included under IFRS 7	Fair value **12.31. 2008** (2007)
			Amor-tized cost	Cost	Fair value in equity	Fair value through profit or loss		
Interests in associates	AfS	**285** (338)		**285** (338)				**285** (338)
Shareholdings	AfS	**609** (2,735)			**0** (2,735)	**609** (0)		**609** (2,735)
Other financial assets	LAR	**0** (21)	**0** (21)					**0** (21)
Trade receivables	LAR	**9,682** (10,580)	**9,682** (10,580)					**9,682** (10,580)
Future receivables from construction contracts	LAR	**4,902** (4,850)	**4,902** (4,850)					**4,902** (4,859)
Receivables from associates	LAR	**167** (136)	**167** (136)					**167** (136)
Other receivables and other assets	LAR/n.a.	**989** (1,014)	**105** (108)				**884** (906)	**989** (1,014)
Securities	AHfT	**293** (424)				**293** (424)		**293** (424)
Cash and cash equivalents	CCE	**19,208** (19,884)						**19,208** (19,884)

Those components of the balance sheet items portrayed above which fall within the scope of IAS 39 have been presented in the notes to the respective balance sheet items. In general, non-financial non-current assets, inventories (IAS 2) and income tax receivables do not fall within the scope of IAS 39.

The allocation of the fair value measurement of shareholdings (AfS) to "through profit or loss" is attributable to the write-down requirements specified in IAS 39.68.

The previous year's figure for "Other receivables and other assets" has been adusted, as other taxes of EUR 790k had been erroneously depicted as measured at amortized cost. However, IAS 39 is not applicable (n.a.) to these items.

Financial liabilities:
(EUR 000s)

Balance sheet item	Valuation category IAS 39	Carrying amount **12.31. 2008** (2007)	Measurement under IAS 39				Not included under IFRS 7	Fair value **12.31. 2008** (2007)
			Amor- tized cost	Cost	Fair value in equity	Fair value through profit or loss		
Liabilities to banks	LMAC	**6,108** (5,321)	**6,108** (5,321)					**5,879** (5,321)
Derivative financial liabilities	LHfT	**0** (122)				**0** (122)		**0** (122)
Trade payables	LMAC	**3,632** (2,644)		**3,632** (2,644)				**3,632** (2,644)
Liabilities to associates	LMAC	**70** (91)	**70** (91)					**70** (91)
Current provisions	LMAC/ n.a.	**892** (1,321)		**305** (455)			**587** (866)	**892** (1,321)
Other current liabilities	LMAC/ n.a.	**7,305** (5,240)	**1,237** (1,484)				**6,068** (3,756)	**7,305** (5,240)

Those components of the balance sheet items portrayed above which fall within the scope of IAS 39 have been presented in the notes to the respective balance sheet items. In general, income tax liabilities do not fall within the scope of IAS 39. Moreover, the tax and social security liabilities and prepayments received from customers reported under "Other current liabilities" do not classify as financial liabilities, neither do the guarantee and warranty obligations reported under "Other provisions".

When summarized, the financial assets and liabilities in the various measurement categories were structured as follows:

Category	Valuation category IAS 39	Carrying amount **12.31. 2008** (2007)	Value pursuant to IAS 39				Not included under IFRS 7	Fair value **12.31. 2008** (2007)
			Amortized cost	Cost	Fair value in equity	Fair value through profit or loss		
Cash and cash equivalents	CCE	**19,208** (19,884)						**19,208** (19,884)
Financial assets available for sale	AfS	**894** (3,073)		**285** (338)	**0** (2,735)	**609** (0)		**894** (3,073)
Loans and receivables	LAR	**15,740** (16,601)	**14,846** (15,695)				**894** (906)	**15,740** (16,601)
Financial assets held for trading	AHfT	**293** (424)				**293** (424)		**293** (424)
Financial liabilities held for trading	LHfT	**0** (122)				**0** (122)		**0** (122)
Financial liabilities measured at (amortized) cost	LMAC	**18,007** (14,617)	**7,415** (6,896)	**3,937** (3,099)			**6,655** (4,622)	**18,007** (14,617)

Future receivables from construction contracts generally represent a separate category, as measurement under IAS 11 does not fall within the scope of IAS 39. For reasons of simplification, these future receivables have been included in the LaR category in the above presentation.

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

EUR 000s 2008 (2007)	From interest and dividends	From subsequent measurement			From disposals	Net result 2008 (2007)
		Fair value	Currency translation	Write-down		
Cash and cash equivalents	**634** (414)	**0** (0)	**-189** (33)	**0** (0)	**0** (0)	**445** (447)
Loans and receivables	**7** (5)	**0** (0)	**7** (44)	**16** (-48)	**0** (0)	**30** (1)
Financial assets available for sale	**0** (1)	**-2,075** (0)	**0** (0)	**0** (0)	**0** (0)	**-2,075** (1)
Financial assets held for trading	**8** (4)	**-131** (-132)	**0** (0)	**0** (0)	**0** (113)	**-123** (-15)
Financial liabilities held for trading	**-52** (-70)	**0** (53)	**0** (0)	**0** (0)	**63** (0)	**11** (-17)
Financial liabilities measured at (amortized) cost	**-224** (-190)	**0** (0)	**16** (12)	**0** (0)	**183** (0)	**-25** (-178)
Total	**358** **(164)**	**-2,206** **(-79)**	**-173** **(89)**	**16** **(-48)**	**246** **(113)**	**-1,767** **(239)**

Interest expenses and interest income resulting from financial instruments measured at amortized cost are recognized under net financial expenses. The net result on financial instruments measured at fair value is recognized under other financial income/expenses. Reference is made to "(27) Net financial expenses" for information on the individual components of net financial expenses.

Upon the measurement of financial assets available for sale at the reporting date, cumulative measurement gains from previous years, amounting to EUR 105k, were taken into the income statement in the 2008 financial year (previous year: recognition in equity of EUR -257k).

The gains and losses resulting from the translation of financial assets and liabilities at average exchange rates on the reporting date are recognized under other operating income or expenses together with the results of foreign currency translation performed during the year under report. The translation of cash and cash equivalents at the reporting date resulted in currency expenses of EUR 189k requiring report in the income statement. These have also been recognized under other operating expenses.

Risk Management

Principles of risk management

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

The objective of financial risk management is to limit these risks primarily by means of 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. These risks mainly relate to the translation 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 due to the allocation of translation differences to the currency reserve 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 present any significant liquidity risk 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 impact of hypothetical changes in the relevant risk variables on their earnings and equity. The implications for the period under report are determined by applying these hypothetical changes in variables to the volumes of financial instruments held at the reporting date.

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

	Annual Average Rate		Reporting Date Rate	
	GBP	CHF	GBP	CHF
Actual figures in 2008	**0.80**	**1.59**	**0.95**	**1.49**
-10% (depreciation in EUR compared with CHF/GBP)	0.72	1.43	0.86	1.34
+10% (appreciation in EUR compared with CHF/GBP)	0.88	1.75	1.05	1.64
Actual figures in 2007	**0.68**	**1.64**	**0.73**	**1.67**
-10% (depreciation in EUR compared with CHF/GBP)	0.61	1.48	0.66	1.50
+10% (appreciation in EUR compared with CHF/GBP)	0.74	1.80	0.80	1.84

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

EUR 000s	2008 (2007) Consolidated Earnings	2008 (2007) Group Equity	2008 (2007) Currency Translation Reserve
(-10%) Depreciation in EUR	-47 (+366)	+1,244 (+909)	+1,291 (+543)
(+10%) Appreciation in EUR	+23 (-296)	-1,097 (-833)	-1,121 (-536)

Foreign currency risks affecting investment activities could result, among other factors, from the acquisition and disposal of foreign companies. At the 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 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. Financial assets at foreign group companies exclusively involve assets in the "Loans and receivables" category and cash and cash equivalent with terms of up to three months.

Market risks for primary financial instruments with fixed interest rates only affect earnings when such instruments are measured at fair value. As a result, all financial instruments with fixed interest rates which are measured at amortized 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 reporting date.

The use of derivative hedging instruments (such as swaps) may be considered to hedge interest rate risks in individual cases. STRATEC AG did not hold any derivative financial instruments at the reporting date.

Other price risks:

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 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 with individual and general allowances.

Liquid funds are invested solely in the form of short-term deposits (with maximum terms of three 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, these figures do not account for the hedging measures outlined above.

Derivative financial instruments not hedging a hedged item are classified as trading financial instruments and measured at fair value as of the reporting date. Any differences between cost and fair value are recognized through profit or loss.

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

One interest swap was deployed to secure variable financing in connection with the supply of working capital to the Swiss subsidiary Robion AG. This involved a so-called "Leveraged-Quanto-CMS-Swap". The negative fair value of this derivative financial instrument amounted to EUR 122k at the previous year's reporting date and was reported under non-current financial liabilities. The swap contract was wound up in full during the 2008 financial year. The resultant impact on earnings is presented in detail in "(27) Net financial expenses".

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 71.3% as of December 31, 2008 and thus remained virtually unchanged on the previous year (previous year: 72.6%). The target range for this figure amounts to 50 to 75 percent.

The ratio of current financial assets to current financial liabilities amounted to 2.9 as of December 31, 2008, compared with 2.8 in the previous year. This ratio should not fall short of 1.5.

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

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

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

	2008 EUR 000s	2007 EUR 000s
Current and non-current financial liabilities	18,083	15,499
Actual cash flows	-889	8,183

	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 2008 and 2007 financial years (2007 and 2006).

(30) 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:

Expenses for:	2008 EUR 000s	2007 EUR 000s
a) Auditing of financial statements	91	80
b) Tax advisory services	11	64
c) Other services performed for STRATEC AG or its subsidiaries	0	43
Total auditor's fee	102	187

(31) 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

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 were no alterations in the composition of the Board of Management between the reporting date and the preparation 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 on 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 816k during the period under report (previous year: EUR 841k). More specifically, the compensation was structured as follows:

	2008 EUR 000s	2007 EUR 000s
Fixed salary	518	488
Share-based payments	122	83
Payments in kind	30	30
Insurance payments	57	57
Performance-related components	89	183
Total compensation	816	841

The short-term portion of total compensation amounted to EUR 694k (previous year: EUR 758k).

The figure stated for share-based payments involves the period-specific arithmetical value of the stock options issued to members of the Board of Management recognized pursuant to IFRS 2 as personnel expenses during the financial year under report. A total of 85,000 stock options with a subscription price of EUR 11.98 and an arithmetical total value of EUR 186k were issued to the Board of Management in the 2008 financial year (previous year: 70,000 stock options with a subscription price of EUR 22.69 and an arithmetical total value of EUR 243k).

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

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 on Trent, UK.

The **Supervisory Board** comprised the following individuals at the reporting date:

Fred K. Brückner, Marburg
(Chairman)
Chemical Engineer / Self-employed 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 108k during the year under report (previous year: EUR 117k). The specific structure of the compensation was as follows:

	2008 EUR 000s	2007 EUR 000s
Fixed compensation	36	36
Performance-related components	63	72
Meeting allowance	9	9
Total short-term compensation	108	117

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

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 34k during the 2008 financial year (previous year: EUR 12k). These services were invoiced at prices which would also be agreed with third parties.

Apart from this, there were no service relationships between the company's directors and officers, or persons closely related to such, 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 6k (previous year: EUR 11k). These services were invoiced at prices which would also be agreed with third parties.

Subsidiaries

During the 2008 financial year, STRATEC Biomedical Systems AG generated revenues of EUR 32k from transactions with STRATEC NewGen GmbH (previous year: EUR 56k) and purchased services amounting to EUR 46k (previous year: EUR 272k). These services were invoiced at market prices. The profit transfer agreement concluded with STRATEC NewGen GmbH resulted in expenses of EUR 71k during the year under report (previous year: income of EUR 0.5k from the takeover of profit).

During the 2008 financial year, STRATEC Biomedical Systems AG generated revenues of EUR 0k from transactions with Sanguin International Inc. (previous year: EUR 5k).

During the 2008 financial year, STRATEC Biomedical Systems AG generated interest income of EUR 7k from a loan granted to STRATEC Biomedical Inc. (previous year: EUR 5k). The services purchased by STRATEC Biomedical Systems AG from STRATEC Biomedical Inc. amounted to EUR 101k (previous year: 48k).

During the 2008 financial year, STRATEC Biomedical Systems AG generated revenues of EUR 15k from transactions with STRATEC Biomedical Systems S.R.L., Romania, and purchased services of EUR 104k (previous year: EUR 0k). During the 2008 financial year, Robion AG purchased services of EUR 106k (previous year: EUR 0k) from STRATEC Biomedical Systems S.R.L., Romania.

Sanguin International Ltd., UK, generated sales of EUR 54k from transactions with Sanguin International Inc., USA, during the period under report (previous year: EUR 0k). The services purchased by Sanguin International Ltd. from Sanguin International Inc. amounted to EUR 37k.

Receivables and liabilities relating to associates at the reporting date have been noted in the respective balance sheet items.

Other closely related individuals

There were no relationships with other closely related individuals.

(32) Contingent liabilities and other financial obligations

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

	2008 EUR 000s	2007 EUR 000s
Remaining term of up to 3 years	17,693	15,108
of which: Remaining term of up to 1 year	16,379	14,069

There are other financial liabilities of EUR 359k with remaining terms of more than three years.

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

(33) Events after the reporting date

STRATEC held a 13.42% stake in CyBio AG, Jena, as of December 31, 2008. Taken together with the posting of a Supervisory Board member, an overall assessment of the circumstances substantiated the assumption of the existence of significant influence pursuant to IAS 28.2 in conjunction with IAS 28.7 as of the reporting date on December 31, 2008.

A voluntary public takeover bid addressed to the shareholders in CyBio AG offering to acquire their shares in CyBio AG, which was published on February 20, 2009, and the resultant gaining of control over CyBio AG by third parties on February 23, 2009 refuted this assumption and was accounted for in the overall assessment upon preparation of STRATEC's consolidated financial statements as of December 31, 2008 (subsequent event of retrospective relevance as of reporting date).

Due to the refutation of the assumption of significant influence, the measurement of the CyBio shareholding was not converted to the equity method (amortized cost) in STRATEC's annual financial statements.

The shares in CyBio AG have rather been measured at fair value as of the reporting date in accordance with the "financial assets available for sale" measurement category in IAS 39. As CyBio AG is publicly listed, the fair value is equivalent to the share price of EUR 0.84 as of December 31, 2008.

In this respect, the difference in value has now been recognized through profit or loss pursuant to IAS 39.68 as the significant and prolonged reduction in the share price below cost in the 2008 financial year is deemed to represent a permanent impairment.

STRATEC accepted the voluntary public takeover bid addressed to shareholders in CyBio AG, which offered to acquire their shares at EUR 1.10 per share. The relevant agreement includes an income adjustment clause.

(34) Date of approval for publication

The Board of Management of STRATEC AG presented the consolidated financial statements to the Supervisory Board on March 20, 2009. The Supervisory Board will resolve on their approval on March 30, 2009.

Birkenfeld, March 20, 2009

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, 2008

	Historic Cost EUR 000s					
	01.01.2008	Currency differences	Additions	Reclassifi-cations	Disposals	12.31.2008
Intangible assets						
Goodwill	789	-180	0	0	0	609
Other intangible assets	6,390	-1,162	239	138	0	5,605
Development expenses	0	0	0	0	0	0
Prepayments made for other intangible assets	0	-1	142	-91	0	50
	7,179	**-1,343**	**381**	**47**	**0**	**6,264**
Property, plant and equipment						
Land, leasehold rights and buildings	5,021	0	6	0	0	5,027
Technical equipment and machinery	435	4	2	0	0	441
Other equipment, plant and office equipment	6,586	27	1,010	451	326	7,748
Prepayments made and assets under construction	232	-6	413	-498	0	141
	12,274	**25**	**1,431**	**-47**	**326**	**13,357**
Total non-current assets	**19,453**	**-1,318**	**1,812**	**0**	**326**	**19,621**

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

	Historic Cost EUR 000s					
	01.01.2007	Currency differences	Additions	Reclassifi-cations	Disposals	12.31.2007
Intangible assets						
Goodwill	897	-75	0	0	33	789
Other intangible assets	6,636	-509	239	0	0	6,366
Development expenses	0	0	0	0	0	0
Prepayments made for other intangible assets	0	0	0	0	0	0
	7,533	**-584**	**239**	**0**	**33**	**7,155**
Property, plant and equipment						
Land, leasehold rights and buildings	5,001	0	20	0	0	5,021
Technical equipment and machinery	413	-1	23	0	0	435
Other equipment, plant and office equipment	5,614	-17	1,309	0	320	6,586
Prepayments made and assets under construction	0	0	232	0	0	232
	11,028	**-18**	**1,584**	**0**	**320**	**12,274**
Total non-current assets	**18,561**	**-602**	**1,823**	**0**	**354**	**19,429**

Cumulative Depreciation and Amortization EUR 000s					Net Carrying Amounts EUR 000s	
01.01.2008	Currency differences	Additions	Disposals	12.31.2008	12.31.2008	12.31.2007
0	0	0	0	0	609	789
2,301	-472	1,133	0	2,962	2,643	4,088
0	0	0	0	0	0	0
0	0	0	0	0	50	0
2,301	**-472**	**1,133**	**0**	**2,962**	**3,302**	**4,876**
1,162	0	145	0	1,307	3,720	3,859
305	4	35	0	344	98	131
4,790	-28	971	322	5,411	2,337	1,796
0	0	0	0	0	141	232
6,256	**-24**	**1,151**	**322**	**7,062**	**6,296**	**6,018**
8,557	**-496**	**2,284**	**322**	**10,024**	**9,597**	**10,894**

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

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, 2008. 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, 2009

WirtschaftsTreuhand GmbH
Chartered Accountants
Tax Consultants

Richter
Chartered Accountant

Ernst
Chartered Accountant

Financial Calendar

04.08.2009	Publication of consolidated/annual financial statements
04.08.2009	Annual Press Conference Call
05.14.2009	Publication of First Quarter Report
05.20.2009	Annual General Meeting. Pforzheim/Germany
08.14.2009	Publication of Second Quarter Report
11.19.2009	Publication of Third Quarter Report
November 2009	Deutsches Eigenkapitalforum. Frankfurt am Main/Germany (Analysts' Conference)

Subject to amendment

Imprint

Editor

STRATEC Biomedical Systems AG
Gewerbestr. 37
75217 Birkenfeld
Germany
Tel: +49 7082 7916-0
Fax: +49 7082 7916-999
info@stratec-biomedical.de
www.stratec-biomedical.de

Contact

André Loy
Investor Relations
Tel: +49 7082 7916-190
Fax: +49 7082 7916-999
a.loy@stratec-biomedical.de

Marcus Wolfinger
Vorstand für Finanzen
Tel: +49 7082 7916-0
Fax: +49 7082 7916-999
m.wolfinger@stratec-biomedical.de

Conception and layout: Dr. Jürgen Gauß, Straubenhardt/Germany

Text: STRATEC Biomedical Systems AG, Birkenfeld/Germany

Printing: Druckhaus Müller GmbH, Neuenbürg/Germany

This Annual Report is also available in German.

STRATEC Biomedical Systems AG
Gewerbestr. 37
75217 Birkenfeld
Germany
Tel: +49 7082 7916-0
Fax: +49 7082 7916-999
info@stratec-biomedical.de
www.stratec-biomedical.de

stratec®
biomedical systems