

# CORPORATE GOVERNANCE DECLARATION 2004

Joint Statement of the Supervisory Board and the Board of Management of STRATEC Biomedical Systems AG in respect of the Corporate Governance Codex pursuant to Section 161 of the Stock Corporation Act (AktG)

At the time of this Statement (December 16, 2004), STRATEC Biomedical Systems AG fulfills the recommendations of the German Corporate Governance Codex contained in the version dated May 21, 2003, with the following exceptions:

## Point 3.8 Clause 3

The German Corporate Governance Codex recommends that a commensurate level of excess be agreed upon the conclusion of any D&O insurance policy for the members of the Board of Management and the Supervisory Board.

A D&O insurance policy was concluded for the Board of Management and the Supervisory Board for the first time in December 2003. A commensurate level of excess was agreed in this respect. In December 2004, a new D&O insurance policy was concluded with better conditions and at a more favourable price. The insurance company does not provide for any commensurate level of excess upon the change of premium.

## Point 4.2.3 Clause 7

The German Corporate Governance Codex recommends that in order to cover against extraordinary, unforeseen developments the Supervisory Board should agree a limit (cap) to the stock options and comparable instruments granted to the members of the Board of Management as variable components of their remuneration.

In contrast to its most recently stated intentions, the Supervisory Board has not agreed any limit for the stock

options issued to the members of the Board of Management. Neither is any such limit foreseen for the future in view of the fact that this would result in stock options failing to provide the element of risk/opportunity required, especially for variable components of remuneration, and that such a limit would not create the necessary incentives, particularly compared with practices in other countries.

#### Point 4.2.4 Clauses 1 and 2

The German Corporate Governance Codex recommends that the remuneration of the Board of Management should be disclosed in the notes to the consolidated financial statements and broken down into its fixed and performance-related components, as well as into any components of a long-term incentive nature. Moreover, the Codex recommends that these disclosures be made on an individual basis.

STRATEC Biomedical Systems AG already fulfills the recommendations of the Codex with regard to the disclosure of the remuneration of the Board of Management broken down into fixed and performance-related components, as well as components of a long-term incentive nature. The recommendation to publish such disclosures on an individual basis has not yet been complied with and will not be adhered to in future.

It is our opinion that the recipient of such disclosures as to the remuneration of the individual Members of the Board of Management is not so much interested in the incentive for the individual member of the Board as in the incentive for the overall Board as an entirety. Moreover, any disclosure of the remuneration 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.

#### Point 5.2 Clauses 5.3.1 and 5.3.2

The German Corporate Governance Codex recommends that the Supervisory Board should form specialist committees (including an audit committee), depending on the number of its members and the specific circumstances of the company.

The Supervisory Board of STRATEC Biomedical Systems AG consists of the minimum legal requirement of three members. Given that a committee has to include at least two members, the formation of committees

would not lead to an increase in the efficiency of the Supervisory Board's activities. All duties are performed by the Supervisory Board as a whole. No committees of any kind have been or will be established.

Point 5.4.5 Clause 6

The German Corporate Governance Codex recommends that the remuneration of the members of the Supervisory Board be disclosed in the notes to the consolidated financial statements on an individual basis and broken down into its constituent components.

The transparency requirements of this recommendation in the Codex are met by the disclosure of the remuneration of the Supervisory Board in Section 13 of the Articles of Incorporation of the company.

Point 7.1.2 Clause 2

The German Corporate Governance Codex recommends that the consolidated financial statements and interim reports should be published within 90 days and 45 days respectively of the expiry of the period under report.

The above-mentioned deadlines in respect of the publication of consolidated financial statements and interim reports have not been and are not met by the company.

STRATEC Biomedical Systems AG does, however, fulfil the publication deadlines contained in the rules and regulations governing the company's membership of the segment of the Frankfurt Stock Exchange with additional admission requirements (Prime Standard), namely four months in the case of annual financial statements and two months for interim reports.

Birkenfeld, December 16, 2004