HALF-YEARLY FINANCIAL REPORT H1|2018

January 1 to June 30, 2018

PROFILE

STRATEC designs and manufactures fully automated analyzer systems for its partners in the fields of clinical diagnostics and biotechnology.

Furthermore, the company offers sample preparation solutions, integrated laboratory software, and complex consumables for diagnostic and medical applications. STRATEC covers the entire value chain – from development to design and production through to quality assurance.

Our partners market the systems, software and consumables, in general together with their own reagents, as system solutions to laboratories, blood banks and research institutes around the world. STRATEC develops its products on the basis of its own patented technologies.

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CURRENT INFORMATION

- Organic sales decline of 3.9% (nominal: -10.5%) to € 90.2 million in H1 2018 (H1 2017: € 100.7 million)
- Adjusted EBIT in H1 2018 at € 8.8 million after € 12.8 million in the previous year
- Adjusted EBIT margin in H1 2018 9.8% (H1 2017: 12.7%)
- Negative earnings effects H1 2018 due to first-time adoption of IFRS 15
- High level of development projects and ongoing increase in the number of employees
- New development agreements signed and further promising project negotiations ongoing
- Adjustment of 2018 financial guidance

KEY FIGURES[1, 2]

€ 000s	01.01. – 06.30.2018	01.01. – 06.30.2017	Change yoy	01.01. – 06.30.2018 before adoption of IFRs 9 and 15	Change yoy
Sales	90,165	100,723	-10.5%	93,536	-7.1%
Adjusted EBITDA	12,178	16,446	-26.0%	13,850	-15.8%
Adjusted EBITDA margin (%)	13.5	16.3	-280 bps	14.8	-150 bps
Adjusted EBIT	8,846	12,816	-31.0%	10,167	-20.7%
Adjusted EBIT margin (%)	9.8	12.7	-290 bps	10.9	-180 bps
Adjusted consolidated net income	7,240	9,902	-26.9%	8,348	-15.7%
Adjusted earnings per share (€)	0.61	0.84	-27.4%	0.70	-16.7%
Earnings per share (€)	0.22	0.52	-57.7%	0.31	-40.4%

€ 000s	06.30.2018	12.31.2017	Change 12.31.2017	06.30.2018 before adoption of IFRS 9 and 15	Change 12.31.2017
Equity	142,580	157,837	-9.7%	147,805	-6,4%
Total assets	261,324	263,776	-0.9%	255,144	-3.3%
Equity ratio (%)	54.6	59.8	-520 bps	57.9%	-190 bps

bps = basis points

[1] For comparison purposes, adjusted figures exclude amortizations resulting from purchase price allocations in the context of acquisitions, associated reorganization expenses, as well as other one-off items.

[2] Figures for H1 2018 in line with IFRS 9 and 15. The 2017 figures were not retroactively adjusted (modified retrospective method). Refer to the Management Report and the Notes for the impact of the first-time adoption of IFRS 9 and IFRS 15.

LETTER FROM THE BOARD OF MANAGEMENT

Dear shareholders, partners and friends of STRATEC,

After a very restrained first quarter of 2018, due particularly to customer-induced order shifts and strong previous-year figures, the STRATEC Group again posted more pleasing sales and earnings momentum in the second quarter of 2018. As expected, the 11.8% decline in organic growth after the first three months of 2018 was not caught up completely but was narrowed to 3.9%. We are currently observing a slower-than-expected ramp-up phase for recently launched products. At some of our largest customers internal factors are also negatively impacting call-up volumes for longer than anticipated. For this reason, we are looking somewhat more cautiously into the second half of the year than was the case at the beginning of the year and have slightly reduced our organic growth targets for 2018.

However, in our view there is no change to the positive medium- to long-term growth perspectives at the STRATEC Group. Our strongly increased level of development activities also continued unabated in the first half-year of 2018. Thus in the first quarter of 2018, we concluded another development agreement for an analyzer system with a globally operating diagnostics company and are also in a large number of advanced project negotiations with existing and potential partners. At the AACC in Chicago in July, the most important specialist trade fair for us, we also presented for the first time to a broad audience a new cartridge-based analyzer system for hematology and components of a proprietary molecular-diagnostic platform. In addition, in the coming quarters we are expecting our customers to launch a range of important products.

As a result of the increased development activities and in the context of the planned future growth, in the first six months of 2018 STRATEC again experienced a pleasing increase in the number of employees. In addition, in the first half-year we commenced the construction measures for the extension and conversion of the buildings at the Birkenfeld headquarters.

Alongside a considerable improvement in sales momentum, the focus for the second half of the year remains on introducing a standardized ERP system across the group. The introduction of the system at Austria and Hungary locations was already concluded in January 2018. Currently, preparations are ongoing that include the implementation at the Birkenfeld headquarters and the Beringen site in Switzerland.

We would like to thank our shareholders for their trust which was reflected in the high approval rates at this year's Annual General Meeting. This includes the approval of the planned change of legal form to a Societas Europaea (SE) and to a new record dividend of € 0.80 per share which we distributed in June 2018.

Birkenfeld, August 2018

The Board of Management of
STRATEC Biomedical AG

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

INTERIM GROUP MANAGEMENT REPORT

Report on results of operations, financial position and net assets

As of January 1, 2018, STRATEC applied IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). In each case the first-adoption application was made on a retrospective basis without changing the previous-year figures (the "modified retrospective transition method"). In some cases, this makes it more difficult to compare the figures reported on the operations, financial position and net assets with the previous-year figures. For a detailed analysis of the impact of the first-time adoption of IFRS 9 and IFRS 15, please also refer to the corresponding information in the notes.

Operations

In the first six months of 2018, sales of € 90.2 million (previous year: € 100.7 million) were generated, representing an organic sales decline of 3.9%. In nominal terms sales declined by 10.5%, with exchange rate effects and the first-time adoption of IFRS 15 each negatively impacting sales growth by 3.3 percentage points.

Restrained organic sales growth is due particularly to the weak first quarter of 2018, while in the second quarter positive organic sales growth was again achieved. In the first six months of 2018, revenues from the sale of systems declined, while sales with development and services was increased on an organic basis. The temporarily reduced call-up volume for systems at the beginning of the year due to internal reasons at some key customers improved in the second quarter. However, most recent overall order forecasts from customers for the second half of the year came in below original expectations.

In the context of the lower sales volume, there was also a decline in gross profit from € 32.1 million in the previous year to € 24.6 million in the first half of 2018. The first-time adoption of IFRS 15 as well as higher depreciation and amortization also had a negative effect on gross profit. As of June 30, 2018, the gross margin was 27.3%, after 31.8% in the previous year.

Gross development costs increased by € 3.6 million to € 18.1 million from € 14.5 million in the previous year. This increase was driven primarily by the high number of development projects and the related increase in development staff.

Selling costs increased slightly from € 7.1 million in the previous year to € 7.3 million in the first six months of 2018, while general administrative costs declined from € 10.5 million in the previous year to € 8.5 million in the equivalent period of the current year.

In the first six months of 2018, adjusted EBIT was € 8.8 million after € 12.8 million in the same period of the previous year. This corresponds to an adjusted EBIT margin of 9.8% after 12.7% in the same period of the previous year. The decline in profitability in comparison to the previous year is due particularly to higher expenses in connection with increased development activities and the lower sales volume with the resulting inability to leverage economies of scale. The first-time adoption of IFRS 15 also had a considerable negative effect of 110 basis points on the adjusted EBIT margin.

In the reporting period, STRATEC reports adjusted consolidated net income of € 7.2 million (previous year: € 9.9 million). Adjusted basic earnings per share are € 0.61 (previous year: € 0.84).

For comparative purposes, the adjusted figures are adjusted by write-downs resulting from purchase price allocation and by related restructuring expenses as well as other exceptional items

For a reconciliation of the adjusted figures to those shown in the consolidated statement of comprehensive income, refer to the tables below.

€ 000s	01.01.–06.30.2018
Adjusted EBIT	8,846
Adjustments	
• Expenses in connection with transactions and related restructuring expenses	-896
• PPA amortization	-4,724
EBIT	3,225

€ 000s	01.01.–06.30.2018
Adjusted consolidated net income	7,240
Adjusted earnings per share in €	0.61
Adjustments	
• Expenses in connection with transactions and related restructuring expenses	-896
• PPA amortization	-4,724
• Current tax expense	247
• Deferred tax income	757
Consolidated net income	2,622
Earnings per share in €	0.22

The impact of the first-time adoption of IFRS 9 and IFRS 15 on the adjusted 2018 results is shown below:

€ 000s	01.01.–06.30.2018 before adoption of IFRS 9 / IFRS 15	Effects of IFRS 9 / IFRS 15	01.01.–06.30.2018 IFRS 9 / IFRS 15
Sales	93,536	-3,371	90,165
Adjusted EBITDA	13,850	-1,672	12,178
Adjusted EBIT	10,167	-1,321	8,846
Adjusted consolidated net income	8,348	1,108	7,240
Adjusted earnings per share in €	0.70	-0.09	0.61

Financial position

In the first six months of 2018, cash flow from operating activities declined to € 11.9 million after € 13.9 million in the same period of the previous year. The decline is due primary to a lower consolidated net income and higher inventories.

Net cash from investing activities was € 1.0 million after € -6.6 million in the previous year. This proceeds of € 8.6 million from the disposal of financial assets was due to disposing all shares in an equity investment. Investments in property, plant and equipment at € 3.9 million were at approximately the same level as the previous year. Investments in intangible assets rose from € 2.8 million to € 3.8 million. This relates essentially to investments in a standardized ERP system and capitalizing development costs.

Net cash used in financing activities was € 9.7 million, made up primarily of another increase in the dividend payment to shareholders of € 9.5 million.

Cash and cash equivalents rose from € 17.2 million as of June 30, 2017, to € 26.9 million as of June 30, 2018.

Assets

Total assets declined slightly from € 263.8 million as of December 31, 2017, to € 261.3 million as of June 30, 2018.

Key changes relate to inventories, financial assets and current liabilities.

The rise in inventories from € 27.9 million to € 47.1 million is driven largely by the first-time adoption of IFRS 15, higher stock levels and higher work in progress.

Financial assets declined from € 12.5 million to € 1.3 million, due largely to the disposal of all shares in a listed company during the reporting period.

In comparison to December 31, 2017, cash and cash equivalents were up 11.4% to € 26.9 million.

As of June 30, 2018, the equity ratio was 54.6%, after 59.8% as of December 31, 2017. The main reasons for the decline were the first-time adoption of IFRS 15 and the dividend payment made in the first six months of 2018.

Non-current liabilities moved down slightly from € 77.2 million to € 76.5 million as of June 30, 2018.

Current liabilities rose from € 28.7 million to € 42.2 million, primarily due to effects from the first-time adoption of IFRS 15 and higher trade payables.

Economic and industry environment

Economic environment

In July, the International Monetary Fund (IMF) confirmed its expectations for global economic growth in 2018 and 2019 in comparison to its April 2018 estimate. For 2018 and 2019, the expectation of global economic growth of 3.9% has been retained (after 3.8% in 2017).

However, the IMF indicates that progress in relation to economic performance has become uneven across the individual regions and that risks for global economic growth has increased since April 2018. Here particular reference is made to increasing uncertainty in connection with a potential expansion of recently introduced trade barriers. In its recent World Economic Survey (WES) dated August 2018, the IFO Institute indicates a considerable worsening of the global economic climate.

For the euro area, the IMF expects economic growth of 2.2% 2018, marginally under the 2.3% for 2017. This represents a reduction of 0.2 percentage points in comparison to the April 2018 estimate. The reduced growth expectations are due particularly to weaker than expected activities in Germany and France in the first quarter.

For the USA, growth of 2.9% is forecast for 2018, higher than the 2.3% for 2017. This means that there has been no change to the April 2018 estimate. According to the IMF, increasing growth momentum in comparison to the previous year is due to recent fiscal and political measures and ongoing strong demand from the private sector.

The IMF confirmed its growth forecast of April 2018 for the emerging countries, continuing to expect a figure of 4.9% for 2018 after growth of 4.8% for 2017. The positive growth rates are driven by strong economic performance in Asia and an improved situation in countries exporting raw materials.

Irrespective of the above trend, the global demographic development is one of the most serious global challenges. Dynamic global population growth parallel to a historically unique increase in the share of older people combined with the strongly growing number of people gaining access to medical care dominate the picture of the 21st century. Added to this is scientific and technological progress offering new opportunities in the areas of medicine, research, diagnostics and life sciences.

These developments mean that there is not only an increase in the number of clinical diagnostic tests to be implemented, but there are also unique business opportunities for which STRATEC with its automation solutions has an optimum positioning, according to which is remains aligned both in strategic and operating terms.

Due to the aspects described above and the long-term nature of the project and product life cycles, STRATEC and the decision-making process of its customers for joint development projects are only marginally impacted by fluctuations in the general economic situation. Nevertheless, the general economic environment plays an important role for the entrepreneurial activities of STRATEC and is thus integrated in a holistic fashion in the company's assessments and planning.

Industry environment

According to various estimates, the market for in-vitro diagnostics (IVD) remains a growth market with annual growth worldwide to 2021 in the range of 4% to 6%. In 2021 the IVD market will thus have an estimated volume of USD 72 billion as against approximately USD 60 billion in 2016. The various segments within IVD will have different growth rates. STRATEC operates particularly in areas where high growth rates are anticipated. As an example, this includes molecular diagnostics where between 2016 and 2021 the expected annual growth rate is anticipated to be of the order of 8%. Other areas, such as self-monitoring blood glucose are in retreat and are not an area in which STRATEC operates. Today STRATEC offers IVD products and solutions in many important areas. With an increasingly aging society, a higher frequency of chronic diseases based on our current lifestyle and the rising importance of personalized treatment are important growth drivers in the market. In addition, with research in innovative technologies, such as specific biomarkers, new opportunities for future growth of the market are being created.

Development of proprietary products across all technologies and market areas areas is difficult for a company, not least due to the increasing complexity of IVD tests. It is for this reason that diagnostic corporations frequently buy in technologies to retain their technological leadership and to defend their position in the market. This has resulted in consolidation on the IVD market which has been ongoing for years, consolidation which is expected to continue. At the same time, the recent constant rise in regulation of the diagnostics industry represents an increasingly high market entry barrier for potential competitors to STRATEC. There are only very few comparable companies able to offer a similar range of products and services from compiling specifications, through development, approval and production of instruments and solutions. As a result, the competitive situation remains very limited, spread across in-house development departments and a handful of specialized companies. With the corporate acquisitions made in 2016, STRATEC further extended the range of products and services it can offer to customers and has opened up new market segments, furthering improving its competitive situation.

Report on forecasts and other statements on expected development

Since its start almost 40 years ago, STRATEC has attached great value to sustained growth, enhanced on an ongoing basis by new developments and promising customer projects. The company leverages innovative solutions which allows its partners to service their markets with high quality products. When implementing these objectives, a positive role should be played by not only the forecast market growth of the target markets, especially in the area of in-vitro diagnostics, but also the ongoing positive trend to outsourcing at the partners and potential customers. Due to business model based on many years of cooperation with its partners, a full development pipeline and the product offering which has been expanding in recent years, the business outlook for STRATEC is assessed as positive.

The financial guidance communicated for the 2018 fiscal year did not take account of any impact resulting from the first-time adoption of IFRS 15 as the full assessment on the matter was not completed due to the large number of relevant contracts. After the completed assessment of the possible effects and on the basis of the recent operating developments, the financial guidance for the 2018 fiscal year has been adjusted as follows:

Taking account of the new accounting policies, for the 2018 fiscal year STRATEC now anticipates sales growth adjusted for exchange rate effects of approximately 3% to 5% (2017 basis: € 209.8 million). It is expected that the first-time adoption of IFRS 15 will impact the reported sales growth in 2018 with a positive factor of approximately two percentage points. Adjusted for these effects, the new guidance implies organic sales growth of between 1% and 3%. The previous guidance indicated organic growth in at least a mid-single-digit percentage range. Lower organic sales growth than originally forecast is due primarily to a slower than expected ramp-up phase for recently launched products and to lower purchase commitments at large customers. In addition, recently expressed expectations of individual market participants and the most recent political and economic trends globally have increased the risks for purchase commitments over the next few quarters.

In fiscal year 2018, an adjusted EBIT margin of approximately 16% to 17% is expected. Slightly reduced expectations on profitability against the previous guidance (around 17%) are due primarily to not being able to leverage economies of scale.

Due to pending launches and numerous very positive ongoing project negotiations, for the next few years STRATEC continues to anticipate compound annual organic sales growth rates (adjusted for exchange rate effects and acquisitions) in the high single-digit to low double-digit percentage range. The parallel positive development of profitability as a result of economies of scales will be attenuated by the temporary upturn in investment and development activities for the planned growth with selected customer projects. As a result, STRATEC anticipates the EBIT margin will develop at an approximately constant level of 17%.

Due to the planned construction activities at the Birkenfeld location, investments in the 2018 fiscal year are expected to be slightly higher than the level of the previous year.

Depending on whether it is possible to recruit sufficient qualified employees, it is planned to increase the number of employees approximately in line with the sales trend so as to do justice to the ongoing high demand for development services.

The STRATEC financial guidance is based on planning which takes account of the special features of the business model as well as a range of internal and external factors, weighting them according to their significance. Here order intake and forecasts from our customers and their order behavior as well as stocking services parts are given a high weighting, as are the number of projects in development and negotiation. Further opportunities based on external growth are not factored in. Due to long-term business relationships, economic trends are of subordinate importance for STRATEC. As a result, the economic factor has only a low weighting for the guidance.

Opportunity and risk report

In the context of our risk management system, established as an early warning system for risk, we analyze and assess the risks of our company and the related business environment. There is also an internal control system and and compliance system which secures compliance with the relevant legislative and industry-specific conditions.

One of the central tasks of Risk Management at the STRATEC Group is to manage and monitor internal financing requirements and to secure the financial independence of the corporation as a whole.

Financial risks are monitored by reporting and managing on the basis of detailing rolling finance and liquidity planning.

As of June 30, 2018, from the perspective of STRATEC, there was no change to the risks and opportunities identified in the Group Management Report for the 2017 fiscal year dated April 19, 2018, with the exception of the risks for the purchase commitments over the next quarters stated in the Forecast Report. For details on our risk management system and the specific opportunity and risk profile and for more information on the use of financial instruments, refer to "D. Opportunities and Risks" in the 2017 Group Management Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of June 30, 2018

Assets

€ 000s	06.30.2018	12.31.2017
Non-current assets		
Goodwill	40,667	42,018
Other intangible assets	58,688	68,708
Property, plant and equipment	36,458	35,701
Financial assets	419	240
Other receivables and assets	981	0
Contract assets	5,056	0
Deferred taxes	121	128
	142,390	**146,795**
Current assets		
Inventories		
• Production supplies and materials	20,754	15,380
• Work in progress	21,178	6,367
• Finished goods and goods for resale	5,155	6,133
	47,087	**27,880**
Receivables and other assets		
• Trade receivables	35,630	39,126
• Receivables from construction contracts	0	7,210
• Receivables from affiliated companies	22	24
• Financial assets	1,315	12,498
• Other receivables and assets	5,465	4,563
• Contract assets	1,954	0
• Income tax receivables	561	1,543
	44,947	**64,964**
Cash and cash equivalents	26,900	24,137
	118,934	**116,981**
	261,324	**263,776**

Equity and liabilities

€ 000s	06.30.2018	12.31.2017
Equity		
Share capital	11,961	11,921
Capital reserves	23,713	22,417
Retained earnings	110,030	121,058
Treasury shares	-89	-89
Other comprehensive income	-3,035	2,530
	142,580	**157,837**
Non-current liabilities		
Financial liabilities	60,381	62,581
Other liabilities	355	222
Contract liabilities	4,741	0
Pension provisions	3,481	3,402
Deferred taxes	7,577	11,035
	76,535	**77,240**
Current liabilities		
Financial liabilities	9,278	10,360
Trade payables	10,676	6,928
Payables to affiliated companies	61	0
Other liabilities	8,465	8,204
Contract liabilities	9,239	0
Provisions	1,088	1,031
Income tax liabilities	3,402	2,176
	42,209	**28,699**
	261,324	**263,776**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period January 1 to June 30, 2018

€ 000s	01.01. – 06.30.2018	01.01.–06.30.2017 adjusted[1]
Sales	90,165	100,723
Cost of sales	-65,527	-68,671
Gross profit	**24,638**	**32,052**
Research and development costs	-4,772	-4,836
Selling costs	-7,321	-7,103
General administrative costs	-8,487	-10,482
Other operating income and expenses	-833	-1,031
EBIT	**3,225**	**8,600**
Financial result	-113	-234
EBT	**3,112**	**8,366**
Current tax expense	-2,202	-2,452
Deferred tax income	1,713	255
Consolidated net income	**2,623**	**6,169**
Items which cannot be reclassified to profit or loss		
Remeasurement of defined benefit plans	36	-33
Changes in value of equity instruments	-2,544	0
Items which can subsequently be reclassified to profit or loss		
Currency differences from the translation of foreign operations	-3,076	-1,170
Changes in value of equity instruments	0	313
Total comprehensive income	**-2,961**	**5,279**
Basic earnings per share in €	**0.22**	**0.52**
Number of shares (basic)	11,920,779	11,856,063
Diluted earnings per share in €	**0.22**	**0.52**
Number of shares (diluted)	12,039,839	11,964,779

[1] Due to adjustments made, some of the amounts shown differ from the amounts in the Half-yearly Financial Report H1|2017.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period January 1 to June 30, 2018

€ 000s	01.01. – 06.30.2018	01.01.–06.30.2017 adjusted[1]
Operating activities		
Consolidated net income (after taxes)	2,623	6,169
Amortization/depreciation and write-downs	8,444	7,357
Current income tax expense	2,202	2,452
Paid income taxes minus income taxes received	-26	-2,345
Finance income	-21	-25
Finance expenses	329	445
Interest paid	-307	-199
Interest received	20	15
Other non-cash expenses	691	1,094
Other non-cash income	-1,119	-574
Change in net pension provisions recognized in profit and loss	8	151
Change in deferred taxes recognized in profit and loss	-1,713	-255
Profit (-) / loss (+) on the disposal of non-current assets	2,085	1
Increase (-) / decrease (+) of inventories, trade receivables and other assets	-8,779	-4,635
Increase (-) / decrease (+) of trade payables and other liabilities	7,492	4,240
Operating cash flow	**11,929**	**13,893**
Investing activities		
Receipts from the disposal of non-current assets		
• Property, plant and equipment	16	14
• Financial assets	8,597	2
Payments for investments in non-current assets		
• Intangible assets	-3,763	-2,812
• Property, plant and equipment	-3,874	-3,825
• Financial assets	0	-10
Cash flow from investing activities	**976**	**-6,631**
Financing activities		
Receipts from taking up financial liabilities	0	24,500
Payments for repaying financial liabilities	-1,402	-33,055
Receipts from issuing shares from employee stock option programs	1,277	1,065
Dividend payments	-9,533	-9,128
Cash flow from financing activities	**-9,658**	**-16,618**
Net change in cash and cash equivalents	**3,247**	**-9,356**
Cash and cash equivalents at the beginning of the period	24,137	26,500
Effects of changes in foreign exchange rates	-484	41
Cash and cash equivalents at the end of the period	**26,900**	**17,185**

[1] Due to adjustments made and rounding, some of the amounts shown differ from the amounts in the Half-yearly Financial Report 2017.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period January 1 to June 30, 2017

€ 000s	Share capital	Capital reserves
As of 01.01.2017 adjusted[1]	**11,861**	**20,437**
Equity translations with shareholders		
• Dividend payment		
• Issue of subscribed shares from stock option programs less issuance costs after taxes	34	1,031
• Allocations due to stock option plans		91
Comprehensive income of the year[1]		
As of 06.30.2017 adjusted[1]	**11,895**	**21,559**

[1] Due to adjustments made, some of the amounts shown differ from the amounts in the Half-yearly Financial Report 2017. Please refer to the comments in the 2017 annual report on pages 80 and 84.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period January 1 to June 30, 2018

€ 000s	Share capital	Capital reserves
As of 12.31.2017	**11,921**	**22,417**
Changes in accounting policies		
• Due to introduction of IFRS 9		
• Due to introduction of IFRS 15		
As of 01.01.2018	**11,921**	**22,417**
Equity translations with shareholders		
• Dividend payment		
• Issue of subscribed shares from stock option programs less issuance costs after taxes	40	1,237
• Allocations due to stock option plans		59
Comprehensive income of the year		
Transfer due to disposal		
As of 06.30.2018	**11,961**	**23,713**

	Retained earnings			Other comprehensive income			
	Cumulative results	Free retained earnings	Treasury shares	Provision Fair value	Pension plans	Foreign currency translation	Group equity
	85,160	**19,392**	**-118**	**1,040**	**-683**	**5,252**	**142,341**
	-9,128						-9,128
							1,065
							91
	6,169			313	-33	-1,170	5,278
	82,201	**19,392**	**-118**	**1,353**	**-716**	**4,082**	**139,648**

	Retained earnings			Other comprehensive income			
	Cumulative results	Free retained earnings	Treasury shares	Provision Fair value	Pension plans	Foreign currency translation	Group equity
	101,666	**19,392**	**-89**	**2,525**	**-769**	**774**	**157,837**
	-94						-94
	-1,480			-2,525			-4,006
	100,092	**19,392**	**-89**	**0**	**-769**	**774**	**153,738**
	-9,533						-9,533
							1,277
							59
	2,623			-2,544	36	-3,076	-2,961
	-2,544			2,544			0
	90,638	**19,392**	**-89**	**0**	**-733**	**-2,302**	**142,580**

SELECTED EXPLANATORY NOTES

for the period January 1 to June 30, 2018

Information on the company

STRATEC Biomedical AG ("STRATEC AG") headquartered in Gewerbestrasse 35-37, 75217 Birkenfeld, Germany, designs, develops and manufactures fully automatic analyzer systems for its partners in clinical diagnostics and related markets. The STRATEC Group also offers sample preparation solutions, integrated laboratory software and complex consumables for diagnostic and medical applications. In doing so, the entire value chain is covered, from development, across design and production to quality assurance. The partners market the systems, software and consumables as system solutions, generally together with their own reagents, to laboratories, blood banks and research institutes around the world. STRATEC AG develops its products with its own patent-protected technologies.

STRATEC AG is entered into the commercial register in Mannheim, Germany, under HRB 504390.

At the Annual General Meeting on May 30, 2018 it was resolved to convert STRATEC AG into a so-called Societas Europaea (SE) and to change the company name to STRATEC SE. As of June 30, 2018, the conversion process was not completed.

On August 15, 2018, the six-month financial report was approved for publication by the STRATEC AG Board of Management.

Basis of the presentation of financial statements

Pursuant to Article 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act), the STRATEC AG six-month financial report includes the consolidated interim financial statements, a consolidated management report and a responsibility statement. The unaudited consolidated interim financial statements have been prepared in condensed form in accordance with the requirements of IAS 34 (Interim Reporting) in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (London), the interpretations of the International Financial Reporting Interpretations Committee (IFRS IC), and the provisions of the German Securities Trading Act applicable to interim group management reports.

With the exception of the accounting regulations and standards to be adapted for the first time in the current fiscal year, the same accounting policies and interpretations were applied in the consolidated interim financial statements as when preparing the consolidated financial statements as of December 31, 2017.

STRATEC AG did not adapt any new or changed accounting policies early whose application was not mandatory despite publication.

The company currency is the euro. Unless stated otherwise, all amounts are reported in thousands of euros (€ thousand).

Accounting regulations adopted for the first time in the current fiscal year

As of January 1, 2018, IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) were applied for the first time. In each case the initial application was made on a retrospective basis without changing the previous-year figures as of January 1, 2018 (the "modified retrospective transition method"). Transitional effects as of the date of first-time adoption are recognized cumulatively in equity and the previous-year periods are shown in line with previous accounting policies. In addition, for the reporting period from January 1 to June 30, 2018 the adjustment amount in comparison to the provisions and interpretations applying before the change is to be reported for each relevant line item and the relevant comments are to be provided.

IFRS 9 (Financial Instruments)

In July 2014, the IASB published IFRS 9 (Financial Instruments), as a result replacing IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 (Financial Instruments) contains a new classification and measurement approach for financial assets with the standard relating primarily to the cash flow properties and the business model used for management. In addition, the expected loss model of IAS 39 (Financial Instruments: Recognition and Measurement) is replaced by a future-driven model of expected credit losses. Furthermore, IFRS 9 (Financial Instruments) regulates the use of hedge accounting in a new way providing that risk management activities, particularly the management of non-financial risks, are to be presented in a detailed fashion.

For STRATEC AG this resulted in the effects detailed below, connected primarily with the accounting treatment of the shares in a listed company. To December 31, 2017, these were allocated to the "available-for-sale financial assets" in line with IAS 39 (Financial Instruments: Recognition and Measurement). Because this category was deleted without replacement in the adoption of IFRS 9 (Financial Instruments), these shares have to be reclassified from the fiscal year starting on January, 1 2018. As the shares as of January 1, 2018 are an **equity instrument** (in the sense of the definition stated in IAS 32 (Financial Instruments: Presentation)), which at this point in time did not meet the requirements for classification as "held for trading", these shares fall within the scope of IFRS 9.4.1.4 in conjunction with IFRS 9.5.7.5. Thus due to the facts and situation as of the first-time adoption of IFRS 9 (Financial Instruments) on January 1, 2018 in line with IFRS 9.7.2.8 (b) in conjunction with IFRS 9. B7.2.1 (for the first time) STRATEC AG has the option of designating these shares for a **measurement through profit and loss or through other comprehensive income** for the 2018 fiscal year and subsequent fiscal years. In principle according to IFRS 9.B5.7.1 there was also the possibility of deploying this option separately for each share ("on a share-by-share-basis").

STRATEC AG decided to designate **all these shares for the measurement through other comprehensive income as of January 1, 2018**. As a result in contrast to the previous measurement according to IAS 39 (Financial Instruments: Recognition and Measurement), according to IFRS 9.B.5.7.1 there was no impact on profit and loss, despite the sale of these shares in June 2018. As these shares were also traded in USD, and they relate to a non-monetary asset, the resulting foreign exchange effects are to be treated in line with IAS 21 (The Effects of Changes in Foreign Exchange Rates) in connection with IFRS 9.B5.7.3. Accordingly in the 2018 fiscal year, the currency translation effects were also treated through other comprehensive income.

In addition, as of January 1, 2018, in relation to these shares in the context of the first-time adoption of IFRS 15 (Revenue from Contracts with Customers), amounts of € 2,560 thousand before income taxes and € 2,525 thousand after income taxes still in other comprehensive income as of December 31, 2017 were reclassified to retained earnings.

Furthermore, in the context of the first-time adoption of IFRS 9 (Financial Instruments), there was an effect in connection with introducing the expected credit loss model. In connection with trade receivables and contractual assets, STRATEC AG uses the simplified approach in line with IFRS 9.5.5.15, determining the loss allowance at an amount equal to the life time expected credit losses. In line with IFRS 9.B5.5.35 STRATEC AG takes account in particular of the fact that credit insurance is generally in place. The loss allowance recognized for the "expected credit losses" for the first time was calculated as € 130 thousand as of January 1, 2018 and recognized through other comprehensive income – taking account of deferred taxes – in retained earnings). As of June 30, 2018, this loss allowance totaled € 120 thousand, resulting in an effect recognized in profit and loss in the consolidated statement of comprehensive income of € 10 thousand in the first six months of 2018.

The table below shows the reconciliation of the categories and the carrying amounts of the financial instruments as a result of the first-time adoption of IFRS 9 (Financial Instruments):

€ 000s	Category according to IFRS 39	Category according to IFRS 9	Carrying amount IAS 39 12.31.2017	Carrying amount IAS 9 01.01.2018	Differences due to IFRS 15	Differences due to IFRS 9
Non-current assets						
Financial assets						
• Investments in affiliated companies	AfS	AC	158	158	0	0
• Other financial assets	LaR	AC	82	82	0	0
Current assets						
Trade receivables	LaR	AC	39,126	42,082	3,086	-130
Future receivables from construction contracts	LaR	n/a	7,210	n/a	-7,210	0
Receivables from affiliated companies	LaR	AC	24	24	0	0
Financial assets						
• Available-for-sale financial instruments	AfS	FVOCI	11,140	11,140	0	0
• Assets held for trading	FAHfT	FVTPL	974	974	0	0
• Loans and receivables	LaR	AC	384	384	0	0
Cash and cash equivalents	LaR	AC	24,137	24,137	0	0
Non-current liabilities						
Financial liabilities	FLAC	AC	61,581	61,581	0	0
Current liabilities						
Financial liabilities	FLAC	AC	9,371	9,372	0	0
Trade payables	FLAC	AC	6,928	6,928	0	0
Payables to affiliated companies	FLAC	AC	0	0	0	0

Abbreviations for IAS 39 measurement categories

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

Abbreviations for IFRS 9 measurement categories

AC	At (amortized) cost
FVTPL	At fair value through profit or loss
FVOCI	At fair value though other comprehensive income
n/a	Not assigned to a measurement category

IFRS 15 Revenue from Contracts with Customers

For a detailed description of the fundamental considerations and methodology of the first-time transition to IFRS 15 (Revenue from Contracts with Customers), refer to our comments on page 88 ff. in the annual report as of December 31, 2017.

STRATEC decided to apply IFRS 15 (Revenue from Contracts with Customers) retrospectively with cumulative effect (the modified retrospective approach).[1] Here the cumulative effect of adapting the standard for the first time is to be recognized as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of first-time adoption.[2] In this case, STRATEC has the option of applying IFRS 15 (Revenue from Contracts with Customers) retrospectively only to contracts which are not completed at the date of initial application.[3] A contract is completed if STRATEC has been transferred all goods and services promised by contract identified in line with IAS 11 (Construction Contracts), IAS 18 (Revenue) and the relevant interpretations.[4] Transferred is here defined as "delivered" in the context of sales of goods and "completed" in the context of providing services and construction contracts.[5]

For contracts with customers which are not completed in line with IFRS 15 (Revenue from Contracts with Customers), a cumulative effect of initially applying the standard as of the date of first-time adoption (January 1, 2018) is to be recognized as an adjustment to the opening balance of retained earnings and the relevant other statement of financial position items. STRATEC utilizes the simplification option in line with IFRS 15.C7A (b) in conjunction with IFRS 15.C5 (c). This means that the impact of any contract modifications in line with IFRS 15 (Revenue from Contracts with Customers) are combined.

There were the following changes and adjustments:

[1] Cf. IFRS 15.C3 (b) in conjunction with C7-C8
[2] IFRS 15.C7
[3] IFRS 15.C7 in April 2016 version of Clarifications, cf. IFRS 15.C8A in conjunction with IFRS 15.C1B
[4] IFRS 15.C2(b)
[5] IFRS 15.BC445D

€ 000s	Carrying amount 12.31.2017	Differences due to IFRS 15 Instrumentation	Consumables	Other Segments	IFRS 9	Carrying amount 01.01.2018
Non-current assets						
Other intangible assets	68,708	-4,964	0	0	0	63,744
Other receivables and assets	0	0	1,069	0	0	1,069
Contract assets	0	3,053	0	30	0	3,083
	146,795	**-1,911**	**1,069**	**30**	**0**	**145,983**
Current assets						
Work in progress	6,367	6,861	1,716	0	0	14,944
Trade receivables	39,126	3,190	-426	322	-130	42,082
Receivables from construction contracts	7,210	-7,210	0	0	0	0
Other receivables and assets	4,563	0	51	0	0	4,614
Contract assets	0	242	0	223	0	465
	116,981	**3,083**	**1,341**	**545**	**-130**	**121,820**
Total assets	**263,776**	**1,172**	**2,410**	**575**	**-130**	**267,803**

Equity						
Retained earnings	121,058	-268	-1,194	-18	-94	119,484
Other comprehensive income	2,530	-2,525	0	0	0	5
	157,837	**-2,793**	**-1,194**	**-18**	**-94**	**153,738**
Non-current liabilities						
Contract liabilities	0	0	2,196	418	0	2,614
Deferred taxes	11,035	-1,059	-398	-5	-36	9,537
	77,240	**-1,059**	**1,798**	**413**	**-36**	**78,356**
Current liabilities						
Other liabilities	8,204	-839	0	0	0	7,365
Contract liabilities	0	5,863	1,806	180	0	7,849
	28,699	**5,024**	**1,806**	**180**	**0**	**35,709**
Total equity and liabilities	**263,776**	**1,172**	**2,410**	**575**	**-130**	**267,803**

In terms of amount, the biggest impact, in terms of both quality and quantity, resulted in the **development, production and admission of complex analyzer systems business model** in the area of the OEM Partnering business, included in the Instrumentation segment. Four key groups were identified, which are shown below:

Case variants in the OEM Partnering business in line with IFRS 15 (Revenue from Contracts with Customers)

Type 1:	Type 2:	Type 3:	Type 4:
• Development performance obligation satisfied at a point in time (IFRS 15.38) • Development costs covered by milestone payments –> Unfinished services (IAS 2) • Shortfall –> Internally generated intangible asset (IAS 38)	• Development performance obligation satisfied at a point in time (IFRS 15.38) • Allocation of transaction price to development performance obligation –> Contract Asset • Development costs covered by milestone payments –> Unfinished services (IAS 2) • Shortfall –> Internally generated intangible asset (IAS 38)	• Development performance obligation satisfied over time (IFRS 15.35(c)) • Allocation of transaction price to development performance obligation –> Contract Asset	• Development performance obligation satisfied over time (IFRS 15.35(c)) • No allocation of transaction price to development performance obligation

The transitional effects relate primarily to revenue recognition from development performance obligations in the case of a development contract and the inclusion of validation and prototypes in the development performance obligations.

There have also been significant transitional effects in the **development, production and admission of complex analyzer systems business model**, included in the Consumables segment, resulting particularly from revenue recognition from development performance obligations in the case of a development contract, the transaction price allocation to the contract performance obligations and the capitalization of costs to fulfill a contract.

With the **development of middleware laboratory software business model**, included in the Other Segments segment, the main transitional effects were transaction price allocations to the contract performance obligations.

No or immaterial effects in the context of the first-time adoption of IFRS 15 (Revenue from Contracts with Customers) resulted in the Diatron segment / the nucleic acid purification business model.

Impact from the initial application of IFRS 9 and IFRS 15 on retained earnings and other comprehensive income

Reconciliation of retained earnings IFRS 9 and IFRS 15

€ 000s	
Retained earnings including consolidated net income 12.31.2017	**121,058**
Effects from IFRS 9	-94
• of which effects before tax	-130
• of which deferred taxes	36
Effects from IFRS 15	-1,480
• of which effects before tax	-2,978
• of which deferred taxes	1,498
Retained earnings including consolidated net income 01.01.2018	**119,484**

Reconciliation of other comprehensive income (fair value provision)

€ 000s	
Changes in value of equity instruments as of 12.31.2017	**2,525**
Reclassification from retained earnings	-2,525
• of which reclassifications before tax	-2,560
• of which deferred taxes	35
Changes in value of equity instruments as of January 1, 2018	**0**

Adjustment amounts as a result of the first-time adoption of IFRS 9 and IFRS 15

Adjustment amounts assets IFRS 9 and IFRS 15

€ 000s	06.30.2018 before changes	IFRS 9	IFRS 15	06.30.2018 after changes
Non-current assets				
Goodwill	40,667	0	0	40,667
Other intangible assets	63,391	0	-4,703	58,688
Property, plant and equipment	36,458	0	0	36,458
Financial assets	419	0	0	419
Other receivables and assets	0	0	981	981
Contract assets	0	0	5,056	5,056
Deferred taxes	121	0	0	121
	141,056	**0**	**1,334**	**142,390**
Current assets				
Inventories				
• Production supplies and materials	20,754	0	0	20,754
• Work in progress	10,901	0	10,277	21,178
• Finished goods and goods for resale	5,155	0	0	5,155
	36,810	**0**	**10,277**	**47,087**
Receivables and other assets				
• Trade receivables	36,329	-120	-579	35,630
• Receivables from construction contracts	6,824	0	-6,824	0
• Receivables from affiliated companies	22	0	0	22
• Financial assets	1,315	0	0	1,315
• Other receivables and assets	5,327	0	138	5,465
• Contract assets	0	0	1,954	1,954
• Income tax receivables	561	0	0	561
	50,378	**-120**	**-5,311**	**44,947**
Cash and cash equivalents	26,900	0	0	26,900
	114,088	**-120**	**4,966**	**118,934**
	255,144	**-120**	**6,300**	**261,324**

Adjustment amounts equity and liabilities IFRS 9 and IFRS 15

€ 000s	**06.30.2018** before changes	**IFRS 9**	**IFRS 15**	**06.30.2018** after changes
Equity				
Share capital	11,961	0	0	11,961
Capital reserves	23,713	0	0	23,713
Retained earnings	115,257	-87	-5,140	110,030
Treasury shares	-89	0	0	-89
Other comprehensive income	-3,038	0	3	-3,035
	147,805	**-87**	**-5,136**	**142,580**
Non-current liabilities				
Financial liabilities	60,381	0	0	60,381
Other liabilities	355	0	0	355
Contract liabilities	0	0	4,741	4,741
Pension provisions	3,481	0	0	3,481
Deferred taxes	9,270	-33	-1,661	7,577
	73,487	**-33**	**3,080**	**76,535**
Current liabilities				
Financial liabilities	9,278	0	0	9,278
Trade payables	10,676	0	0	10,676
Payables to affiliated companies	61	0	0	61
Other liabilities	9,348	0	-883	8,465
Contract liabilities	0	0	9,239	9,239
Provisions	1,087	0	0	1,088
Income tax liabilities	3,402	0	0	3,402
	33,852	**0**	**8,356**	**42,209**
	255,144	**-120**	**6,300**	**261,324**

Adjustment amount to the consolidated statement of comprehensive income IFRS 9 and IFRS 15

€ 000s	01.01.–06.30.2018 before changes	IFRS 9	IFRS 15	01.01.–06.30.2018 after changes
Sales	**93,536**	**0**	**-3,371**	**90,165**
Cost of sales	-67,567	0	2,040	-65,527
Gross profit	**25,969**	**0**	**-1,331**	**24,638**
Research and development costs	-4,772	0	0	-4,772
Selling costs	-7,331	10	0	-7,321
General administrative costs	-8,487	0	0	-8,487
Other operating income and expenses	-833	0	0	-833
EBIT	**4,546**	**10**	**-1,331**	**3,225**
Financial result	-96	-17	0	-113
EBT	**4,450**	**-7**	**-1,331**	**3,112**
Current tax expense	-2,202	0	0	-2,202
Deferred tax income / expense	1,483	-1	231	1,713
Consolidated net income	**3,731**	**-8**	**-1,100**	**2,623**
Items which cannot be reclassified to profit or loss				
Remeasurement of defined benefit plans	36	0	0	36
Changes in value of equity instruments	0	0	-2,544	-2,544
Items which can subsequently be reclassified to profit or loss				
Currency differences from the translation of foreign operations	-3,078	0	2	-3,076
Changes in value of equity instruments	-2,525	0	2,525	0
Total comprehensive income	**-1,836**	**-8**	**-1,117**	**-2,961**
Undiluted earnings per share in €	**0.31**	**0.00**	**-0.09**	**0.22**
Number of shares (basic)	11,920,779			11,920,779
Diluted earnings per share in €	**0.31**	**0.00**	**-0.09**	**0.22**
Number of shares (diluted)	12,039,839			12,039,839

Adjustment amounts of the consolidated statement of cash flows for the period January 1 to June 30, 2018

€ 000s	01.01.–06.30.2018 before changes	IFRS 9	IFRS 15	01.01.–06.30.2018 after changes
Operating activities				
Consolidated result (after taxes)	3,731	-8	-1,100	2,623
Amortization/depreciation and write-downs	8,795	0	-351	8,444
Current income tax expense	2,202	0	0	2,202
Paid income taxes minus income taxes received	-26	0	0	-26
Finance income	-21	0	0	-21
Finance expenses	329	0	0	329
Interest paid	-307	0	0	-307
Interest received	20	0	0	20
Other non-cash expenses	674	17	0	691
Other non-cash income	-1,129	-10	20	-1,119
Change in pension provisions through profit and loss	8	0	0	8
Change in deferred taxes through profit and loss	-1,483	1	-231	-1,713
Profit (-) / loss (+) from the disposal of non-current assets	2,085	0	0	2,085
Increase (-) / decrease (+) of inventories, trade receivables and other assets	-6,871	0	-1,908	-8,779
Increase (-) / decrease (+) of trade payables and other liabilities	4,011	0	3,481	7,492
Operating cash flow	**12,018**	**0**	**-89**	**11,929**
Investing activities				
Receipts from the disposal of non-current assets				
• Property, plant and equipment	16	0	0	16
• Financial assets	8,597	0	0	8,597
Payments for investments in non-current assets				
• Intangible assets	-3,853	0	90	-3,763
• Property, plant and equipment	-3,874	0	0	-3,874
Cash flow from investing activities	**886**	**0**	**90**	**976**
Financing activities				
Payments for repaying financial liabilities	-1,402	0	0	-1,402
Receipts from issuing shares from employee stock option programs	1,277	0	0	1,277
Dividend payments	-9,533	0	0	-9,533
Cash flow from financing activities	**-9,658**	**0**	**0**	**-9,658**
Net change in cash and cash equivalents	**3,246**	**0**	**1**	**3,247**
Cash and cash equivalents at the beginning of the period	24,137	0	0	24,137
Effects of changes in foreign exchange rates	-483	0	-1	-484
Cash and cash equivalents at the end of the period	**26,900**	**0**	**0**	**26,900**

Adjustments of previous-year figures

In the context of preparing the 2017 consolidated financial statements, it was found that in previous years contrary to IAS 19.30 due to their legal and actual structure post-employment benefits in the context of occupational retirement, surviving dependents' and disability pensions were classified as defined contribution plans at both STRATEC Biomedical Switzerland AG, Switzerland and STRATEC Services AG, Switzerland, and accounted for in line with IAS 19.50 ff. As a result, a retroactive adjustment in line with IAS 8.41 ff. was made in the 2017 fiscal year. For more details, please see the comments in the consolidated financial statements as of December 31, 2017. The effects from the adjustment of the consolidated statement of comprehensive income and the consolidated statement of cash flows as of June 30, 2017 are shown below:

Correction of the consolidated statement of comprehensive income for the period January 1 to June 30, 2017

€ 000s	01.01. - 06.30.2017 as reported	Adjustments according to IAS 8.41	01.01. - 06.30.2017 adjusted
Cost of sales	-68,626	-45	-68,671
Gross profit	**32,097**	**-45**	**32,052**
General administrative costs	-10,481	-1	-10,482
EBIT	**8,646**	**-46**	**8,600**
Financial result	-229	-5	-234
EBT	**8,417**	**-51**	**8,366**
Deferred tax income / expense	250	5	255
Consolidated net income	**6,215**	**-46**	**6,169**
Items which cannot be reclassified to profit or loss			
Remeasurement of defined benefit plans	0	-33	-33
Items which can subsequently be reclassified to profit or loss			
Currency differences from the translation of foreign operations	-1,195	25	-1,170
Total comprehensive income	**5,333**	**-54**	**5,279**
Basic earnings per share in €	**0.52**	**0.00**	**0.52**
Diluted earnings per share in €	**0.52**	**0.00**	**0.52**

Correction of the consolidated statement of cash flows for the period January 1 to June 30, 2017

€ 000s	01.01. - 06.30.2017 as reported	Adjustments according to IAS 8.41	01.01. - 06.30.2017 adjusted
Operating activities			
Consolidated net income (after taxes)	6,215	-46	6,169
Finance income	-15	-10	-25
Finance expenses	430	15	445
Other non-cash income	-526	-48	-572
Change in pension provisions through profit and loss	60	92	151
Change in deferred taxes through profit and loss	-250	-5	-255
Operating cash flow	**13,893**	**0**	**13,893**

Basis of consolidation

The basis of consolidation of STRATEC AG (parent entity) in the interim consolidated financial statements in line with IFRS 10 (Consolidated Financial Statements) covers all companies controlled by STRATEC AG (subsidiaries). As in the consolidated financial statements as of December 31, 2017, these are the subsidiaries

- STRATEC Biomedical Switzerland AG, Beringen, Switzerland,
- STRATEC Biomedical UK, Ltd., Burton upon Trent, Great Britain,
- STRATEC Molecular GmbH, Berlin, Germany,
- STRATEC Biomedical USA, Inc., Glendale, USA,
- STRATEC Biomedical S.R.L, Cluj-Napoca, Romania,
- STRATEC Services AG, Beringen, Switzerland,
- STRATEC Capital GmbH, Birkenfeld, Germany,
- RE Medical Analyzers Luxembourg 2 S.à r.l., Luxembourg, Luxembourg,
- Medical Analyzers Holding GmbH, Zug, Switzerland,
- Diatron Medicinai Instrumentumok Laboratóriumi Diagnosztikai Fejlesztö-Gyártó Zrt, Budapest, Hungary,
- Diatron US, Inc., Delaware, USA,
- STRATEC PS Holding GmbH, Birkenfeld, Germany,
- STRATEC Consumables GmbH, Anif, Austria,
- STRATEC Biomedical Inc., Southington, USA and
- Mod-n-More Korlátolt Kft., Budapest, Hungary.

As of June 30, 2018, the share in equity and voting rights at all companies was unchanged, at 100% of the voting capital.

Due to their subordinate importance, the subsidiaries

- Sanguin International Inc., Southington, USA, and
- STRATEC Biomedical (Taicang) Co. Ltd., Taicang, China

were not included in the consolidated financial statements.

Segment information

In comparison to the consolidated financial statements as of December 31, 2017, there were no changes in respect to segmentation.

Segment data by business segment for the period January 1 to June 30, 2018

€ 000s	Instrumentation (includes service parts and consumables related to the BU)	Diatron (includes service parts and consumables related to the BU)	Consumables	Other Segments	Total	Reconciliation	Total
Sales with external customers	62,995	16,912	7,323	2,935	90,165	0	90,165
• of which recognized at a point in time	59,120	16,912	7,092	2,935	86,059	0	86,059
• of which recognized over time	3,875	0	231	0	4,106	0	4,106
Inter-segment sales	2,405	255	305	391	3,356	-3,355	0
Depreciation and amortization	2,742	3,471	2,183	48	8,444	0	8,444
EBITDA	10,299	2,236	-1,142	276	11,669	0	11,669
EBIT	7,557	-1,235	-3,325	228	3,225	0	3,225
Interest income	1,226	2	0	0	1,228	-1,207	21
Interest expenses	311	1,038	180	7	1,536	-1,207	329
Assets	279,349	55,975	34,889	9,206	379,419	-118,095	261,324
Additions to non-current assets	4,731	679	1,738	489	7,637	0	7,637
Average number of employees	568	216	175	86	1,045	0	1,045

Segment data by business segment for the period January 1 to June 30, 2017

€ 000s	Instrumentation (includes service parts and consumables related to the BU)	Diatron (includes service parts and consumables related to the BU)	Consumables	Other Segments	Total	Reconciliation	Total
Sales with external customers	72,590	19,037	7,280	1,421	100,328	395	100,723
Inter-segment sales	1,412	26	3	1,275	2,716	-2,716	0
Depreciation and amortization	2,736	2,630	1,933	58	7,357	0	7,357
EBITDA[1]	15,115	2,566	-1,273	-959	15,449	508	15,957
EBIT[1]	12,379	-64	-3,206	-1,017	8,092	508	8,600
Interest income[1]	1,118	1	2	0	1,121	-1,096	25
Interest expense[1]	435	1,018	81	7	1,541	-1,096	445
Assets	262,946	61,160	30,765	6,459	361,330	-109,040	252,290
Additions to non-current assets	4,819	409	818	591	6,638	0	6,638
Average number of employees	491	190	159	68	908	0	908

[1] Due to adjustments made, some of the amounts shown differ from the amounts in the Half-yearly Financial Report 2017.

Property, plant and equipment

In the first six months of the 2018 fiscal year, the STRATEC Group made investments in intangible assets and property, plant and equipment of € 7,637 thousand (previous year: € 6,638 thousand). Investments in intangible assets relate primarily to the standardized ERP system and capitalizing development costs. Investments in property, plant and equipment relate primarily to acquiring machines, tools, testing equipment and software.

Financial instruments

The following table shows the carrying amounts and fair values of the individual financial assets and liabilities for each category of financial instruments in line with IFRS 9 (Financial Instruments) and reconciles them to the individual statement of financial position items. The transitional effects from the first-time adoption of IFRS 9 (Financial Instruments) are shown in the section "Accounting regulations adapted for the first time in the current fiscal year".

Abbreviations for IFRS 9 measurement categories

AC	At (amortized) cost
FVTPL	At fair value through profit or loss
FVOCI	At fair value though other comprehensive income
n/a	Not assigned to a measurement category

€ 000s 06.30.2018 (01.01.2018)	Category IFRS 9[1]	Carrying amount	Amortized cost	Fair value of which Level 1	 of which Level 2	 of which Level 3	Not covered by IFRS 7	Total	Fair value
Non-current assets									
Financial assets									
• Investments in affiliated companies	AC	158 (158)	158 (158)					158 (158)	n/a (n/a)
• Other financial assets	AC	261 (82)	261 (82)					261 (82)	261 (82)
Current assets									
Trade receivables	AC	35,630 (42,082)	35,630 (42,082)					35,630 (42,082)	35,630 (42,082)
Receivables from affiliated companies	AC	22 (24)	22 (24)					22 (24)	22 (24)
Financial assets									
• Amortized cost	AC	117 (384)	117 (384)					117 (384)	117 (384)
• Fair value recognized in profit and loss	FVTPL	1,198 (974)		1,198 (974)				1,198 (974)	1,198 (974)
• Fair value recognized through other comprehensive income	FVOCI	0 (11,140)		0 (11,140)				0 (11,140)	0 (11,140)
Cash and cash equivalents	AC	26,900 (24,137)	26,900 (24,137)					26,900 (24,137)	26,900 (24,137)
Total financial assets		64,286 (78,981)	63,088 (66,867)	1,198 (12,114)	0 (0)	0 (0)	0 (0)	64,286 (78,981)	
• of which amortized cost	AC	63,088 (66,867)	63,088 (66,867)					63,088 (66,867)	
• of which fair value recognized in profit and loss	FVTPL	1,198 (974)		1,198 (974)				1,198 (974)	
• of which fair value recognized through other comprehensive income	FVOCI	0 (11,140)		0 (11,140)				0 (11,140)	
• of which not covered by IFRS 7	n/a	0 (0)						0 (0)	
Non-current liabilities									
Financial liabilities									
• Amortized cost	AC	60,381 (61,581)	60,381 (61,581)					60,381 (61,581)	59,624 (61,382)
• Not covered by IFRS 7	n/a	0 (1,000)					0 (1,000)	0 (1,000)	0 (1,000)
Current liabilities									
Financial liabilities									
• Amortized cost	AC	8,245 (9,372)	8,245 (9,372)					8,245 (9,372)	88,023 (9,444)
• Fair value recognized in profit and loss	FVTPL	28 (0)			28 (0)			28 (0)	28 (0)
• Not covered by IFRS 7	n/a	1,004 (989)					1,004 (989)	1,004 (989)	1,004 (989)
Trade payables	AC	10,676 (6,928)	10,676 (6,928)					10,676 (6,928)	10,676 (6,928)
Payables to affiliated companies	AC	61 (0)	61 (0)					61 (0)	61 (0)
Total financial liabilities		80,395 (79,869)	79,363 (77,881)	0 (0)	28 (0)	0 (0)	1,004 (1,989)	80,395 (79,870)	
• of which amortized cost	AC	79,363 (77,881)	79,363 (77,881)					79,363 (77,881)	
• of which fair value recognized in profit and loss	FVTPL	28 (0)			28 (0)			28 (0)	
• of which fair value recognized through other comprehensive income	FVOCI	0 (0)						0 (0)	
• of which not covered by IFRS 7	n/a	1,004 (1,989)					1,004 (1,989)	1,004 (1,989)	

Fair value hierarchy

To increase the comparability and consistency of fair value measurements and the related disclosures, IFRS 13 (Fair Value Measurement) has stipulated a fair value hierarchy which assigns the input parameters used in the valuation technique for determining the fair value in three stages. The hierarchy gives highest priority to (unadjusted) prices on active markets for identical assets or liabilities (Level 1 input parameters) and the lowest priority to non-observable input parameters (Level 3 input parameters). The following definitions apply here:

Input parameters: The assumptions which market participants would take into account when pricing the asset or liability, including assumptions on risk, e.g.

(a) the risk related to a specific valuation technique for determining the fair value (such as a price model) and
(b) the risk related to the input parameters used in the valuation technique.

Input parameters can be observable and non-observable.

Level 1 input parameters: Quoted (unadjusted) prices on active markets for identical assets or liabilities which the entity can access on the measurement date.

Level 2 input parameters: Quoted prices other than those in level 1 that are either directly or indirectly observed for the asset or liability.

Level 3 input parameters: Input factors that are not observable for the asset or liability.

Observable input parameters: Input parameters which are derived using market data such as publicly available information on actual events or transactions and reflect the assumptions that market participants would take into account when pricing the asset or liability.

Non-observable input parameters: Input parameters for which no market data are available and are derived using the best available data on the assumptions that market participants would take into account when pricing the asset or liability.

In the period from January 1 to June 30, 2018, there were no reclassifications within the three levels of the input parameters. The financial assets allocated to Level 1 are shares of listed companies measured at the closing price of the stock exchange with the highest trading volume on the reporting date. These are **primarily** shares in a listed US company. In respect to the impact of the first-time adoption of IFRS 9 (Financial Instruments) on the accounting of these shares, refer to our comments in the "Accounting regulations adapted for the first time in the current fiscal year" section. All shares in these company were sold in June 2018. This effects on the consolidated statement of comprehensive income are as follows:

	Level 1 € 000s	Level 2 € 000s	Level 3 € 000s
As of January 1, 2017	**1,080**	**0**	**4,232**
Total gains or losses recognized in the statement of income			
• Other operating income	0	0	0
• Other operating expenses	0	0	-9
• Other financial result	-62	243	0
Total gains or losses recognized in other comprehensive income			
• Changes in value	0	0	318
• Reclassifications from other comprehensive income to the statement of income (other operating income)	0	0	0
Additions	0	0	1
Disposal			
• As a result of disposal	0	0	0
• As a result of derecognition	0	0	0
As of June 30, 2017	**1,018**	**243**	**4,541**
As of December 31, 2017	**12,114**	**0**	**0**
Total gains or losses recognized in the statement of income			
• Other operating income	0	0	0
• Other operating expenses	0	0	0
• Other financial result	241	-28	0
Total gains or losses recognized in other comprehensive income			
• Changes in value	-2,560	0	0
• Reclassifications from other comprehensive income to the statement of income (other operating income)	0	0	0
Additions	0	0	0
Disposal			
• As a result of disposal	-8,597	0	0
• As a result of derecognition	0	0	0
As of June 30, 2018	**1,198**	**-28**	**0**

Financial liabilities

Financial liabilities include liabilities to banks of € 61,103 thousand (December 31, 2017: € 62,505 thousand). Some of the credit agreements include covenants on compliance with certain financial ratios and general obligations related to restrictions on disposal of assets and reservations in respect to additional borrowing.

Risk management activities

As of June 30, 2018, the STRATEC Group had concluded hedges. These are forward foreign currency transactions used to hedge future cash flows from sales in USD. The regulations on IFRS 9 (Financial Instruments) relating to hedge accounting were not exercised.

Equity

The development of equity of the STRATEC Group and the dividends paid are shown in the consolidated statement of changes in equity. As of June 30, 2018, STRATEC AG had 11,960,995 ordinary shares. All shares are fully paid up and are registered shares.

Information on treasury shares and on subscription rights of members of executive bodies and employees in line with Section 160 (1) 1 No. 2 and 5 AktG

As of the interim reporting date, the company had 4,995 treasury shares. This corresponds to a pro rata amount of the share capital of € 4,995.00 and a 0.04% share of the share capital.

Stock option plans

As of June 30, 2018, there were three stock option plans (equity-settled share-based payment transaction) From the 2016 fiscal year, the individual members of the Board of Management have no longer been granted any stock options. Instead of being granted stock options, they receive stock appreciation rights (cash-settled share-based payment transaction; SARs) as variable remuneration component offering a long-term incentive.

As of the interim reporting date, the members of the Board of Management/managing directors and employees held the following number of subscription rights (share option rights):

Share option rights	Board of Management/ managing directors	Employees	Total
Outstanding as of 01.01.2018	109,000	106,550	215,550
Granted	4,000	5,250	9,250
Exercised	25,000	10,050	40,050
Lapsed	0	0	0
Forfeited	1,000	0	1,000
Outstanding on 06.30.2018	87,000	96,750	183,750

Of the stock options granted in the first six months, 4,000 related to managing directors of subsidiaries (previous year: 5,000) and 5,250 to employees (previous year: 17,250).

In the first six months, 25,000 stock option rights (previous year: 25,000) were exercised by members of the Board of Management. As in the previous year, managing directors of subsidiaries did not exercise any stock option rights. Employees exercised 15,050 stock option rights (previous year: 9,450). Of the stock option rights exercised by employees, 2,500 stock option rights (previous year: 3,000) relate to stock option rights granted to a member of the Board of Management before his appointment to the Board of Management. In order to service the stock option rights exercised, 40,050 shares were created from contingent capital (previous year: 34,450).

No stock option rights lapsed in the reporting period or in the previous year. In the reporting period, 1,000 stock option rights (previous year: none) were forfeited by managing directors of subsidiaries. In the reporting period, no stock option rights (previous year: 500) were forfeited by employees.

Stock Appreciation Rights

The fair value of the stock appreciation rights (SARs) developed as follows:

Stock Appreciation Rights (SARs)	Tranche 1/2017
Issue date:	01.23.2017
Fair value as of issue date	10.90 €
Fair value as of 12.31.2017	24.99 €
Fair value as of 06.30.2018	25.10 €

The number of SARs is shown below:

Numbers	As of 01.01.2018	Granted	Exercised Lapsed Forfeited	As of 06.30.2018	of which exercisable
Tranche 1/2016	40,000	0	-40,000	0	0
Tranche 1/2017	40,000	0	0	40,000	0
Total	80,000	0	-40,000	40,000	0

As of the reporting date, the total obligation of the expected payments of stock appreciation rights (SARs) granted amounted to € 1,004 thousand (December 31, 2017: € 1,988 thousand) which is reported under financial liabilities.

Components of other comprehensive income

The foreign currency translation reserve of € -2,301 thousand (previous year: € 4,082 thousand) posted in other comprehensive income as of June 30, 2018 relates primarily to the exchange differences from the translation of separate financial statements of companies whose functional currency is not the euro and from the translation of intra-company net investments recognized though other comprehensive income. The change is recognized in the consolidated statement of comprehensive income in the item Exchange differences arising from the translation of a foreign operation.

Research and development expenditure

In the first six months of fiscal year 2018, expenditure for research and development costs which do not meet the capitalization criteria of IAS 38 (Intangible Assets) amounted to € 4.8 million (previous year: € 4.8 million) and relates primarily to personnel expenses and cost of materials. In the first six months of 2018, the STRATEC Group invested € 18.1 million (previous year: € 14.5 million) in research and development.

Selected related party disclosures

In the first six months of 2018, STRATEC AG generated revenues from services transactions with STRATEC Biomedical (Taicang) Co. Ltd. of € 1 thousand (previous year: € 4 thousand) and purchased services from the company of € 177 thousand (previous year: € 127 thousand). As of the reporting date there were receivables of € 13 thousand (previous year: € 14 thousand) and liabilities of € 16 thousand (previous year: € 0 thousand). As of the interim reporting date, there was a receivable of STRATEC Biomedical UK, Ltd. for € 9 thousand (previous year: € 10 thousand) from Sanguin International Inc.

For his activity as member of the Board of Directors and consultancy at STRATEC Biomedical Switzerland AG, Hermann Leistner received CHF 30 thousand (previous year: CHF 30 thousand) in the reporting period.

As of June 30, 2018, there were outstanding amounts for profit participation of members of the Board of Management amounting to € 2,983 thousand (December 31, 2017: € 3,635 thousand).

Employees

Including temporary staff, as of June 30, 2018, the STRATEC Group has a total of 1,148 employees (previous year: 1,016).

Significant events after the reporting date

After June 30, 2018, a service contract for € 15.4 million was concluded in connection with the construction of a new building, construction of which has already commenced at the Birkenfeld location. Completion of the new construction stage is scheduled for the first half of 2020. There were no other events of particular importance as a result of which a material impact on the operations, financial position and net assets is anticipated.

Responsibility statement

We hereby affirm that, to the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group consistent with the principles of proper accounting, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

FINANCIAL CALENDAR

08	11	11
08.15.2018	**11.08.2018**	**11.27.2018**
Half-yearly Financial Report H1|2018	Quarterly Statement 9M|2018	German Equity Forum, Frankfurt/Main, Germany (Analysts Conference)

Subject to amendment

Quarterly statements and half-yearly financial reports are neither audited nor subject to an audit review by the group auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

ABOUT STRATEC

STRATEC Biomedical AG (www.stratec.com) designs and manufactures fully automated analyzer systems for its partners in the fields of clinical diagnostics and biotechnology. Furthermore the company offers sample preparation solutions, integrated laboratory software, and complex consumables for diagnostic and medical applications. STRATEC covers the entire value chain – from development to design and production through to quality assurance.

The partners market the systems, software and consumables, in general together with their own reagents, as system solutions to laboratories, blood banks, and research institutes around the world. STRATEC develops its products on the basis of its own patented technologies.

Shares in the company (ISIN: DE000STRA555) are traded in the Prime Standard segment of the Frankfurt Stock Exchange.

IMPRINT AND CONTACT

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

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

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

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