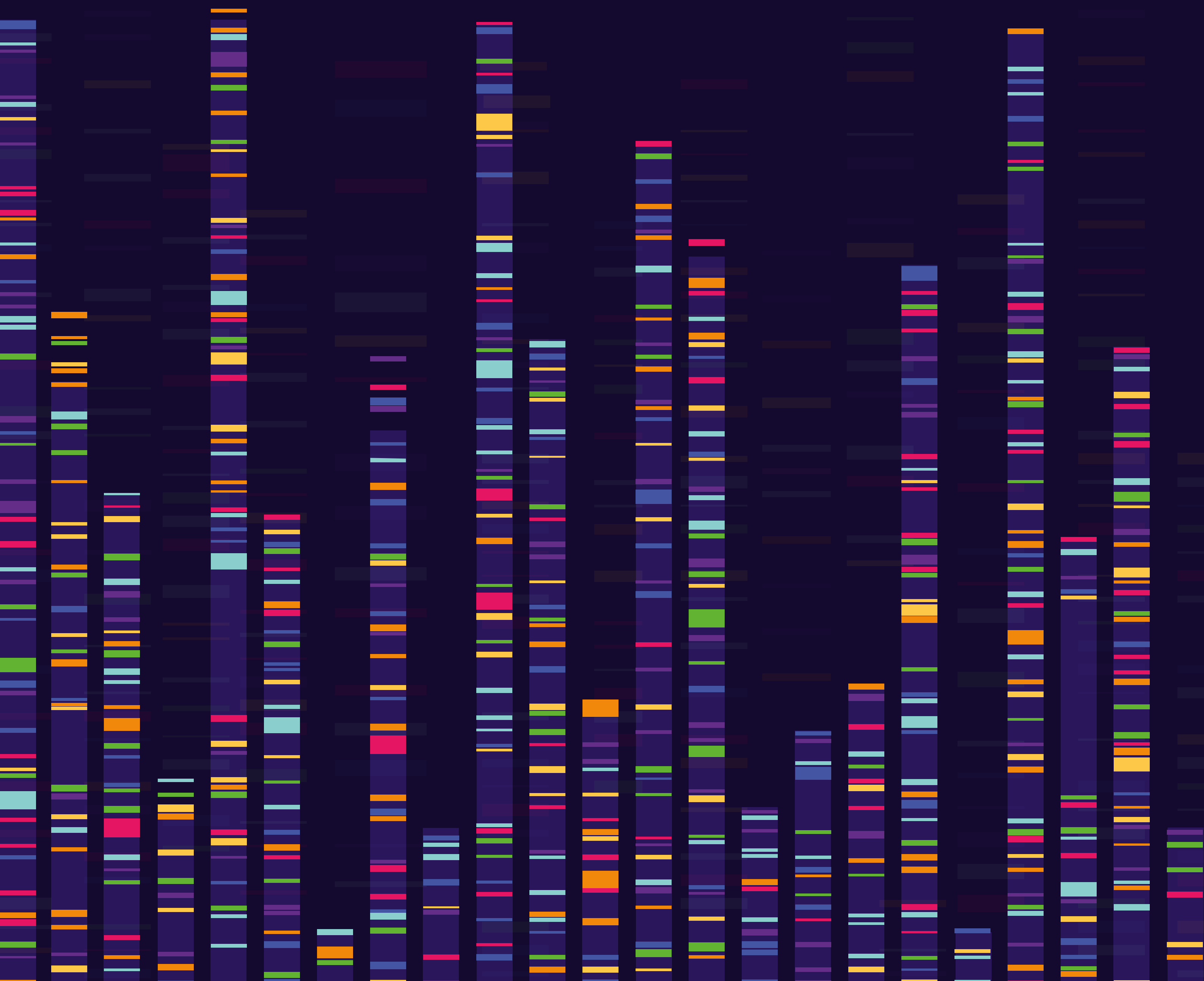
stratec

Annual Report 2023

ALL ON THE RADAR



MISSION STATEMENT

As the innovative and technological market leader for automation and instrumentation solutions in in-vitro diagnostics, we seek to offer our worldwide partners first class solutions and thereby share responsibility towards their customers and patients.

Our success is based on the talents and skills of our employees and their commitment to always perform the extraordinary. Their performance allows for the successful and sustainable development of our company in the interest of all its stakeholders.

Our partnerships are built on mutual trust, continuity and professionalism and with our partners we share a common mission to develop safe, innovative, market-leading products that consistently fulfill customer expectations.

For STRATEC, partnership means responsibility, passion and commitment, to both our customers and our products, that goes well beyond the duration of the product life cycle.

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STRATEC GROUP AT A GLANCE

GROUP KEY FIGURES

Sales, earnings, and dividend

	2023	2022	Change
Sales (in € thousand)	261,911	274,625	-4.6 %
Gross R&D expenses (in € thousand)	55,360	50,873	+8.8 %
Gross R&D expenses as % of sales	21.1	18.5	+260 bps
Adjusted EBITDA (in € thousand)[1]	41,576	58,582	-29.0 %
Adjusted EBITDA as % of sales[1]	15.9	21.3	-540 bps
Adjusted EBIT (in € thousand)[1]	27,071	45,053	-39.9 %
Adjusted EBIT as % of sales[1]	10.3	16.4	-610 bps
Adjusted consolidated net income (in € thousand)[1]	16,706	34,683	-51.8 %
Adjusted basic earnings per share (in €)[1]	1.37	2.86	-52.1 %
Basic earnings per share IFRS (in €)	1.07	2.41	-55.6 %
Dividend per share (in €)	0,55[2]	0.97	-43,3 %

[1] For comparison purposes, adjusted figures for 2023 have been adjusted to exclude amortization from purchase price allocations in the context of acquisitions, as well as for other one-off items (consulting and reorganization expenses in connection with M&A activities and one-off personnel expenses). In the previous year, earnings figures were additionally adjusted to exclude a provision for expected back payments of tax (including interest payments).
[2] Subject to approval by the Annual General Meeting on May 17, 2024.

bps = basis points

Balance sheet

	12.31.2023	12.31.2022	Change
Shareholders' equity (in € thousand)	233.326	225.184	+3.6 %
Total assets (in € thousand)	466.578	397.504	+17.4 %
Equity ratio (in %)	50.0	56.6	-660 bps

bps = basis points

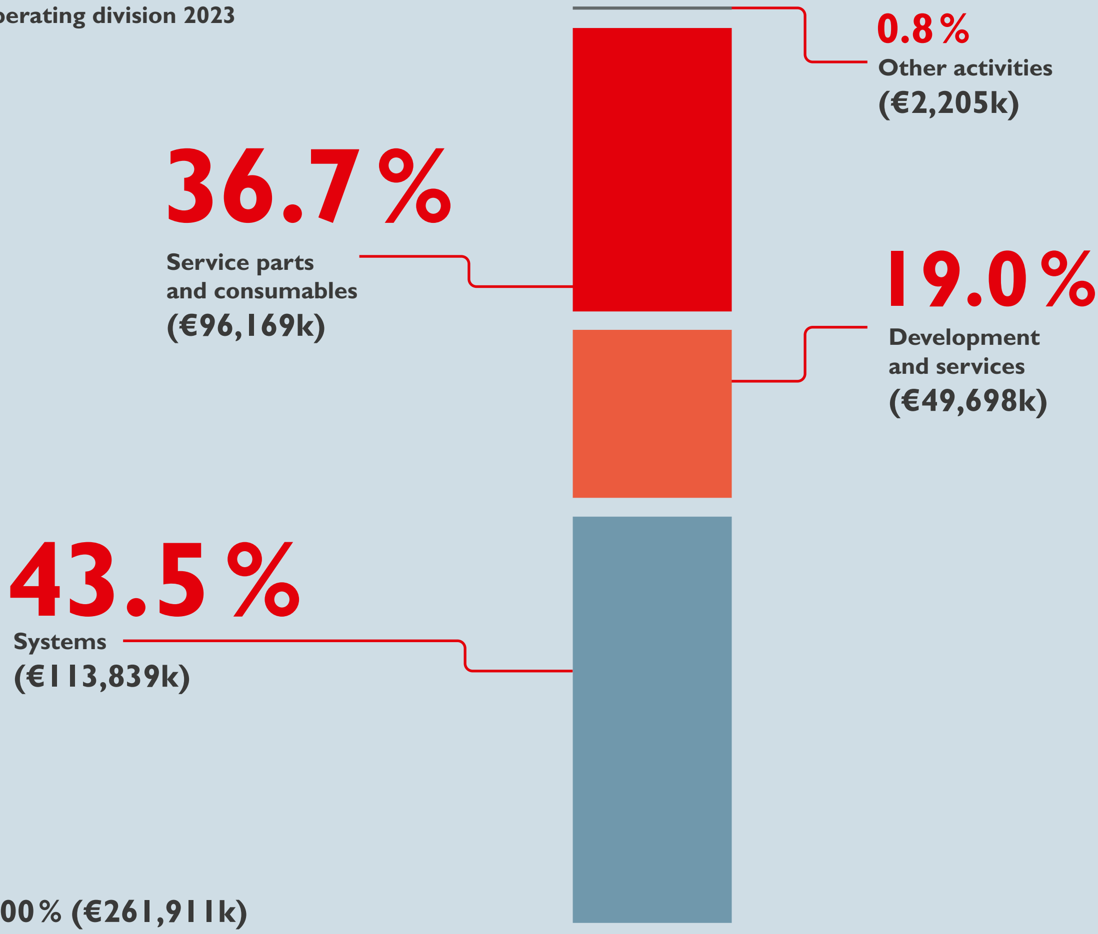
QUARTERLY OVERVIEW 2023

Sales and earnings

	1st quarter (01.01. – 03.31.)	2nd quarter (04.01. – 06.30.)	3rd quarter (07.01. – 09.30.)	4th quarter (10.01. – 12.31.)
Sales (in € thousand)	60,478	64,528	62,674	74,231
Adjusted EBIT (in € thousand)[1]	3,816	3,149	9,257	10,849
Adjusted EBIT as % of sales[1]	6.3	4.9	14.8	14.6
Adjusted consolidated net income (in € thousand)[1]	2,133	1,927	5,682	6,964
Adjusted basic earnings per share (in €)[1]	0.18	0.15	0.47	0.57
Basic earnings per share IFRS (in €)	0.11	0.09	0.42	0.45

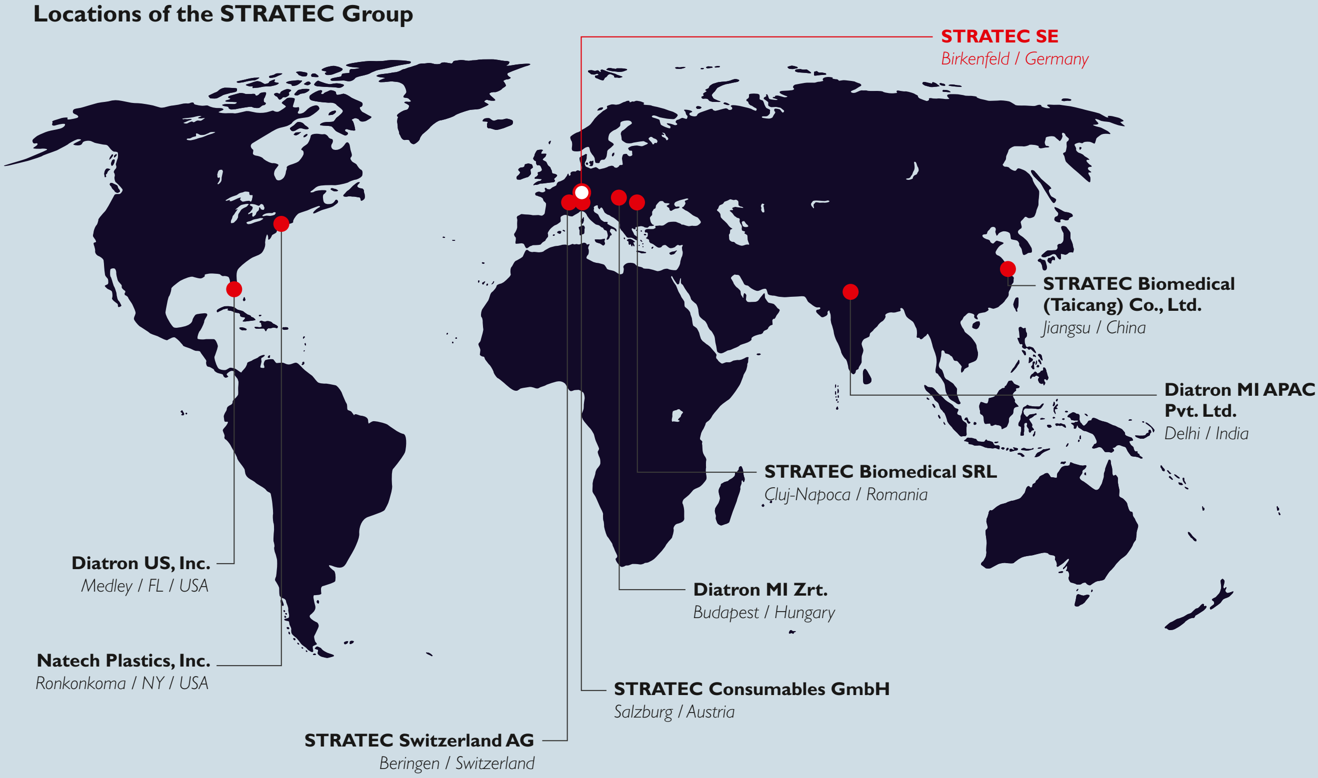
[1] For comparison purposes, adjusted figures for 2023 have been adjusted to exclude amortization from purchase price allocations in the context of acquisitions, as well as for other one-off items (consulting and reorganization expenses in connection with M&A activities and one-off personnel expenses).

Sales by operating division 2023



SALES **100 % (€261,911k)**

Locations of the STRATEC Group



LETTER FROM THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS, DEAR PARTNERS AND FRIENDS OF STRATEC,

The 2023 financial year proved to be a period of transition. It was a year in which, for nearly all participants in the healthcare market, the positive expectations prevalent at the beginning of the year were obliged to gradually give way to a new reality. Some sub-markets within our industry are still being affected by the downstream effects of the COVID-19 pandemic, which have proven be more severe than expected. The distinct saturation of the molecular diagnostics instrumentation solutions segment given the sharp expansion in laboratory capacities triggered by the pandemic is still evident. Not only that: End customer demand in this area, which is already reduced, is partly being satisfied by the higher level of stocks still on hand at our customers. This had an additional negative impact on our delivery volumes. Positive developments in other areas, such as immunohematology and new product launches, were insufficient to fully offset these adverse effects. Overall, STRATEC therefore witnessed a 3.8% reduction in its constant-currency consolidated sales in 2023. Moreover, unfavorable product mix effects and higher input costs also impacted negatively on profitability.

Based on customer data, we expect their stocks to normalize again by the middle of 2024. From then on, end customer demand, which is already recovering, should also be reflected in the volume of orders placed by STRATEC's customers. Against this backdrop, we expect our sales to remain stable or rise slightly already in 2024.

The 2023 financial year was again characterized by a high volume of development activities. We made major progress with numerous development projects and launched new products onto the market together with our partners. Here, we would particularly mention the launch of a sample preparation system version extended to include additional functions and components in the field of flow cytometry on behalf of a North American customer, as well as new products in the area of complex consumables. Moreover, we concluded new cooperations with partners to develop systems and use software solutions.

Given our constantly expanding product portfolio and our strong market position, we view the medium to long-term growth prospects for our company as being as strong as ever. With this in mind, and consistent with our dividend policy of maintaining a distribution quota of 40% to 60%, we would this year like to propose a dividend of € 0.55 per share for approval by our shareholders (previous year: € 0.97 per share). In view of our internal and potential external growth opportunities and the resultant financing requirements, the Supervisory Board and Board of Management have decided to temporarily suspend the continuity seen in the company's dividend policy by reducing this year's dividend. This decision should also be considered in light of the acquisition of Natech Plastics, Inc. already made in 2023.

The responsibility we bear towards our employees, customers, shareholders, and partners, who rely on the high quality of our products, will determine our actions as a business in future as well. We thank you for the trust you have placed in us and look forward to shaping STRATEC's further successful future together.

Birkenfeld, March 2024

The Board of Management of STRATEC SE

Marcus Wolfinger | *Dr. Robert Siegle*

Dr. Claus Vielsack | *Dr. Georg Bauer*

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Following its above-average strong performance in the 2020 and 2021 financial years, which were influenced by the pandemic, our company has since 2022 returned to a normal level of performance. In the 2023 financial year, its sales performance continued to be adversely affected by surplus capacities built up during the pandemic and increased stocks available at our customers in the molecular diagnostics business. The measures introduced by the Board of Management, such as the earnings enhancement program and price adjustments agreed for some products, are increasingly taking effect and already led to an increase in profitability in the second half of 2023.

We made significant progress with our efforts to further expand our business in the US, an important market for STRATEC, in 2023 by acquiring of Natech Plastics, Inc. in the Federal State of New York. This company is a provider of highly complex polymer-based consumables with a focus on medical applications. This will generate synergies in terms of sales and technology with the existing smart consumables business.

Supervision and advice in dialog with the Board of Management

In the 2023 financial year, the Supervisory Board of STRATEC SE once again dealt closely with the company's situation and its prospects. It regularly advised the Board of Management in its management of the company and monitored this carefully and continuously. The Supervisory Board performed the duties required by law, the Articles of Association, and its Code of Procedure at all times in full awareness of its responsibility. With only a few exceptions, it also complied with the recommendations of the German Corporate Governance Code. The Supervisory Board was directly involved in all decisions or measures of fundamental significance, particularly those involving corporate strategy, group-related matters, and the asset, financial, and earnings position of the company and the Group, as well as those transactions requiring its approval in the Code of Procedure for the Board of Management. The Board of Management provided the Supervisory Board with regular, timely, and comprehensive written and oral information concerning all issues of relevance to the company.

Meetings of the Supervisory Board and its committees

The meetings of the Supervisory Board and its permanent Audit Committee were held in person and in virtual format in the 2023 financial year. Furthermore, a Remuneration Committee was established in December 2023. This held its inaugural meeting on an in-person basis on December 18, 2023. The Supervisory Board currently does not have any other permanent committees. Individual members of the Board of Management were also available to Supervisory Board members outside the meeting framework to hold one-to-one discussions on specialist topics. Members of the Board of Management also attended Supervisory Board meetings in each case, unless the topics discussed involved matters relating to the Board of Management or internal Supervisory Board matters.

Meeting form

	Virtual meetings	In-person meetings	Total meetings
Supervisory Board	4	5	9
Audit Committee	3	1	4
Remuneration Committee	0	1	1

Individual meeting attendance by members of the Supervisory Board, the Audit Committee, and the Remuneration Committee

All members of the Supervisory Board attended all in-person and, in principle, all virtual meetings of the Supervisory Board and the respective committees. For one virtual Supervisory Board meeting, Dr. Patricia Geller was only able to participate in the preliminary discussions; she was subsequently informed about the meeting by telephone.

Activities and key focuses of discussion of full Supervisory Board

The full Supervisory Board held nine meetings in the 2023 financial year.

Matters regularly discussed at the meetings on March 29, 2023, June 19, 2023, October 26, 2023, and December 18, 2023 included risk reporting, sustainability topics, the company's sales and earnings performance, its financial situation, the development in inventories and procurement activities, the status of individual development projects and of the company's negotiations for major contracts, and the M&A strategy pursued by the Board of Management to supplement the company's organic growth. Further focuses included discussions concerning the business performance of subsidiaries, the company's organizational structure, the impact of new legislative requirements, long-term corporate strategy and – following implementation of an earnings enhancement program – information on the latest respective implementation status.

At its meeting on January 23, 2023, the Supervisory Board determined the degree of target achievement and discretionary components for individual members of the Board of Management in order to set bonus payments for the 2022 financial year in line with individual additional agreements (medium-term incentive agreement, MTI). Furthermore, the Supervisory Board reviewed the appropriateness of the remuneration for the Board of Management and set individual targets for members of the Board of Management within the medium-term incentive agreement (MTI) for 2023. The objectives thereby agreed also include sustainability-related targets. Moreover, the Supervisory Board consented to a transaction requiring its approval, namely the founding of a subsidiary in the People's Republic of China that will enable the company to promote its business in the Shanghai region.

At its meeting on March 19, 2023, the Supervisory Board approved the Corporate Governance Statement with the report on corporate governance, which was then made permanently available to shareholders on the company's website.

Following detailed discussion in the Audit Committee on March 15, 2023, at its meeting on March 29, 2023 the Supervisory Board approved the annual financial statements and management report and the consolidated financial statements and group management report of STRATEC SE for the 2022 financial year. As well as addressing recurring topics, the meeting on March 29, 2023 also focused in particular on discussing the company's sustainability strategy and the conversion in its segment reporting. Moreover, based on the procedures presented the Supervisory Board approved the proposal made by the Board of Management to hold the upcoming Annual General Meeting on a virtual basis once again. In addition, the proposal submitted by the Board of Management for the appropriation of profit was approved, as were the resolutions to be submitted for approval by the Annual General Meeting. The Report of the Supervisory Board was also approved for publications.

At its meeting on May 15, 2023, the Supervisory Board continued its discussion of those standard topics which, due to time restrictions, it had been unable to address in full at its March meeting. At this meeting, the Supervisory Board also approved a new business allocation plan for the Board of Management.

The Supervisory Board meeting on May 17, 2023 was held directly after the virtual Annual General Meeting. The key focus at this meeting involved deliberations on the planned acquisition of Natech Plastics, Inc. and the associated financing. The Supervisory Board was extensively informed about the acquisition in advance of the meeting and consented to both transactions requiring its approval.

Alongside recurring topical focuses, at the meeting on June 19, 2023, which was held at the company's Anif location in Austria, the Board of Management also reported on the future development of the STRATEC Group's strategy. Furthermore, the local management provided extensive insights into the company on location.

To enable sustainability-related topics to be addressed in greater depth, at the meeting on October 26, 2023 a consultancy firm presented the further developments in sustainability reporting and responded to questions from the Board of Management and Supervisory Board. Alongside recurring

key topics, at this meeting the Supervisory Board also focused on the status report on the integration of Natech Plastics, Inc. and on approving the further amended business allocation plan for the Board of Management.

At its meeting on November 24, 2023, the Supervisory Board and Board of Management renewed the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG). This was made permanently available to shareholders on the company's website.

As well as addressing recurring topical focuses, at its meeting on December 18, 2023 the Supervisory Board approved the budget for the 2024 financial year and decided to establish a Remuneration Committee. Furthermore, the Code of Procedure for the Supervisory Board was amended and Codes of Procedure were adopted for the permanent committees. In addition, at this meeting the Supervisory Board also dealt with the company's diversity concept. The discussion of this topic was preceded by a presentation given by the Global Head of Human Resources on personnel development and the various measures taken to increase diversity at the company.

Activities and key focuses in committees

The Audit Committee held four meetings in the 2023 financial year. All committee meetings were attended by all of their members.

In advance of the Supervisory Board meeting held to approve the financial statements on March 29, 2023, the Audit Committee met on March 15, 2023 to discuss the annual and consolidated financial statements as of December 31, 2022.

At its meeting on August 7, 2023, the Audit Committee discussed the half-year financial report.

At the meeting held on October 24, 2023, the Global Head of Compliance presented his report on the internal control system, risk management system, internal audit system and compliance and answered questions about these systems. The Board of Management also reported on the current status of sustainability reporting at the company. Moreover, the Audit Committee addressed the planning for internal audit topics for the 2024 financial year. The external auditor, who also attended this meeting, was available to answer questions concerning the planned audit of financial statements for the 2023 financial year. In addition, the committee discussed potential audit focuses and presented the audit plan.

At its meeting on December 18, 2023, the Audit Committee approved the procedures required to hold a public tender for the audit of the 2024 annual financial statements.

On December 18, 2023, the Supervisory Board established a permanent Remuneration Committee for the first time. This was convened on the same day to hold its inaugural meeting. Here, Prof. Dr. Georg Heni was appointed as Committee Chair. The other members of the Remuneration Committee at this point in time are Dr. Frank Hiller and Dr. Patricia Geller. The Remuneration Committee held one meeting in the 2023 financial year, which was attended by all of its members.

The tasks and responsibilities of the Audit and Remuneration Committees are detailed in the respective Codes of Procedure, which are published on the company's website.

Review of potential conflicts of interest and independence of Supervisory Board members

One important aspect of good corporate governance is the independence of Supervisory Board members and the absence of any conflicts of interest on their part. The Supervisory Board bases its assessment of its members' independence on the recommendations made by the German Corporate Governance Code and the additional criteria for assessing the independence of Supervisory Board members laid down in the competence profile for the Supervisory Board. No conflicts of interest requiring immediate disclosure to the Supervisory Board and immediate notification of the Annual General Meeting arose among members of the Board of Management or the Supervisory Board. No material transactions were performed with any member of the Board of Management or with any person or company closely related to such. Based on the Supervisory Board's assessment, all four of its members, and thus all three members of the Audit Committee and all three members of the Remuneration Committee, are currently to be viewed as independent. Further information about this can be found in the Corporate Governance Statement.

Change in composition of Board of Management and Supervisory Board

At its meeting on November 24, 2022, the Supervisory Board appointed Dr. Georg Bauer as a new member of the Board of Management, with responsibility for sales, for a three-year term in office beginning on January 1, 2023. Dr. Georg Bauer has thus strengthened the management board team with Marcus Wolfinger, Dr. Robert Siegle, and Dr. Claus Vielsack.

No changes in the composition of the Supervisory Board arose in the 2023 financial year.

Audit of annual and consolidated financial statements; audit of non-financial group declaration

Consistent with the proposal submitted by the Supervisory Board, the Annual General Meeting on May 17, 2023 elected Ebner Stolz GmbH & Co. KG (now: RSM Ebner Stolz GmbH & Co. KG) Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, (hereinafter: 'RSM Ebner Stolz') as auditor and group auditor for the 2023 financial year.

RSM Ebner Stolz has audited the annual and consolidated financial statements of STRATEC SE since the 2015 financial year. The auditor responsible for the audit of the annual financial statements from 2015 to 2018 was Linda Ruoss while Philipp Lessner was responsible for these from 2019 to 2023. Linda Ruoss was responsible for the audit of the consolidated financial statements from 2015 to 2019, while Philipp Lessner was responsible for these from 2020 to 2023.

Having conducted a selection and proposal process pursuant to the EU Audit Regulation, based on the recommendation and preference of the Audit Committee and following its own review, at its meeting on March 27, 2024 the Supervisory Board decided to propose PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, for election by the 2024 Annual General Meeting as the new auditor of the annual and consolidated financial statements for the 2024 financial year. This auditor would also conduct the audit or audit review of the half-year financial report as of June 30, 2024, should such be performed.

At a meeting held on March 20, 2024, the Audit Committee dealt in detail with the annual financial statements and management report, as well as with the consolidated financial statements and group management report, together with the non-financial group declaration, of STRATEC SE for the 2023 financial year. Both sets of financial statements had previously been audited and provided with unqualified audit opinions by the auditor. Furthermore, in its assessment of the risk management system the auditor confirmed that the Board of Management had taken the measures required by the German Stock Corporation Act (AktG) for the early identification of any risks to the company's continued existence. In addition to the statutory audit of the financial statements, RSM Ebner Stolz was commissioned by the Supervisory Board to perform a limited assurance audit on the non-financial group declaration, which is a constituent component of the group management report, and, on this basis, did not raise any objections to the reporting in the non-financial group declaration or its compliance with the legal requirements applicable to such.

The annual financial statements and management report, consolidated financial statements and group management report with the non-financial group declaration, proposal submitted by the Board of Management in respect of the appropriation of profit, remuneration report, and auditor's audit reports were forwarded to all members of the Supervisory Board in good time for their own review. Representatives of the auditor attended the discussion of the annual and consolidated financial statements at the Supervisory Board meeting on March 20, 2024 and explained the key audit findings.

The audit of the annual financial statements and management report and of the consolidated financial statements and group management report with the non-financial group declaration and remuneration report of STRATEC SE by the Audit Committee did not result in any objections being raised. Following preparation in the Audit Committee, on March 27, 2024 the Supervisory Board concurred with the findings of the audit conducted by the auditor in accordance with legal requirements and approved the annual financial statements and management report, as well the consolidated financial statements and group management report. The annual financial statements are thus adopted.

The Supervisory Board endorsed the proposal submitted by the Board of Management in respect of the appropriation of profit. Subject to approval by shareholders at this year's Annual General Meeting, the company plans to distribute a total dividend of € 6.7 million (€ 0.55 per share) to shareholders of STRATEC SE.

In addition, the Supervisory Board adopted the Report of the Supervisory Board, the Corporate Governance Statement and the remuneration report, as well as its proposed resolutions for the agenda items at the 2024 Annual General Meeting.

Thanks

The Supervisory Board would like to thank all the company's employees and the Board of Management for their commitment and their outstanding achievements in what was a further challenging period in the 2023 financial year.

Birkenfeld, March 2024

On behalf of the Supervisory Board

Prof. Dr. Georg Heni
Supervisory Board Chair

INSTRUMENTATION AND DATA IN A CONNECTED WORLD

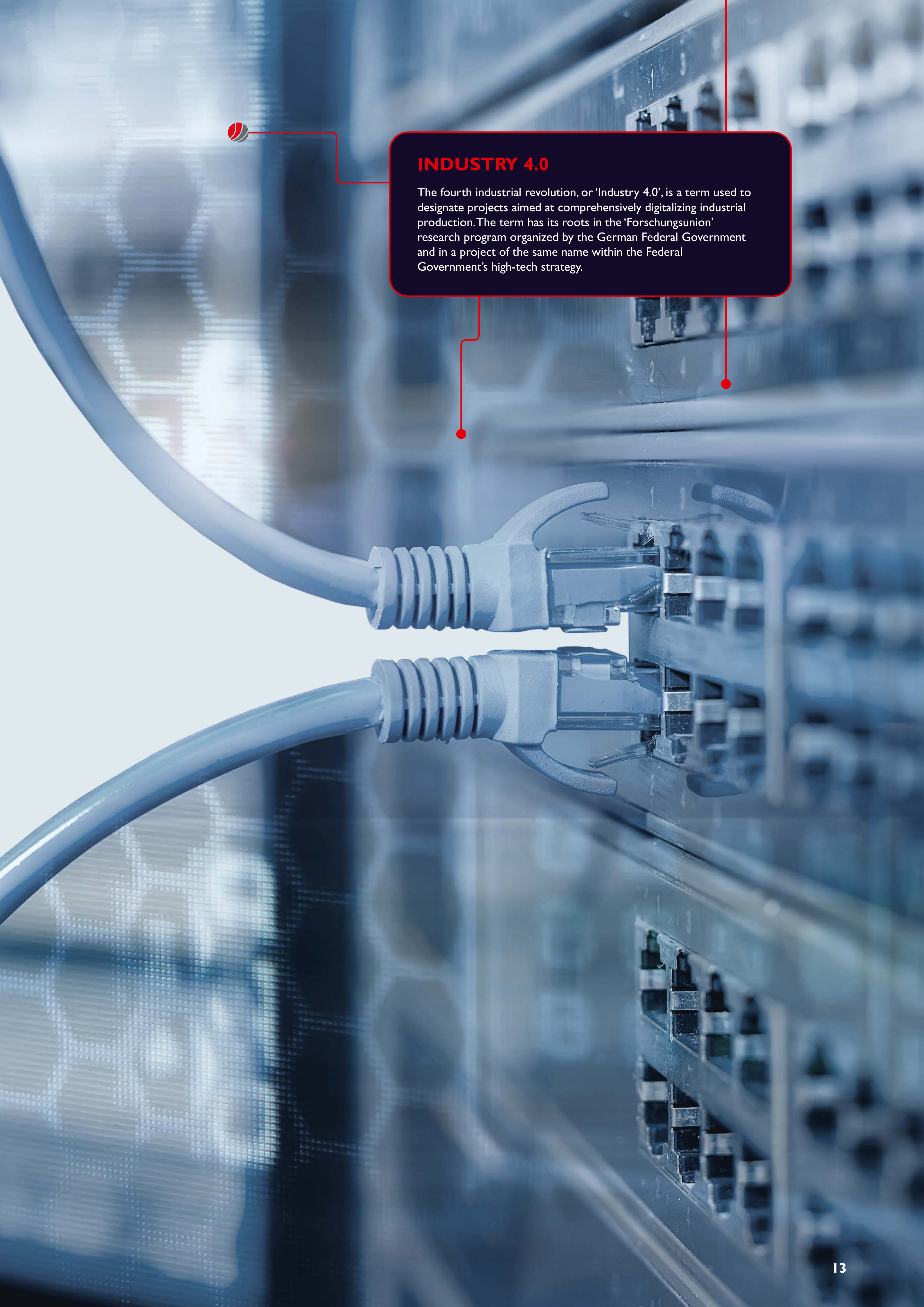
Opportunities in global trends

Digitalization and automation are just as important as ever in nearly every sector of today's economy. The Industry 4.0 vision has consolidated in a mature model which unites technology adoption and newly gained capabilities with levers and value drivers at organizations. Due to a lack of comprehensive implementation, however, the resultant possibilities are yet to be fully exploited in many sectors, not least in healthcare.

With its digital automation and IT solutions for IVD companies and the clinical lab markets, STRATEC is addressing key value drivers. Here, STRATEC is contributing to modernizing the healthcare sector with this it is ushering in benefits such as reliability, higher throughput, repeatability, fast results, advanced process control, the rapid dissemination of new test protocols and technologies. All of these serve to benefit patient outcomes worldwide.

There is no doubt that remote connectivity has the potential to enhance efficiency in almost every industry. Having said this, initial attempts to establish peer-to-peer connectivity products in the medical field failed in the 1990s. This was due to a variety of shortfalls, such as the safeguarding of data privacy standards. The first dedicated tools in the 2000s were highly priced and therefore only made economic sense for a very limited number of applications. In the 2010s, technical progress finally allowed for the realization of scalable, affordable, and secure solutions.

Since then, STRATEC has been supporting its customers in driving digitalization and connectivity. Here, it is important to note that the connectivity and visibility of an active instrument fleet is only the start: even greater potential can be unleashed by connecting additional downstream tools and stakeholders, such as service organizations, logistics and inventory management, as well as ERP and BI systems.



INDUSTRY 4.0

The fourth industrial revolution, or 'Industry 4.0', is a term used to designate projects aimed at comprehensively digitalizing industrial production. The term has its roots in the 'Forschungsunion' research program organized by the German Federal Government and in a project of the same name within the Federal Government's high-tech strategy.

VIGILANT ONLINE: VALUE DRIVERS FOR STRATEC AND ITS PARTNERS

STRATEC has developed Vigilant Online, a cloud-based Internet of Things platform. It is designed to provide valuable insights into the instrument performance and assay data of customer fleets. It facilitates analysis, control, and business process integration while also meeting the highest standards in terms of data protection and cybersecurity.

As soon as they are connected to the Vigilant Online portal, instruments are allocated in line with role-based access controls and their status is shown on a map in a web application. This permits remote monitoring and control. In view of this, the service organization may potentially be aware of any issues before the end customer calls for support. Some hitches can be analyzed remotely based on automatically uploaded telemetry or on-demand diagnostic logs. And if a service visit is needed, then the technicians are able to plan this more accurately, as they will know which spare parts and tools are needed. Remote sessions can be held if so required by the operator. A further option involves implementing additional access rights and allocating these to different interest groups and stakeholders.

The number of tests performed on an analyzer system can be counted and displayed just like a car's mileage counter. For systems where, from either a patient or a business perspective, analyzer uptime is critical, reactive maintenance is not appropriate. This means that proactive maintenance is usually scheduled based on the historic mean time between failure KPIs (i.e. the average time between two unscheduled service events).

That in turn is a costly approach, as it aims to identify all problems long before they actually occur. Rather than working with estimates, tracking system use on a near-real-time basis enables instruments to be classified into throughput buckets. This reduces the number of premature and delayed service visits.

In statistical terms, the spread of epidemics (like Zika) can be shown, even without collecting any personally identifiable information, by tracking the geographical coordinates of analyzer systems and positivity rates for specific diagnostic tests. The fields of application are diverse: The data could also be used, for example, to find suitable donors of blood with rare characteristics.

IOT SOLUTION

The Internet of Things (IoT) refers to the network of physical objects ('Things') that are equipped with sensors, software, and other technology enabling them to be connected to other appliances and systems via the internet. This way, data can be shared between the objects.

The potential of real-time supply chain management makes the cloud-based solution particularly interesting for laboratories.

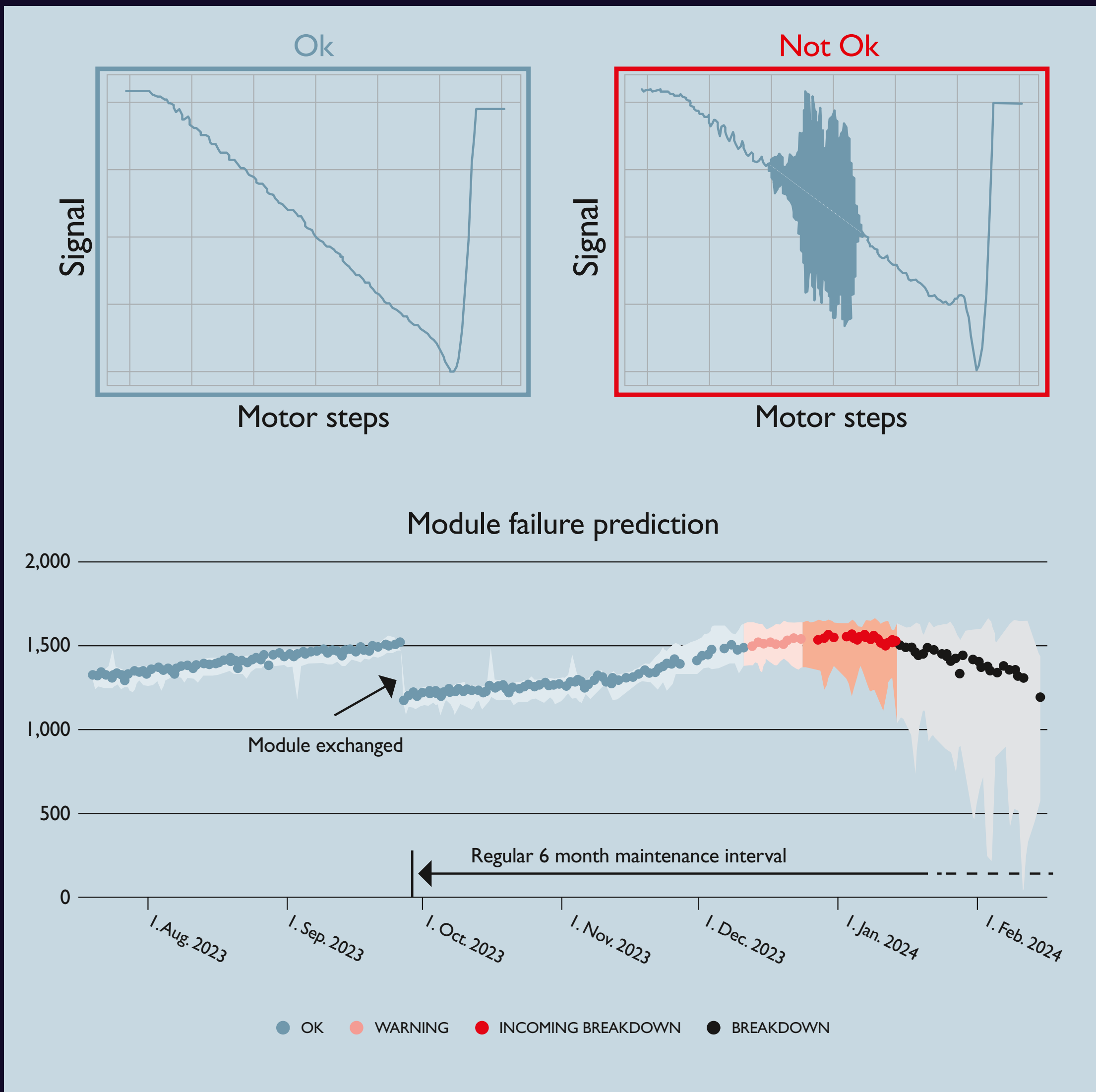
Comparing test counts with reagent/consumable sales and inventory databases also makes it possible to quickly evaluate whether laboratories have failed to place orders and might be running out of stock. Vigilant Online thus has the potential to significantly improve real-time supply chain management, lean inventory planning, and demand forecasting for STRATEC's partners.

Having said this, not all value drivers are easily leveraged. Predictive maintenance, for example, requires machine learning. And this only becomes effective when there is access either to large volumes of unstructured big data or to high-quality engineered data. Thanks to its highly verticalized product development, extending from software to electronics to hardware engineering, STRATEC is perfectly placed to solve this problem. The use of hardware components including specially developed sensors increases the signal-to-noise ratio, and thus significantly enhances the usefulness of the data collected. That contrasts with widespread big data approaches (collecting data without a specific purpose), which result in large datasets that are often not especially useful.

Interpreting the data thereby collected nevertheless remains a challenge. The data has to be filtered based on a distinction between desired and undesired outcomes. These defined characteristics or categories are referred to as labels. In other words, labels are the feedback from reality that distinguish good data from bad data in a machine learning sense. While far less voluminous, labels are just as important as the machine data. This type of information usually resides in partner software systems and databases which track decisions made by humans about the system, such as on-site service visit records.

A further challenge is that analyzer systems, which may be installed at a couple of thousand sites worldwide, do not really constitute mass-produced goods able to satisfy the big data requirements of machine learning models. In addition, there are substantial variations in the environmental factors influencing the data collected from the field, such as ambient temperatures, operator training levels, utilization levels, and assay types. To account for this, STRATEC augments the field data with data collected during accelerated aging and reliability testing. In this, instrument modules repeat actions, often for millions of cycles or until they completely break down. STRATEC also collects quality control data at the time of manufacturing; this establishes the first baseline dataset for each instrument produced. Moreover, STRATEC has invented a self-diagnostics capability that is specifically designed to cope with the challenge of small data and field variance. Here, instruments are equipped with extra sensors and routines which execute a string of predetermined motions, exercising all modules, when the instrument is not processing tests, e.g. during idle times. This greatly reduces environmental differences and focuses on behavior in identical conditions. Minimizing the number of variables with tight controls also enables smaller, focused datasets to be effective in extracting features such as actuator data, rotor backlash, pressure traces, camera white balance, and hot pixels.

DATA-ASSISTED ERROR DETECTION AND PREDICTION

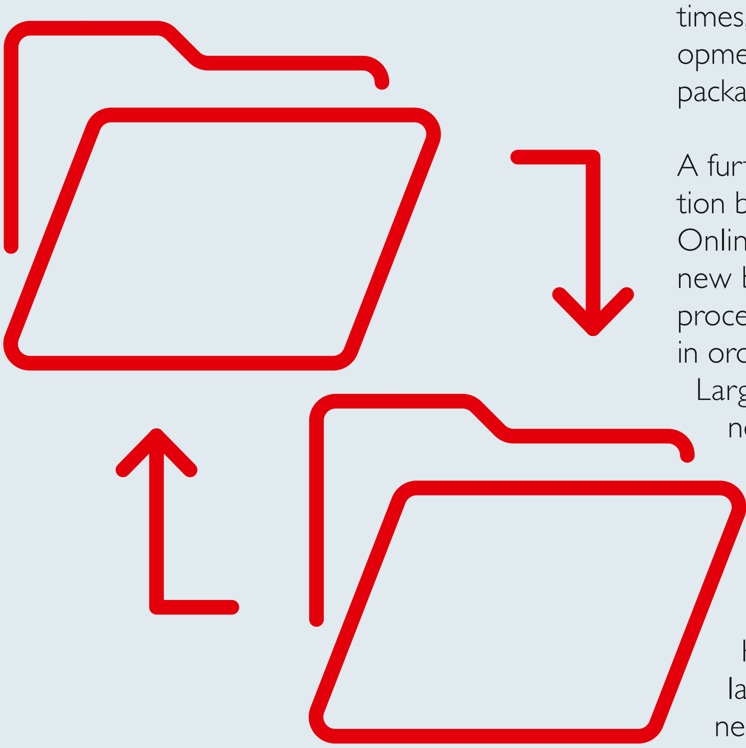


There are several opportunities for customer co-creation and open innovation. Customers may, for example, combine reported module error statistics data with the historic experience gained by other STRATEC partners in automatically prioritizing support issues based on potential root causes. Specific patterns in machine error flags may indicate mechanical errors, a lack of operator training, the neglect of maintenance tasks, or problems with sample liquids (e.g. blood clots).

In the past, partners maintained spreadsheets and other disconnected systems to track instrument field configurations, such as the PC model, the camera module version, the OS version, and the software/hardware bill of materials.

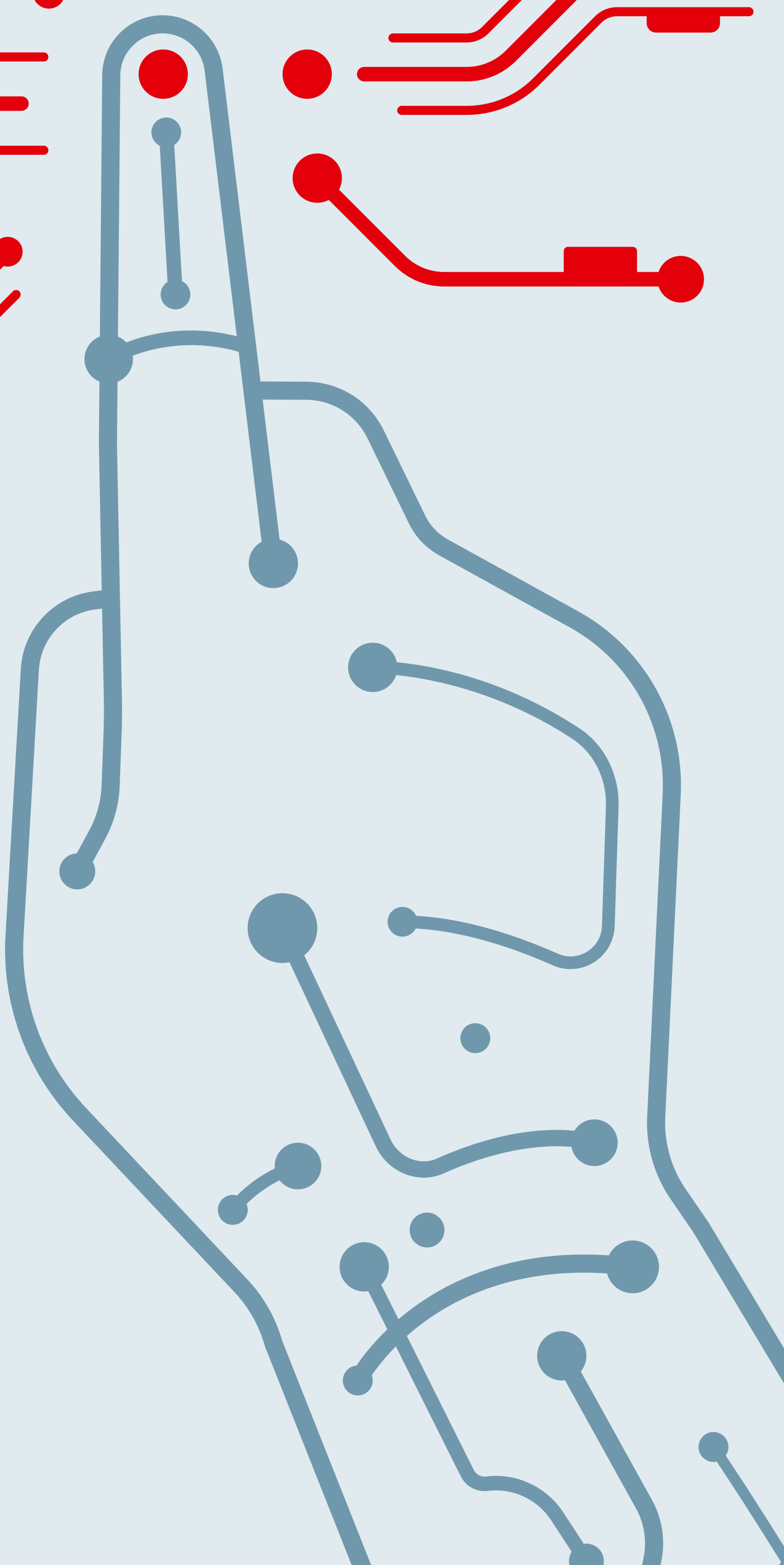
By fully connecting the fleet it is possible to gain an all-round central overview and perform live configuration management. As well as enabling the current configuration to be viewed, the STRATEC Vigilant Online update management feature also supports changes in the configurations, such as new software installers, new firmware parameter files, cybersecurity patches or amendments for new assay versions, instructions for using new reagent kits and lots, user manuals in all languages, and custom commands or scripts.

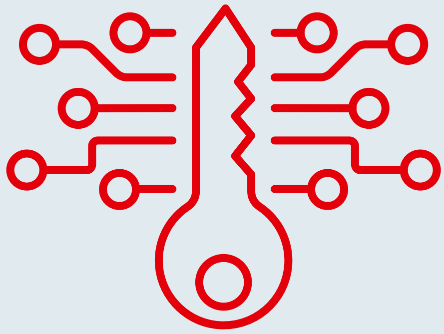
In addition, the telemetry and update workflows permit rapid innovation for our partners. The protocols documenting performance and the overall usage of existing assays can be obtained from machine telemetry. The resultant feedback can then be incorporated into a faster loop either to iterate and fine-tune assay protocols (reagent volumes, incubation times, camera settings) or to assist the development of new ones. Corresponding update packages can then be rolled out remotely.



A further benefit of the two-way communication between in-field instruments and Vigilant Online is the potential it harbors to access new business. When approval for medical procedures is sought, clinical trials are required in order to validate the process in reality. Large-scale data acquisition and testing is needed in order to develop a procedure in the first place. This is often problematic for veterinary applications, for example, as assay protocols differ substantially depending on the specific subspecies (dogs, cats, other pets). Human applications require just one large data set, but for animals one is needed for each subspecies. If only a few partner clinics participate in the trials, it is almost impossible to gather sufficient data except for the most common pet subspecies. One interesting opportunity for veterinary diagnostics instruments is thus to collect this data directly from the field on a remote basis. Once sufficient data is available in the database, statistical methods can be used to develop targeted tests.

The machine telemetry stream from the field also enables STRATEC to improve its hardware components and processes. In the past, the main ways in which STRATEC could gain insights into its partners' operations in the field required formal communication, as well as ad-hoc log files, CAPA items (a formal regulatory compliance term for corrective and preventive action), and warranty claims. Now, STRATEC may have both a near-real-time view and a historic view of how hardware modules were used during their lifetimes. Broken modules which have to be replaced are not simply not working anymore, but also offer data pertaining to their full lifespans which is recorded in a central repository. This permits data-driven root cause analysis and targeted engineering measures focusing on potential weak spots.





SECURITY

Like IT, security often goes unnoticed until it breaks down. Reports of malfunctions, such as the leaking of patient data or of an entire country's blood bank network going offline for days due to cyberattacks, are not uncommon. STRATEC has adopted a 'security first' approach. To enhance security, even compared with offline systems, STRATEC closely follows industry standards and best practices, such as reference architectures, cloud adoption frameworks, and well architected frameworks from established cloud providers, as well as specific regulations and guidance for medical devices (FDA, MITRE, etc.).

STRATEC employs threat-modeling techniques to assess cybersecurity risks and uses third-party penetration testing to detect any remaining attack vectors.

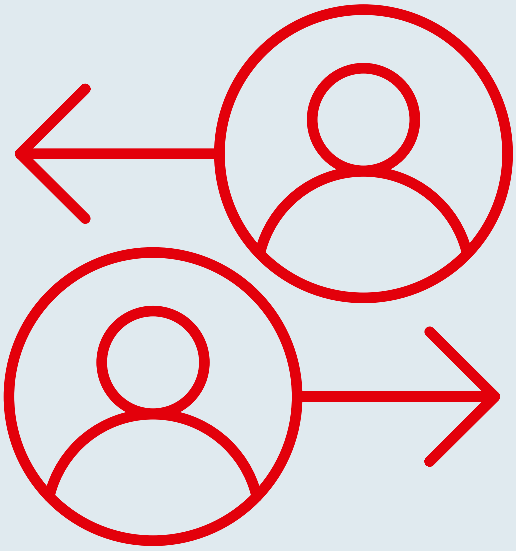
One surprising aspect is that almost all value drivers can be fully levered without any need for personally identifiable information or personal (patient-based) health information in the transferred data. Masked, anonymized, or statistical metrics are more than adequate for the implementation of use cases. STRATEC and its partners ensure that data is minimized and that no personal data is entered into any system which does not require such data.

Some may recall the jokes about passwords on post-it notes stuck beneath the computer screen. Yet data breaches are anything but a joke. Measures to centrally impose a healthy security culture at healthcare facilities around the world are difficult to enforce. The harder IT providers try to make passwords longer, more complicated, request users to change them more frequently, and insist that the previous passwords should not be reused, the more they unwittingly encourage bad practices. Password fatigue is a widespread phenomenon. With its multi-factored authentication, STRATEC strives to address the human element in the security equation. This is primarily aimed at field service engineers, whose operating system passwords are generated on a one-time basis with the help of their cell phones. Apart from one-off initial synchronization, this is possible even when the instrument is fully disconnected from any network. This authentication design makes it impossible to share credentials.

SECURITY-FIRST APPROACH

In a security-first approach, cybersecurity is always the primary consideration. It is at the heart of a company's operations and is therefore a core component of corporate culture.

Cybersecurity is the term used to describe the protection of computer systems and networks against potential cyberattacks. It covers all aspects, ranging from password administration through to computer security tools based on machine learning.



FOSTERING COLLABORATION

Bringing an IVD solution to market requires the collaboration of various partners and organizations, who often only focus on a specific part of the overall solution. These include, among others, manufacturers of instruments, consumables or reagents as well as laboratories and other healthcare facilities. All of these organizations involve different departments and subsidiaries, which further increases the complexity.

Ultimately, the full value proposition can only be attained once data is able to transcend these organizational boundaries.

STRATEC has the experience needed to advise partners in establishing data ownership, stewardship and sharing agreements.

The Vigilant Online platform supports common business-to-business data channels. These enable databases and IT systems at organizations to be joined securely. This in turn makes it possible to maximize the value drivers – for our partners, for STRATEC, and ultimately for the patient's benefit.


ROBOT

ANNUAL REPORT OF STRATEC SE

CONTENTS

STRATEC'S SHARE

Review of 2023 on the stock markets

Developments on the financial markets in 2023 were shaped by numerous factors including, among others, key macroeconomic and inflation data, the raising of interest rates by the world's leading central banks, the lifting of the US debt ceiling, turbulence in the banking sector, the ongoing war in Ukraine, and the resurgence of the Israel conflict. Despite numerous adverse factors, financial markets posted surprisingly positive performances in many regions of the world. The lifting of the US debt ceiling averted a US payment default. Targeted intervention by central banks also prevented the regional banking crisis in the US from spreading. Moreover, inflation rates fell consistently through 2023, with this being due in particular to energy prices returning to lower levels. Inflation was further mitigated by restrictive monetary policies adopted by the US Federal Reserve (FED) and European Central Bank (ECB). Having closed 2022 with double-digit losses in some cases, global stock indices recovered in 2023, with particularly strong performances posted for the high-volume stocks of large companies (blue chips and large caps). Furthermore, the enormous advances in artificial intelligence (AI) powered an exceptional boom for numerous technology stocks. By contrast, smaller listed companies (small caps and mid-caps) tended to lose out in 2023. These stocks witnessed substantial outflows of liquidity compared with previous years, as many investors increasingly reallocated their funds back to fixed-interest investments or preferred technology stocks and higher-cap companies. This trend was also reflected in average daily trading volumes with STRATEC's shares.

Against this backdrop, the German stock indices reported heterogeneous performances. The DAX, for example, rose by 20.3 % in 2023, while the MDAX gained 8.0 %, the SDAX 17.1 % and the TecDAX 14.3 %.

Listing, stock market turnover, and index membership

STRATEC's shares are listed in the Regulated Market of the Frankfurt Stock Exchange (marketplaces: Xetra and Frankfurt) and meet the transparency requirements of the Prime Standard. Its shares are also traded on regional stock markets in Berlin, Düsseldorf, Hamburg, Hanover, Munich, and Stuttgart, as well as on Tradegate, the electronic over-the-counter trading system at the Tradegate Exchange.

Measured in terms of simple order book turnover, STRATEC shares worth € 141.7 million changed hands on the above marketplaces (excluding Tradegate) in 2023 (previous year: € 318.9 million). The Xetra and Frankfurt marketplaces accounted for 88.0 % of these volumes (previous year: 94.4 %).

The company's shares also witness brisk trading on multilateral trading systems, which are gaining increasing market share from the regulated marketplaces with which they compete. A multilateral trading system is a market-like trading platform set up and operated by a financial services provider, securities companies, or market operator. This kind of system brings together buy and sell orders for shares and other financial instruments in accordance with specific regulations and thus generates contract agreements.

STRATEC's share is listed in the SDAX, a select index of the German Stock Exchange which comprises 70 small cap companies.

Trading data for STRATEC's share (status: December 31)

	2023	2022	2021	2020	2019
Year-end price previous year (€)	81.10	137.80	122.80	61.00	50.30
Annual low (€)	36.00	72.70	100.40	46.40	49.30
Annual high (€)	93.00	138.60	147.40	144.60	77.60
Year-end price (€)	45.55	81.10	137.80	122.80	61.00
Performance (%)	-43.8	-41.1	+12.2	+101.3	+21.3
Market capitalization (€ million)	553.8	986.0	1,671.2	1,486.2	733.8
Trading volumes (€ million)	141.7	318.9	379.7	561.0	81.9
Average daily trading volume (€)	555,652	1,240,704	1,489,029	2,217,521	326,410
Average daily trading volume (number of shares)	9,916	12,260	12,041	22,615	5,124

Virtual Annual General Meeting approves dividend increase and Supervisory Board enlargement

On May 17, 2023, STRATEC's Board of Management and Supervisory Board welcomed the company's shareholders to the Annual General Meeting which, as in the three previous years, was held on a virtual basis. The format was closely aligned to that of an Annual General Meeting held in person. Shareholders enjoyed full rights to make statements, pose questions, and submit motions and were able to be connected by video to make live contributions during the general debate.

All of the agenda items submitted for resolution were approved by shareholders with substantial majorities. Overall, 84.1 % of the company's registered share capital was represented at the virtual Annual General Meeting.

Shareholders approved the actions of the Board of Management and the Supervisory Board and elected Ebner Stolz GmbH & Co. KG (now: RSM Ebner Stolz GmbH & Co. KG), Stuttgart, as auditors for the 2023 financial year. The remuneration report for the 2022 financial year was also submitted to and approved by the Annual General Meeting. Among other resolutions, the Annual General Meeting also approved a new stock option program and confirmed the amended remuneration system for Supervisory Board members.

The dividend was increased for the nineteenth consecutive year and, with a total distribution of € 11.8 million, corresponding to € 0.97 per share, reached a new record level. In 2022, the company distributed a total of € 11.5 million, or € 0.95 per share, to its shareholders.

Further information about the Annual General Meeting, such as detailed voting results, can be found at www.stratec.com/agm.

The next Annual General Meeting is scheduled to take place on May 17, 2024 and will once again be held on a virtual basis.

Proposed dividend for the 2023 financial year

The Supervisory Board and Board of Management of STRATEC plan to propose the distribution of a dividend of € 0.55 per share for the 2023 financial year for approval by the Annual General Meeting on May 17, 2024 (previous year: € 0.97 per share). This proposal is based on the company's positive medium to long-term growth prospects and consistent with the dividend policy of maintaining a distribution quota of 40% to 60% of adjusted consolidated net income.

The year-on-year reduction in the distribution total is to be viewed against the backdrop of internal and potential external growth opportunities, associated financing requirements, and the financing already taken up for the acquisition of Natech Plastics, Inc. in 2023.

Based on the closing price of € 45.55 for STRATEC's share on December 29, 2023, the distribution total of € 6.7 million (€ 0.55 per share) corresponds to a dividend yield of 1.2%.

Shareholder structure remains stable

The largest shareholders in the company are still its founder, Hermann Leistner, his family, and their investment companies, which hold a combined stake of 40.36 %. A further 0.02 % of the shares are held by the company itself, while 59.62 % are attributable to large numbers of retail and institutional investors both in Germany and abroad. Institutional investors holding at least 3% of the voting rights are:

- Juno Investment Partners B.V., The Hague, Netherlands, with 3.02 %
- Brown Capital Management, LLC, Baltimore, Maryland, US, with 5.01 %
- Invesco Ltd., Hamilton, Bermuda, with 5.01 %.

Key figures for STRATEC's share (status: December 31)

	2023	2022	2021	2020	2019
Number of shares issued (million)	12.2	12.2	12.1	12.1	12.0
Number of shares with dividend entitlement (million)	12.2	12.2	12.1	12.1	12.0
Cash dividend per share (€)	0.55[1]	0.97	0.95	0.90	0.84
Total distribution (€ million)	6.7[1]	11.8	11.5	10.9	10.1
Dividend yield (%)	1.2[1]	1.2	0.7	0.7	1.4

[1] Subject to approval by the Annual General Meeting

Further information about STRATEC's share

ISIN	DE000STRA555
WKN	STRA55
Ticker	SBS
Reuters Instrument Code	SBSG.DE
Bloomberg Ticker	SBS:GR
Segment	Prime Standard
Market	Regulated Market
Select index	SDAX since April 30, 2020
Share type and class	No-par registered ordinary shares
Share capital (€)	12,157,841
Share capital (number of shares)	12,157,841
Initial listing	August 25, 1998
Marketplaces	Xetra; Frankfurt and further regional stock exchanges in Germany
Designated sponsors	Hauck & Aufhäuser Privatbankiers AG

Investor relations

STRATEC maintains an ongoing dialog with existing and potential investors, analysts, and business and financial journalists. When communicating with market participants, the company adheres to the principle that all information should be provided simultaneously, openly, and transparently. With its active and ongoing reporting, it aims to enable all capital market players to form their own realistic assessment of the company's performance. The financial calendar keeps interested parties regularly informed about important dates with sufficient advance notice.

Furthermore, we also regularly inform capital market participants about the company's strategic development and business performance by publishing financial reports, ad-hoc announcements, and press releases.

One core component of STRATEC's investor relations activities involves holding conference calls upon the publication of results and occurrence of other major events at the company. These calls are also made available on the company's website. As well as holding numerous one-to-one talks, at capital market conferences the company gives presentations and thus informs investors and analysts from Germany and abroad about its current situation and business performance. At present, a total of nine institutions regularly cover STRATEC in extensive studies and brief analyses: Berenberg Bank, Deutsche Bank, Hauck Aufhäuser Investment Banking, Kepler Cheuvreux, Landesbank Baden-Württemberg, Metzler Capital Markets, ODDO BHF, SRH AlsterResearch, and Warburg Research.

The latest information about STRATEC and its share can be found on the company's website at www.stratec.com.

Financial calendar

03.28.2024	Annual Financial Report 2023
04.26.2024	Quarterly Statement Q1|2024
05.17.2024	Virtual Annual General Meeting
08.09.2024	Half-Year Financial Report H1|2024
10.25.2024	Quarterly Statement 9M|2024
11.26.2024	Germany Equity Forum, Frankfurt/Main, Germany

Subject to amendment

GROUP MANAGEMENT REPORT
FOR THE 2023 FINANCIAL YEAR OF STRATEC SE

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A. THE STRATEC GROUP

Business model and strategy

Basic features of business model

STRATEC (hereinafter also 'the STRATEC Group') designs and manufactures automation solutions for highly regulated laboratory markets. STRATEC acts as an OEM partner to leading players in the in-vitro diagnostics and life sciences markets. The Group's product range includes hardware and software solutions, as well as related consumables. These are mostly combined into fully integrated system solutions and often receive market approval together with partners' reagents.

STRATEC's partners predominantly operate in markets in which a relatively small number of companies determine industry trends and developments. This being so, it is crucial for STRATEC to position itself as a partner to these global players and to gain their trust with its reliability and performance. The experience, expertise, and power of development STRATEC has built up since its foundation in 1979 have enabled it to grow into a major player in various market niches. STRATEC aims to further boost this position, to act as a one-stop source of innovative solutions for its partners, and enable all parties involved to generate growth rates sustainably ahead of the industry average by offering a well-calibrated mix of cost efficiency, expertise, and innovation.

STRATEC's core competence involves compiling and implementing concepts and requirements in the automation and instrumentation of biochemical processes using hardware and software solutions. STRATEC also has comprehensive knowledge of quality and documentation requirements, particularly for the approval of medical technology solutions by the relevant national and international authorities. STRATEC accompanies its customers in an advisory capacity from the very outset. Drawing on its longstanding experience, it offers valuable tips when it comes to compiling specifications and determining suitable system alignments. These include tips on user-friendliness, a factor which promotes acceptance of the resultant system among end customers. Due to its existing technology pool and its experience in the approval process, STRATEC is also able to shorten the development times for its partners.

STRATEC's primary objective here is to be able to react to customers' requirements in an efficient and coordinated manner. This way, it aims to offer those solutions and products from all the areas of activity and specialisms available at the Group that customers need to meet their respective market requirements. Over the years, STRATEC has built up targeted expertise and technologies in those areas that are viewed as forming the basis for further growth and new developments in the fields of diagnostics and life sciences.

Even though the instrumentation comes from STRATEC, in virtually all cases it is the partner's brand name that is displayed on the systems themselves. While the specifications are in most cases jointly defined by the partners, the development stage is characterized by parallel development processes. During this time, STRATEC focuses on developing the automation solution, the corresponding software, often highly complex consumables and quality management, as well as on preparing system approval. New market requirements, such as connectivity or highly complex consumables, form a key basis for STRATEC's permanently evolving technology portfolio. This means that customers can focus all their energies on developing their reagent menus, as well as on their market expertise, access to end customers, and support measures. Throughout the development stage, however, the various activities often running in parallel have to be closely coordinated. Soon after the first prototypes are complete, work already begins on integrating the reagents into the automation process. This complex process, which is performed with close cooperation between the two partners, is one of the key foundations for the functionality of the resultant systems.

One key success factor for the STRATEC Group involves providing its customers with the solutions they need in the fields of automation and software development for them to implement their own objectives. Alongside patents and internally developed technologies, it is the company's wide variety of expertise in different scientific and technological disciplines that offers the basis for the shared success it aims to achieve with its partners. STRATEC can look back on more than 40 years of development and production activity. Equally relevant to the subsequent success of jointly developed products is the in-depth understanding which STRATEC's partners have of end customers' requirements and thus of the market, as are the measures they take with their own service and sales activities to ensure suitably prepared market access. In view of this, STRATEC focuses on business-to-business and OEM relationships and does not maintain any significant proprietary sales network to its end customers. The product specialists at STRATEC's partners are individually supported in their activities. This particularly takes the form of training, but in exceptional cases also involves providing specific services on location.

When it comes to developing instrumentation solutions, a basic distinction can be made between two approaches towards cooperating with partners:

Partnering business

With this type of development, STRATEC targets both existing and new customers. The company works together with its partner to define the specifications for a new analyzer system for the customer at a very early stage of planning. The cooperation between the company and its partner is very close throughout the entire development phase, which usually lasts between 24 and 48 months. STRATEC is responsible for developing hardware and software and draws here on its constantly growing pool of proprietary technologies, patents, rights, and know-how. This way, the development work is faster, more cost-effective and involves fewer risks, an approach from which both partners benefit. This gives rise to systems that are more reliable and require less maintenance. In close cooperation with the partner, the reagents menu is integrated into the automation processes. As soon as the system has been fully developed and approved by the regulatory authorities together with the reagents and software package, it is launched onto the market and serial production begins. In this stage, the partner focuses on marketing and selling the product to end customers, generally laboratories, blood banks, and research institutes, and also provides subsequent customer support and other services. STRATEC provides an ongoing supply of maintenance and service parts and discusses ongoing improvements to and further developments in the system with the customer, particularly with regard to software applications, user-friendliness and activities to extend the reagents menu.

System developments in the partnering business place certain minimum requirements in a customer. On the one hand, a suitable development budget has to be available for allocation, on the other hand the partner must have appropriate distribution channels enabling it to exploit turnover potential and thus make the project interesting for both partners. By analogy with the printing industry, which works with low-margin printers and high-margin ink cartridges, the partner generates its return on capital employed by selling the tests. STRATEC earns its share from the sale of appliances and service parts (maintenance and replacement parts) to the partner. The success achieved by its partners enables STRATEC to generate the growth targeted for this business field. In view of this, in its serial production activities the company attaches great value to providing customers with those instruments they need to ensure the best possible cost-input ratio. This approach is reflected in particular at the production locations in Switzerland, Germany, and Hungary, where highly qualified employees implement production and testing processes that are subject to close regulatory definition and monitoring and are performed in an audited and certified environment. The selection of the right partners and products plays a crucial role in determining STRATEC's growth in this area.

Platform development

A STRATEC platform is a system developed internally by the company. It is not designed in cooperation with a specific partner but, given its general design scheme, is suitable for marketing to several customers. This merely involves adapting the platform to the specific requirements of customer reagents and corporate design schemes. These platforms are particularly suited to partners aiming to enter a market very rapidly – and thus draw on a platform solution – or who on account of their size and market access are not yet able to place the volume of systems needed to amortize the high level of development expenses. STRATEC chiefly develops such platforms for areas with potential for generating multiplier effects.

In developing proprietary technologies and solutions, STRATEC aims to ensure a calculable balance between innovation and sales potential. Here in turn, it is important to develop the right applications that offer market players relevant additional benefits or to cooperate with the right partners to gain early market presence with applicable solutions when it comes to developing next-generation technologies.

STRATEC has supplemented its activities with traditional instrumentation solutions in the medium to upper throughput ranges by establishing itself as a reliable and innovative provider of analyzer systems, system components, consumables, and tests in the lower throughput segment. These are suitable for use in both human and veterinary diagnostics.

The company has also built up a particularly strong market position in a fast-growing field, namely polymer-based intelligent consumables, referred to as 'smart consumables'. STRATEC further extended its market position in this area in the 2023 financial year by acquiring the US-based company Natech Plastics, Inc.

Within in-vitro diagnostics, smart consumables include polymer chips and single-molecule arrays in the field of micro-fluids. This area represents a key component of STRATEC's technology and product spectrum and has extended the company's product range to include an important part of the value chain. This reduces customers' project risks and the associated project supervision input. STRATEC is able to offer substantial added value to its customers, particularly by assuming responsibility across the various interfaces involved. Not only that, important aspects of test process development and the corresponding automation components can be harmonized far more closely.

The change in conventional consumables into complex smart consumables enables various test process steps to be 'outsourced' to the consumable in a targeted manner. For low test volumes, this 'loss' of process steps makes it possible to significantly reduce the size, complexity, and cost of instruments. That is a crucial factor, particularly for point-of-care applications. Furthermore, by offering greater flexibility it opens up new possibilities to develop test processes.

STRATEC has diverse skills and applications in the fields of nano-structuring and micro-structuring, various coating technologies, polymer science applications, and the automated and industrial production of smart consumables. The company can build on its longstanding experience in the high-precision production of optical storage media. Consumables are developed in close cooperation with the relevant partners and in line with their requirements for the development of reagents and instrumentation.

STRATEC is continually extending its range of products and services and its value chain. This way, it aims to relieve its partners of responsibility for major parts of the development, approval, and production of system solutions, and thus to assume a major share of the associated risks. One core principle of the company's philosophy is nevertheless only to cover those sections of the value chain which allow it to operate without entering into competition with its partners.

Core of corporate strategy

At core, STRATEC's corporate strategy involves supporting its customers in implementing their growth strategies in the fields of in-vitro diagnostics and life sciences. By acting as a competent partner, offering expertise, and supplying innovative and safe product solutions, STRATEC provides customers with a basis for building a successful end customer business. The objective is to enable both our customers and STRATEC itself to generate growth that is sustainably ahead of the long-term market average. Sustainability-related topics such as environmental concerns and social aspects are becoming ever more important both for STRATEC and for its customers and suppliers.

STRATEC's strategy addresses five dimensions:

1. Focusing on high-growth market segments
To achieve the growth targets it has formulated, STRATEC focuses in particular on those market segments within in-vitro diagnostics that show above-average, high growth rates.

2. Continually expanding the technology and product portfolio
To extend its market position vis-à-vis its competitors and partners on a long-term basis, STRATEC focuses on continually expanding its technology and product portfolio and on securing this as appropriate with industrial property rights. Alongside organic instruments such as in-house developments, this may also involve making acquisitions. The aim here is to position the company as a full-service provider to its partners and to take responsibility for those areas that customers do not view as forming part of their core competencies. STRATEC strictly ensures that it only takes over those parts of the value chain that do not allow any competitive situation to arise with its partners.

3. Expanding and securing long-term customer partnerships
Given the very long product lifecycles involved in clinical analyzer systems, STRATEC has numerous long-term customer relationships. STRATEC has earned the high level of trust these partners place in the company thanks to the reliability, performance, and high quality of the products it designs and manufactures, and that over many years. This strong basis of trust provides a key foundation for STRATEC to receive additional development and production orders for new generations of appliances from existing customers in future as well.

4. Raising the share of recurring sales
STRATEC aims to increase the share of its sales generated with recurring revenues. The business with related polymer-based consumables, such as complex micro-fluid chips, harbors particularly high growth potential. By acting early to set a focus on this area, STRATEC was able to gain extensive expertise in developing and manufacturing smart consumables at an early stage of its market entry. This expertise particularly involves outstanding capabilities in nano-structuring, micro-structuring, various coating technologies, polymer science applications, and automated production.

5. Increasing diversification
The market for in-vitro diagnostics is highly concentrated, with the twenty largest players in terms of sales already accounting for more than 80% of market volumes. This situation is usually reflected in high concentrations of customers at OEM providers. To minimize risks to its future sales and earnings performance, STRATEC aims to further reduce its customer concentration in the long term without foregoing any growth opportunities with existing customers. Among others, one instrument enabling STRATEC to implement this strategy involves the company's platform developments which, unlike dedicated systems, can be sold to several customers. Other conceivable ways of increasing diversification include acquisitions aimed at accessing new customer groups and market segments. One example worth mentioning here is the acquisition in 2023 of Natech Plastics, Inc. which supplies customers not only in in-vitro diagnostics but also in other segments of the medical technology market.

Production and locations

In manufacturing its products, STRATEC has to meet especially strict quality requirements, compliance with which is regularly audited by internal specialists, customers, and external authorities. Analyzer systems are manufactured in accordance with the highest standards at the locations in Beringen (Switzerland), Birkenfeld (Germany), and Budapest (Hungary). The locations in Anif (Austria) and Ronkonkoma (US) manufacture highly complex polymer-based consumables in a controlled ISO Class 7 production environment and an ISO Class 8 cleanroom environment respectively. The value chain is closely coordinated within the STRATEC Group, with upstream and downstream services being drawn on from subsidiaries in numerous products.

The Group's largest development capacities can be found at its headquarters in Birkenfeld (Germany), in Budapest (Hungary), and in Cluj-Napoca (Romania).

Production capacities have been continually expanded in recent years. As a result of these measures, STRATEC has sufficient capacities to guarantee the highly efficient development and production of existing and future appliance lines in accordance with internal and external requirements.

Given its high quality standards, STRATEC has deliberately decided to base its production in Germany, Switzerland, Hungary, and Austria and also sees this as the basis for the company's ability to comply with all relevant international regulations and standards. Overall, STRATEC is represented with its solutions and qualified contact partners at its subsidiaries on three continents.

Supply chain

To enhance flexibility, reduce capital intensity, and optimize its cost structures on a long-term basis, with the exception of polymer-based consumables production the STRATEC Group generally works with a low level of vertical integration and often outsources upstream production activities to highly specialized contractual suppliers. For instrumentation production, final assembly and testing generally takes place at STRATEC's locations, with these activities being performed by employees with the highest level of qualification and training. Testing procedures are based on actual subsequent applications.

Working with integrated procurement management, STRATEC purchases the functional modules and individual components from strategic suppliers that stand out on account of their quality and compliance management systems. Integrating these suppliers into an early stage of product development ensures access in each case to the latest production methods and procedures. Master agreements provide a commercial framework for these cooperations, with use being made of state-of-the-art production and logistics strategies.

In many cases, STRATEC supplies the finished analyzer systems directly to the logistics distribution centers of large diagnostics companies, which then market the systems together with the relevant reagents as system solutions under their own names and brands. As the STRATEC Group's customers largely supply their country outlets and customers directly from these distribution centers, the regional sales reported in the STRATEC Group's figures do not correspond to the actual geographical distribution or final destinations of the analyzer systems produced by STRATEC.

Quality management

Most of STRATEC's products are supplied to partners operating in strictly regulated markets. Quality management therefore represents a core aspect of STRATEC's business model and forms the basis for the success both of the company and of its partners.

STRATEC is committed to permanently improving the quality of its processes and services. Most of its products are subject not only to the strict requirements of the German Medical Products Act, but also to numerous national and international regulations that have to be complied with when entering the respective markets.

To satisfy these requirements, STRATEC has established a high-performance, certified quality management system. This accounts for the ever growing body of regulatory requirements in international markets and the ever more extensive number of requirements on national level. At the same time, it is the prerequisite for ensuring consistently high product quality.

Among others, the tasks performed by the Quality Management and Regulatory Affairs department include ensuring that the products comply with all necessary regulatory requirements for medical products, supplier evaluation and qualification, and continuously improving the quality management system.

The design and manufacture of an analyzer system also involves regular audits by customers, the authorities, certification bodies, and internal company departments at our development and production locations. These are prepared and accompanied by our quality management team.

The STRATEC Group and/or its individual subsidiaries are committed to and/or certified under the following standards:

- EN ISO 9001 Certificate
- EN ISO 13485 Certificate
- MDSAP Certificate
- QM System Compliant with 21 CFR Part 820
- FDA Registered Establishment
- NRTL Registered (NEMKO)
- Compliance with GMP requirements of Taiwan (TCP Participation)
- Foreign Manufacturer Accreditation in Japan
- Compliance with QMS requirements in several other markets
- Medical Devices Registered with UK MHRA

Consistent with the motto 'one world – one company – one quality', STRATEC has set itself the target of largely harmonizing its quality management system. Due account is taken of the specific needs of individual locations resulting from their different focuses (product types, development, production, etc.). STRATEC employees at the various locations form teams of experts for individual specialisms to promote the sharing of information within the company, support one another with their skills and experience, and ensure a coordinated approach.

Group structure

The activities and target markets of the individual locations and former business units (Instrumentation, Diatron, and Smart Consumables) of the STRATEC Group have continually become more closely aligned in recent years. Upon the extension in the Board of Management to include Dr. Georg Bauer as of January 1, 2023, responsibility for sales and business development activities at the existing business units was also centralized and structured on a cross-product basis. In agreement with the Supervisory Board, the Board of Management therefore decided to merge the three business units of Instrumentation, Diatron, and Smart Consumables into a "one-segment company" as of January 1, 2023 and to manage the company on a centralized and cross-locational basis.

The parent company STRATEC SE has its legal domicile in Birkenfeld, Germany. It has operative activity fields focusing on the development and manufacture of analyzer systems and also performs and manages administrative and organizational tasks both on its own behalf and on a prorated basis for the group of companies. The targets set for the subsidiaries are agreed with the parent company, with their implementation status and relevant results also regularly reported to the parent company.

Management of the STRATEC Group

Given its size and the dovetailing of its business activities, the STRATEC Group is managed by reference to a matrix organizational structure. In this, business activities are grouped across locations into what is both vertically and horizontally an integrated value chain. The Beringen location (Switzerland) manufactures analyzer systems in the medium to high throughput ranges on which the highly complex polymer-based consumables in the laboratory at the Anif location (Austria) can be deployed. In vertical terms, the manufacturing activities in Beringen in some case draw on input products from the Budapest location (Hungary).

Local managing directors and heads of department receive targets set by the Group's Board of Management which are chiefly of a quantitative nature and relate to the achievement of financial and non-financial targets, on which basis they report on and manage their activities during the respective financial year. In addition, legal units and departments are provided with targets that include qualitative, quantitative, and strategic elements. The objectives here involve factors such as risk management, employee management, and customer relationships, as well as M&A activities. Resources may be centrally prioritized and deployed as appropriate.

As well as traditional management figures such as sales, EBIT, EBITDA, liquidity, key figures for development, production, and marketing, and product quality, STRATEC is increasingly focusing on sustainability-related topics such as environmental and social aspects, not least to do justice to its claim of being a reliable partner and an attractive employer as the company continues to grow.

Alongside ongoing organizational adjustments to the company's structure in line with its growth, the objective of the company's management is to uphold its sustainable and multiyear sales growth in excess of average growth rates in the in-vitro diagnostics industry. A further target involves securing the envisaged sales growth while simultaneously improving profitability, safeguarding the company's liquidity position at all times, and detecting and averting any erroneous developments in good time.

In addition to quantitative reporting structures, regular assessments of current project developments and risks are additionally reported by project managers and heads of department to the respective member of the Board of Management.

A further management instrument is the variable remuneration paid to employees in senior positions or key functions, and sales employees. This variable remuneration is largely dependent on the key figures achieved, especially operating earnings, but also on strategic objectives, including numerous aspects in the field of corporate social responsibility. This raises awareness of cost structures and efficiency enhancements, and thus of the company's long-term business performance, among employees in those company divisions not able to directly influence sales.

The most important performance indicators referred to in managing the company are sales, the adjusted EBIT(DA) margin, and the number of employees. More detailed information about these key management figures can be found in the Business Report and the Outlook.

Market

IVD instrumentation market

In-vitro diagnostics tests are medical applications in which biological samples, such as blood, tissues, secretions, or urine, are analyzed for diagnostic purposes. These tests enable diseases to be swiftly and precisely diagnosed, treated, and monitored, as well as providing further diverse information about patients' health condition. In modern healthcare systems, in-vitro diagnostics processes support nearly 70% of all therapy decisions. In-vitro diagnostics therefore plays a crucial role in patient healthcare.

Based on various estimates, the overall market for in-vitro diagnostics solutions has a volume of around USD 100 billion. The predominant share of market volumes is still generated by selling test reagents, while instrumentation solutions account for around 10% to 20% of the overall market. It is worth noting that, based on estimates, fewer than half of instrumentation solutions are currently developed by outsourcing partners such as STRATEC. The remaining share of system solutions continues to be designed by the largest diagnostics companies themselves. Due to ever stricter regulatory requirements, improved cost efficiency, and shorter development times, STRATEC nevertheless expects the global share of system solutions designed and manufactured by outsourcing partners to increase further in the years ahead.

Overall, the market for in-vitro diagnostics solutions and associated instrumentation is characterized by a large number of different technologies and areas of application, to which reference is often made for market segmentation purposes. STRATEC has focused in particular on instrumentation solutions for the fields of immunodiagnostics (immunoassays), molecular diagnostics, immunohematology, complex sample preparation processes, individual cell analysis, and immunostaining in a wide variety of throughput segments. In addition, it also provides specialist solutions in a low throughput range for clinical chemistry and hematology applications. One increasingly important area on a cross-technology basis is STRATEC's expertise in microfluidic solutions in the form of highly complex polymer-based consumables. Using microfluidic technology often makes it possible to achieve the significantly higher sensitivities required, for example, in areas such as oncology or neurology. Alongside these areas, there are also interesting niche markets, both within and outside in-vitro diagnostics, in which STRATEC is performing targeted projects or concluding development cooperations with established or innovative partners.

IVD market by technologies and application fields

Immunodiagnostics	Analyte detection using antigen antibody reactions
Molecular diagnostics	Includes tests and methods able to detect a disease or susceptibility to a specific disease by investigating nucleic acids (DNA or RNA).
Other technologies and application fields such as immunohematology	

Clinical chemistry	Complex, multistage chemical processes intended to find specific substances in a sample and measure their respective shares.
Hematology	Investigation of cell distribution (blood count) and diagnosis of potential blood diseases.
Other technologies and application fields such as food diagnostics	

Microbiology	Cultivation of biological samples in a medium in order to multiply and thus detect and identify any microorganisms present (e.g. bacteria).
Other technologies and application fields such as blood glucose monitoring	

STRATEC's main technologies — STRATEC is exclusively represented in specialist applications — Not addressed by STRATEC

Increasing regulation of diagnostics industry
The increasing regulation of the diagnostics industry continues to generate growing demand for automated process solutions. Manual and semi-automated processes are increasingly being superseded by fully automated methods. Due to the routine processes involved and the lower error rate compared with manual processes, such methods offer a high degree of security, great precision, and highly reproducible results. Not only that, fully automated methods enable the tiniest volumes of liquids to be processed. In recent years, ever more countries have begun introducing their own control mechanisms and requirements for IVD products and processes. To meet these increasingly strict requirements around the world, many laboratories are opting for automated solutions. Automated instrumentation solutions are in turn subject to a high degree of regulation, and this presents a barrier to new players entering the market. STRATEC's long track record of dealing with these regulatory requirements, broad pool of technology, and longstanding experience mean that it is very strongly positioned in this market.

Alongside increasing regulation, STRATEC also benefits from the fact that there is a shortage of qualified laboratory personnel in many countries. This factor increases demand for automated systems that are easy to use and do not require highly qualified laboratory staff.

Outsourcing
STRATEC is benefiting not only from increasing regulatory efforts on the part of the relevant authorities, but also in particular from the growing trend towards outsourcing in the diagnostics industry. Alongside market access, the core competence of large diagnostics groups largely involves developing and providing reagents. These are used to perform the diagnostic tests in fully automated systems. Acting as an OEM partner, STRATEC designs and manufactures the system with all of its hardware and software components. Here, the customers assign almost all of the responsibility for the system, and thus also a large share of the related risk, to STRATEC. Working in close cooperation, a system is developed that is based on jointly compiled specifications and automates all of the analytical process steps. Within this cooperation, STRATEC performs various activities along the entire value chain – from definition of the specifications through to approval of the resultant products by the relevant authorities. The partners benefit from STRATEC's extensive technology portfolio and its far-reaching experience in product approval processes, as well as from the resultant cost benefits and shorter development times.

When it comes to the growing trend towards outsourcing in diagnostics, comparisons are often made with the automotive industry, where automakers have long outsourced the development and production of complex components and modules to specialist partner companies. A very similar trend is observable in the diagnostics industry.

General market developments
Alongside the specific developments outlined above for the in-vitro diagnostics instrumentation market, the overall in-vitro diagnostics market – our partners' target market – is also viewed as a growth market. Key growth drivers particularly include the following global megatrends:

- Continuing technological advances
- Aging societies
- Expanding healthcare systems, particularly in emerging economies
- Growing prevalence of chronic diseases
- Increasing degree of automation.

The number of people worldwide with access to healthcare services is increasing due to further growth in the volume of investments channeled into expanding national healthcare systems. Higher numbers of patients are generating greater demand for the products and services offered by the diagnostics industry. Together with rising life expectancies, the increasing prevalence of diseases such as cancer, diabetes, and cardiovascular diseases will also lead to growing demand in healthcare systems and consequently for in-vitro diagnostics products. Not only that, rapid technological advances in recent years have significantly expanded the areas of application in in-vitro diagnostics. The technological progress currently underway gives reason to expect the launch and increased market penetration of new and innovative tests in the years ahead as well. Areas worth mentioning in this respect are the tests newly available in oncology, personalized medicine, and prenatal medicine.

Research and development

STRATEC's long story of sustainable success is based on its development of innovative technologies that satisfy the exacting requirements of strictly regulated markets and those of its partners in terms of safety, reliability and user-friendliness. For the development of complex systems and consumables, STRATEC's development teams comprise numerous experts from various areas of activity who are supplemented by developers from our partners. As a general rule, the interdisciplinary teams of experts draw on employees from various areas of activity. In the field of research, where new technologies, processes and software solutions are developed, feasibility and market studies are performed or referred to at an early stage already. These enable qualified assessments to be made while at the same time minimizing any associated risks.

In the development projects category, the underlying processes, the achievement of development milestones, and the relevant targets are all stipulated in detail. The development activities follow precisely defined technical specifications and project plans and involve milestones and target data. In the context of analyzer system development, different appliance generations are supplied to the partner and then accepted once the respective development milestones have been met. These range from the first development appliance status ('bread boards') via prototypes through to validation and pre-serial appliances on which the tests are validated and whose results are referred to by the relevant authorities when approving the appliances. In the final development stage, the customer then accepts the serial appliance and related service components.

Within STRATEC, development activities are based on the following aspects:

- **Development of new systems for customers and system platform development**
  STRATEC's growth is largely driven by its constantly growing range of new OEM products. These therefore remain a key focus of development activities. Here, STRATEC can offer an extensive range of technologies and services to its customers.

  In its development of new systems, STRATEC distinguishes between platform development and the partnering business. In platform development, STRATEC works in a way similar to the automobile industry by developing a platform or module concept internally and then in the second stage adapting this to individual customer needs. In its partnering business, by contrast, STRATEC works closely with the customer from a very early stage of development and, based on a library concept, develops a system precisely tailored to the customer's needs.

- **Support for existing systems and product lifecycle management**
  Strict regulatory requirements and the resultant expense required to obtain approval are leading to longer system lifecycles, which generally amount to well over ten years. To facilitate such long lifecycles for systems on the market, permanent system modernization is required. This factor is accounted for above all in software development and verification activities. This is one of the main reasons for the disproportionate growth in these areas and the associated number of employees within STRATEC's development division.

- **Development of new technologies**
  To boost its competitiveness and leading position as an independent system provider, STRATEC not only monitors ongoing changes in its customers' needs in terms of technologies and processes, but also constantly analyzes innovations and developments in the relevant markets. The insights thereby gained are correspondingly factored into the development of new technologies. One key focus here is on gaining early experience with processes resulting from research, and in particular with technologies and processes which harbor potential for routine applications in in-vitro diagnostics.

- **Development of platform technologies**
  A further focus of STRATEC's development activities involves further developing and enhancing platform technologies for relevant systems. These platform technologies are of key significance. After all, they are not only one of the main factors determining the performance of our systems, but also account for the greatest cost item in their production. They also form the basis for the continually growing technology pool, which significantly reduces both the times and the costs involved in our partners' market launches of these kinds of systems.

- **Development of (smart) consumables**
  In close cooperation with its subsidiaries in Anif (Austria) and Ronkonkoma (US), STRATEC also develops the consumables used with a given analyzer system. This development work is also based on proprietary industrial property rights. The products range from simple consumables through to complex, so-called smart consumables. These complex consumables present part of the test process that is otherwise often performed within the instrument. They may be developed and manufactured together with an analyzer system or on a standalone basis to meet the individual requirements of our partners.

The overall package of proprietary platform technologies, a good understanding of potential opportunities available from research and in the in-vitro diagnostics environment, and the tools and processes optimized for use in this area enable STRATEC to offer all-round solutions with comparatively attractive development periods. Not least as a result of these factors, STRATEC retains control of the key industrial property rights and patents for the systems thereby developed. This is another way in which the company secures its long-term cooperation with its partners and customers.

Within the STRATEC Group a total of 740 employees were allocable to research and development and development support at the balance sheet date on December 31, 2023 (previous year: 724 employees). This corresponds to around 50% of the total workforce.

B. BUSINESS REPORT

Macroeconomic and sector-specific framework

Macroeconomic framework

At the end of January 2024, the International Monetary Fund (IMF) raised its global economic growth forecast for 2024 slightly to 3.1 %. That is 0.2 percentage points higher than expected in October 2023. For 2025, the IMF is still forecasting economic growth of 3.2 %. Growth expectations thus continue to fall short of the average figure of 3.8 % for the years from 2000 to 2019, a development which the IMF attributes to the current high level of central bank base rates, the phasing out of fiscal support, and weak productivity growth.

'Given falling rates of inflation and stable growth, there is less likelihood of a hard landing and the risks to global economic growth are more balanced', commented the IMF. On the one hand, growth might turn out higher than expected if the fall in inflation were to accelerate with financing conditions improving as a result. Unnecessarily expansive fiscal policies and structural reforms would also promote growth. By contrast, sharp rises in commodity prices or persistent inflation would have a negative impact. 'Any intensification of the problems in China's real estate sector or move to raise taxes or cut spending may also disappoint growth expectations.'

Given its long-term project and product lifecycles, STRATEC and the decisions its customers take concerning joint development projects are only affected by macroeconomic fluctuations to a limited extent. Having said this, the macroeconomic climate is nevertheless a significant factor for STRATEC's business activity and is therefore extensively factored into the company's assessments and planning.

Sector-specific framework

Based on various estimates, the in-vitro diagnostics (IVD) market will continue to show very healthy rates of sustainable growth and currently has a volume of around USD 100 billion. Consistently aging populations, the increased prevalence of chronic diseases, more frequent occurrence of infectious diseases, and the ever growing significance of personalized treatment – these are key market growth drivers that are also sustainable. Over and above that, the research being performed on innovative technologies, such as specific biomarkers, will create new opportunities for future market growth.

The medium to long-term growth drivers in the markets served by STRATEC's customers can be summarized as follows:

POLITICAL

- Development and expansion in healthcare systems, especially in developing and emerging economies
- Expansion in global infrastructure leading to improved access to medical care

TECHNOLOGICAL

- Fast-growing niche markets due to new medical findings and new diagnostics possibilities
- Increasing degree of automation
- Development of new tests and treatment options, such as personalized medicine

SOCIAL

- Demographic change towards an increasingly elderly population with growing diagnostics requirements
- Rising life expectancy and resultant need for diagnostics
- Increased prevalence of chronic and infectious diseases

The various segments and areas of application within IVD have different growth rates. STRATEC particularly operates in those segments which generate above-average high growth rates. These include molecular diagnostics, for example, as well as highly sensitive procedures within immunodiagnostics.

Due not least to the increasing complexity of IVD tests, it is difficult for any one company to develop proprietary products in all technology and market segments. In view of this, diagnostics groups frequently procure specific technologies to maintain their technological leadership and survive in the market. As a result, a process of consolidation has been apparent in the IVD market for years now and is expected to continue in future as well.

At the same time, the constant rise in regulation seen in the diagnostics industry also represents an increasingly high barrier to potential competitors to STRATEC entering the market. There are only very few comparable companies with the ability to offer a similar range of products and services from compiling specifications, through development, approval, and production of the respective instruments, consumables, and solutions. The competitive situation therefore remains very limited and, alongside in-house development departments, is restricted to a handful of specialist companies.

Veterinary diagnostics

As well as human diagnostics systems, via its Diatron brand the STRATEC Group also offers systems for use in veterinary diagnostics (for domestic pets).

According to various studies, the global market for in-vitro diagnostics solutions in the field of veterinary diagnostics amounts to more than USD 3 billion. The market is expected to show average annual growth (CAGR) in a high single-digit percentage range in the coming years. Veterinary diagnostics has taken over numerous technologies and methods from human diagnostics. A range of key standard diagnostics applications in the fields of immunodiagnostics, molecular diagnostics, hematology, and clinical chemistry is thus available for the veterinary supervision of domestic and farm animals.

Life sciences

Life sciences is taken here as particularly comprising academic research and pharmaceuticals research, with the latter area accounting for by far the larger share of the market. The STRATEC Group has numerous customers in the field of life sciences, particularly in the field of smart consumables, but also increasingly for instrumentation. Furthermore, the field of translational research, which involves translating the results of basic research into clinical applications, is also increasingly significant to STRATEC.

Business performance

Consolidated sales fell year-on-year by 4.6% to € 261.9 million in the 2023 financial year (previous year: € 274.6 million). On a constant-currency basis, this corresponds to a reduction in sales by 3.8%. Natech Plastics, which was consolidated for the first time as of July 1, 2023, contributed 270 basis points to sales. This subdued overall sales performance is due in particular to additional laboratory capacities created during the COVID-19 pandemic and thus to the low level of dynamism currently apparent for molecular diagnostics instrumentation solutions. Customer order behavior was additionally held back by high volumes of stock on hand at customers.

The adjusted EBIT margin for the 2023 financial year amounts to 10.3%, compared with 16.4% in the previous year. The year-on-year reduction in profitability is due among other factors to negative effects of scale and product mix factors. Moreover, increased input costs could only be passed on to customers at a later point in time.

The guidance initially provided in the Outlook in the 2022 Annual Report, which forecast constant-currency sales growth of 8.0% to 12.0% and an adjusted EBIT margin of around 12.0% to 14.0%, was therefore not met. This was due in particular to lower than expected call-up volumes for systems for which there had been great demand during the COVID-19 pandemic, the higher than expected impact of measures taken by some customers to optimize their stocks, and delays in the development of a new veterinary diagnostics system generation. By contrast, the most recent update to the financial guidance issued on October 27, 2023, which forecast constant-currency consolidated sales slightly below the previous year's figure and an adjusted EBIT margin of around 10.0% to 12.0%, was met.

STRATEC made significant progress in numerous proprietary development projects and its development cooperations with partners in the 2023 financial year. Furthermore, new products were once again launched onto the market. One example worth mentioning is the first-time launch in June 2023 of a system solution extended to include additional functions in the field of flow cytometry. New products were also transferred to serial production for partners in the smart consumables business in the financial year under report.

STRATEC's liquidity and financing position was at all times secured. As of December 31, 2023, the company had a long-term master credit facility with a volume of up to € 55.0 million, of which a total of € 54.0 million had been drawn down. Furthermore, in connection with the acquisition of Natech Plastics, Inc. the company concluded bridge financing with a line of € 50.0 million, of which € 39 million had been utilized as of December 31, 2023.

STRATEC's group-wide workforce grew slightly in the 2023 financial year. Including temporary employees and trainees, the STRATEC Group had a total of 1,522 employees as of December 31, 2023 (previous year: 1,481). This corresponds to an increase of 2.8% compared with the previous year's reporting date.

Position

Earnings position

Overview of key items in consolidated statement of comprehensive income (€ 000s)

	2023	2022	Change
Sales	261,911	274,625	-4.6% (wb: -3.8%)
Adjusted EBITDA	41,576	58,582	-29.0%
Adjusted EBITDA margin	15.9%	21.3%	-540 bps
Adjusted EBIT	27,071	45,053	-39.9%
Adjusted EBIT margin	10.3%	16.4%	-610 bps
Adjusted consolidated net income	16,706	34,683	-51.8%

bps = basis points
cc = constant currency

Sales

STRATEC generated consolidated sales of € 261.9 million in the 2023 financial year (previous year: € 274.6 million). On a constant-currency basis, this implies a reduction in sales by 3.8%. This subdued sales performance was caused in particular by muted developments in demand in the overall market for molecular diagnostics systems as a result of the expansion of additional laboratory capacities during the COVID-19 pandemic. Furthermore, measures taken by customers to optimize their stocks in the wake of the improved situation in global supply chains also impacted negatively on customer call-up volumes.

STRATEC divides its sales into four operating divisions.

Sales in the **Systems** operating division fell year-on-year by 19.2% (constant-currency: -18.5%) to € 113.8 million (previous year: € 140.8 million). Sales here were affected in particular by reduced volumes in the field of molecular diagnostics. The sales performance with systems was also adversely affected by delays in transferring a new system generation to serial production in the veterinary diagnostics business.

Sales in the **Service Parts & Consumables** operating division increased by 8.3% (constant-currency: +9.6%) from € 88.8 million in the previous year to € 96.2 million in the 2023 financial year. This division benefited from the significant increase seen in recent years in the number of systems in the market and from the first-time consolidation of Natech Plastics, Inc. Demand from customers here showed a significant revival in the second half of the year in particular.

Sales in the **Development and Services** operating division increased by 14.2% in the 2023 financial year (constant-currency: +14.8%) to € 49.7 million (previous year: € 43.5 million).

Sales in the **Other Activities** division rose from € 1.5 million in the previous year to € 2.2 million in 2023 (+49.0%; constant-currency: +49.0%).

Consolidated sales by operating division (€ 000s)

	2023	2022	Change	Constant-currency change
Systems	113,839	140,845	-19.2%	-18.5%
Service Parts and Consumables	96,169	88,763	+8.3%	+9.6%
Development and Services	49,698	43,537	+14.2%	+14.8%
Other Activities	2,205	1,480	+49.0%	+49.0%
Consolidated sales	261,911	274,625	-4.6%	-3.8%

Development in share of sales by operating division

	2023	2022	2021
Sales in € million	261.911	274,625	287,335
Systems share of sales in %	43.5%	51.3%	58.2%
Service Parts and Consumables share of sales in %	36.7%	32.3%	32.9%
Development and Services share of sales in %	19.0%	15.9%	8.5%
Other Activities share of sales in %	0.8%	0.5%	0.4%
Analyzer systems supplied (total number)	8,627	9,877	10,941

Gross profit and gross margin

Gross profit amounted to € 64.8 million in the 2023 financial year, compared with € 79.5 million in the previous year. This corresponds to a gross margin of 24.8%, as against 28.9% one year earlier. Among other factors, the decrease in the gross margin is due to negative scale and product mix factors, as well as to increases in input costs that could only be passed on to customers in part and at a later point in time.

Research and development expenses

Due to the continued high level of development activity, gross development expenses rose from € 50.9 million to € 55.3 million in the 2023 financial year. Of this total, € 46.6 million was recognized in cost of sales or capitalized (previous year: € 44.0 million), while € 8.7 million was expensed (previous year: € 6.9 million).

Sales-related expenses

At € 12.3 million, sales-related expenses were approximately at the previous year's level in the 2023 financial year (previous year: € 12.1 million).

General administration expenses

General administration expenses increased from € 18.1 million in the previous year to € 19.3 million in the 2023 financial year. Within this line item, higher expenses were reported, among other factors, in connection with the first-time consolidation of Natech Plastics Inc.

Other operating income and expenses

The net balance of other operating income and expenses came to € -2.1 million in the 2023 financial year, compared with € -1.2 million in the previous year.

Earnings performance

Adjusted EBIT for the 2023 financial year stood at € 27.1 million, as against € 45.1 million in the previous year. As a result, the adjusted EBIT margin fell by 610 basis points to 10.3% (previous year: 16.4%). The development in the margin was adversely affected in particular by negative scale and product mix effects, as well as by increased input costs that could only be passed on to customers in part and at a later point in time.

Given the reduced profitability of operations, adjusted consolidated net income also decreased in the 2023 financial year, in this case by 51.9% to € 16.7 million (previous year: € 34.7 million). At 27.1%, the adjusted tax rate was significantly higher than the previous year's figure of 20.0%. Adjusted earnings per share (diluted) amounted to € 1.37, as against € 2.86 in the previous year.

Year-on-year comparison of EBIT and EBIT margin (€ 000s)

	2023	2022	Change
Adjusted EBIT	27,071	45,053	-39.9%
Adjusted EBIT margin	10.3%	16.4%	-610 bps

bps = basis points

Reconciliation of adjusted EBIT and consolidated net income

In the interests of comparability, key earnings figures for the 2023 financial year have been adjusted to exclude amortization resulting from purchase price allocations in the context of acquisitions, as well as for other one-off items (consulting expenses and reorganization expenses in connection with M&A activities and one-off personnel expenses). In the previous year, the key earnings figures were additionally adjusted to exclude a provision for expected back payments of tax (including interest payments). The reconciliation of the adjusted earnings figures with the earnings figures reported in the consolidated statement of comprehensive income is presented in the following tables:

Reconciliation of adjusted EBIT (€ 000s)

	2023	2022
Adjusted EBIT	**27,071**	**45,053**
Adjustments:		
PPA amortization	-3,188	-3,402
Other[1]	-1,496	-511
EBIT	**22,387**	**41,140**

[1] Including consulting expenses and reorganization expenses in connection with M&A activities

Reconciliation of adjusted consolidated income (€ 000s)

	2023	2022
Adjusted consolidated net income	16,706	34,683
Adjusted earnings per share in € (basic)	1.37	2.86
Adjustments:		
PPA amortization	-3,188	-3,402
Other[1]	-1,496	-511
Taxes	1,045	-1,195
Interest expenses	0	-352
Consolidated net income	13,067	29,223
Earnings per share in € (basic)	1.07	2.41

[1] Including consulting expenses and reorganization expenses in connection with M&A activities

Financial position

Liquidity analysis

The cash flow statement of the STRATEC Group shows the origin and utilization of the cash flows generated within the financial year. A distinction is made between the cash flow from operating activities and the cash flows from investing and financing activities.

Overview of key figures in consolidated cash flow statement (€ 000s)

	2023	2022	Change
Cash flow from operating activities	19,425	10,279	+89.0%
Cash flow from investing activities	-44,155	-18,997	+132.4%
Cash flow from financing activities (inflow; previous year: outflow)	35,442	-14,105	n/a
Cash-effective change in cash	10,712	-22,823	n/a

The **inflow of funds from operating activities** rose from € 10.3 million in the previous year to € 19.4 million in the 2023 financial year. This increase resulted from the significantly lower expansion in net working capital compared with the previous year.

The **outflow of funds for investing activities** amounted to € 44.2 million in the 2023 financial year, as against € 19.0 million in the previous year. This significant increase is due in particular to payments made to acquire companies (Natech Plastics, Inc.). In addition, € 9.1 million involved investments in intangible assets (previous year: € 8.7 million) while € 8.3 million related to property, plant and equipment (previous year: € 10.3 million).

The **inflow of funds from financing activities** totaled € 35.4 million, contrasting with the outflow of funds of € 14.1 million reported in the previous year. This figure includes the taking up of net new financial liabilities of € 47.2 million (including financing for company acquisitions) and the payment of a dividend of € 11.8 million to shareholders.

On a constant-currency basis, the total of all inflows and outflows in the year under report resulted in **cash at the end of the period** of € 33.5 million, as against € 22.7 million in the previous year.

At the balance sheet date on December 31, 2023, STRATEC had credit lines of up to € 105.0 million to provide flexibility in offsetting potential fluctuations in liquidity. Of these, a total amount of € 93.0 million had been drawn down as of the balance sheet date.

Investment and depreciation policies

Among other items, the investments of € 8.3 million in property, plant and equipment involved investments in plant and office equipment and test equipment at the Birkenfeld location, as well as technical equipment at the Anif location. The investments of € 9.1 million in intangible assets, on the other hand, mainly related to capitalized development work.

The capex ratio, i.e. total investments in property, plant and equipment and in intangible assets as a percentage of sales, amounted to 6.7% in 2023 (previous year: 6.9%) and was thus within the target range of 6.0% to 8.0% communicated in the previous year's Outlook. The investments of € 17.4 million made in property, plant and equipment and in intangible assets are in a similar range as the depreciation and amortization of € 17.7 million. These investments thus secure the company's long-term value and expansion and will enable STRATEC to uphold its position as an innovation leader and continue making a valuable contribution to technological advances in the field of medical technology.

Key figures on financial position (€ 000s)

Key figure	Definition	12.31. 2023	12.31. 2022	Change
Cash	Cash holdings and credit balances at banks	33,532	22,668	+47.9%
Net working capital	Current assets ./. cash ./. current debt	118,014	128,473	-8.1%
Operating cash flow per share	Operating cash flow / number of shares (basic)	1.60 €	0.85 €	+88.2%
Capex ratio	(Investments in property, plant and equipment and in intangible assets) ./. consolidated sales	6.7%	6.9%	-20 bps

bps = basis points

Asset position

Total assets grew from € 397.5 million in the previous year to € 466.6 million as of December 31, 2023. This growth was driven in particular by the acquisition of Natech Plastics, Inc., which is particularly reflected in the increase in non-current assets from € 186.1 million in the previous year to € 218.6 million in the 2023 financial year. Furthermore, inventories increased by € 25.0 million, while trade receivables rose by € 6.3 million.

Structure of consolidated balance sheet: assets (€ 000s)

	2023	2022	Change
Intangible assets	113,288	88,271	+28.3 %
Non-current assets (excluding intangible assets)	105,314	97,846	+7.6 %
Current assets	247,976	211,387	+17.3 %
Consolidated total assets	466,578	397,504	+17.4 %

In view of the positive consolidated net income and accounting for the dividend distribution in the year under report (€ 11.8 million), shareholders' equity rose by 3.6 % from € 225.2 million at the previous year's balance sheet date to € 233.3 million as of December 31, 2023.

The equity ratio therefore amounts to 50.0 % (previous year: 56.6 %) and thus remains at a solid level.

Structure of consolidated balance sheet: equity and debt (€ 000s)

	2023	2022	Change
Shareholders' equity	233,326	225,184	+3.6 %
Non-current debt	136,822	112,074	+22.1 %
Current debt	96,430	60,246	+60.1 %
Consolidated equity and debt	466,578	397,504	+17.4 %

Given the taking up of further financial liabilities and the increase in contract liabilities, non-current debt grew from € 112.1 million to € 136.8 million in the 2023 financial year.

Current debt rose to € 96.4 million, up by 60.1% compared with the previous year's reporting date (€ 60.2 million), with this being due in particular to the additional financing requirements for the acquisition of Natech Plastics, Inc.

Key figures on asset position (€ 000s)

	2023	2022	Change
Total assets	466,578	397,504	+17.4 %
Shareholders' equity	233,326	225,184	+3.6 %
Equity ratio in %	50.0	56.6	-660 bps
Financial liabilities	151,712	99,287	+52.8 %
Financial liabilities as % of total assets	32.5	25.0	+750 bps
Debt/equity ratio in %	100.0	76.5	+2,350 bps

bps = basis points

Non-financial performance indicators

Further growth at STRATEC SE is crucially dependent on the availability of adequate development capacities. Even though in practice many factors are relevant to the company's growth, the following section presents those non-financial performance indicators which are of key importance to the company in managing its growth.

Employees concerns

STRATEC's sustainable success is driven by the performance of its highly qualified and motivated employees, who work in partnership with global players, often market leaders, to develop innovative technologies and solutions that enable the company's partners to shape their markets with reliable, safe, and user-friendly products. STRATEC therefore views the number of employees as a key non-financial performance indicator.

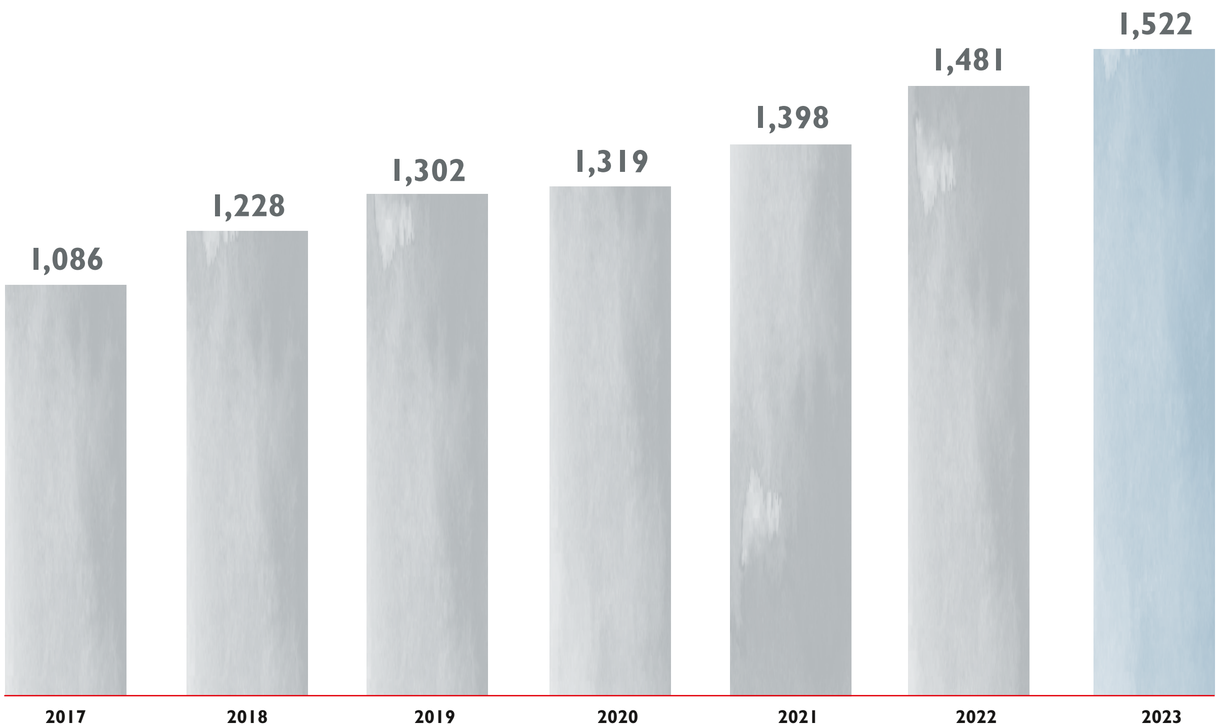
This awareness that their internally developed solutions are contributing to further advances in global diagnostics is a further motivation for STRATEC's team.

One of STRATEC's primary objectives is to provide its workforce, which has grown consistently in recent years, with a modern and attractive working environment by offering new career challenges and ensuring professional dealings with colleagues and partners. This in turn should motivate employees to continue giving of their very best and help retain them at the company on a permanent basis. Further information about employees and their interests can be found in the Non-Financial Group Declaration within this report.

Number of employees

Given the acquisition of Natech Plastics, Inc., the workforce of the STRATEC Group grew slightly in 2023. As of December 31, 2023, STRATEC had a total of 1,522 employees. This corresponds to a year-on-year increase of 2.8 %. Adjusted to exclude the acquisition of Natech Plastics, Inc., the workforce showed an organic reduction of 4.1 %. This development in the number of employees, which is temporarily below the expectations outlined in the 2022 Outlook, is due in particular to the earnings enhancement program initiated in March 2023.

Number of employees at the STRATEC Group



Development in employee totals

Employees at balance sheet date

	2023	2022	Change
Total employees	1,522	1,481	+2.8 %
Permanent employees	1,480	1,420	+4.2 %
Temporary employees	42	61	-31.1 %
Employees in Germany	548	574	-4.5 %
Employees abroad	974	907	+7.4 %
Trainees and interns	15	41	-63.4 %
Employees working in R&D and development support	740	724	+2.2 %
Share of female employees	36.1 %	33.7 %	+240 bps

2023 2022

bps = basis points

One of STRATEC's core activities and competencies involves developing complex technological systems that combine biochemical processes with highly integrated hardware and software. This is reflected, among other factors, in the fact that 740 of our employees, corresponding to a 48.6% share of all staff, work in research and development and in development support. This share is expected to remain high in the years ahead as well. Given the interdisciplinary nature of the work involved, many employees in this area contribute both technical and scientific expertise.

Excluding temporary employees, personnel expenses amounted to € 94.1 million in the 2023 financial year (previous year: € 82.2 million).

C. OUTLOOK

Global megatrends, such as the world's aging population or the increasing prevalence of chronic and infectious diseases are creating ever greater demand for in-vitro diagnostics tests. Not only that, technological advances and the associated increase in sensitivities mean that new areas of application are becoming available for in-vitro diagnostics processes, such as in oncology, neurology, and prenatal medicine. Furthermore, highly qualified laboratory staff are in short supply in many countries. This additionally boosts demand for highly automated solutions. STRATEC is also benefiting from the growing interest and willingness shown by its customers to outsource the design and manufacture of automation solutions to specialist partners. This is reflected in the high number of market launches seen in recent years and in the company's well-stocked development pipeline. In light of these factors, the growth prospects for the target markets in which the STRATEC Group and its customers operate are still assessed positively.

For the 2024 financial year, STRATEC expects end customer demand for molecular diagnostic automation solutions to remain at a low level both temporarily and on a full-year basis, with this being due to the additional laboratory capacities built up during the COVID-19 pandemic. Moreover, this lower level of market demand is currently being partly satisfied by higher volumes of stocks at STRATEC's customers. STRATEC nevertheless expects these stock levels to normalize by the middle of 2024 and that the resultant slight rise in market demand among end users will be fully reflected in its supply volumes. Furthermore, demand remains as robust as ever in all of STRATEC's business areas for which no significant additional capacities arose during the pandemic, such as in immunodiagnostics, immunohematology, and hematology.

Overall, for 2024 STRATEC therefore expects sales on a constant-currency basis to remain stable or to grow slightly compared with the previous year. The adjusted EBIT margin is forecast at around 10.0% to 12.0% (previous year: 10.3%). Due in particular to the stocking issue referred to above and to a year-on-year reduction in the volume of sales realized from development work, STRATEC expects to post a highly subdued level of momentum for its business performance in the first quarter of 2024. Subsequent to this, the latest order forecasts received from customers, among other factors, indicate a significant revival in the sales and earnings performance from the second quarter of 2024.

Due to the diverse downstream effects of the pandemic, customers' order behavior continues to be marked by increased volatility. As a result, STRATEC's planning for 2024 is subject to greater uncertainties than usual. These also relate to the potential development in the product mix, the degree to which systems in the market are utilized, and the impact of further measures to enhance efficiency and make structural adjustments to the supply chain that are planned but not accounted for in the forecast.

For the 2024 financial year, STRATEC has budgeted investments in property, plant and equipment and in intangible assets corresponding to a total of 6.0% to 8.0% of sales (2023: 6.7%).

Subject to approval by shareholders at the Annual General Meeting, furthermore, the distribution of a dividend of € 0.55 per share is foreseen (previous year: € 0.97). The year-on-year reduction in the distribution total is to be viewed against the backdrop of internal and potential external growth opportunities, associated financing requirements, and the financing already taken up for the acquisition of Natech Plastics, Inc. in 2023.

To enable it to realize the wide variety of growth potential harbored by its current deal and development pipeline, STRATEC plans a further moderate expansion in its workforce in the years ahead.

STRATEC's financial forecast is based on budgets that account for the specific features of its business model, as well as for numerous internal and external factors, and that weight such factors in accordance with their significance. New order figures, our customers' forecasts and their order behavior, and their stocking of service parts play a superordinate role here, as do the numbers of projects in development and negotiation. This forecast does not account for additional opportunities resulting from external growth. Given the long-term nature of its business relationships, macroeconomic developments are of subordinate significance for STRATEC. The macroeconomic factor is therefore weighted less prominently in the company's forecasts.

D. OPPORTUNITIES AND RISKS

In the dynamic but in most cases highly regulated markets in which STRATEC and its subsidiaries operate, lawmakers and approval authorities attempt to minimize many risks with strict legislation and detailed approval processes. These high standards are reflected in numerous procedures and processes at the companies involved and are firmly anchored in STRATEC's corporate culture. These range from the requirement to ensure precise documentation of the design and manufacture of in-vitro diagnostics instruments and consumables through to sophisticated quality assurance processes that can be found in virtually all areas of the company.

Furthermore, entrepreneurial actions, particularly in rapidly growing markets, result in various risks which STRATEC counters with anticipatory and supervisory measures and structures. Not only that: Numerous risks also harbor opportunities, e.g. the targeted and active handling of risks may also enable the company to achieve competitive advantages.

Within its opportunity and risk management activities, the STRATEC Group regularly assesses and continually monitors both opportunities and risks. As the opportunities and risks of the STRATEC Group are largely congruent with those at STRATEC SE, with the exception of the presentation of the level of damages no distinction has been made between the Group and the SE in the presentation below.

STRATEC's growth in recent years has been based on entrepreneurial decisions that involved weighing up the associated opportunities and risks. STRATEC regularly reviews and adjusts its opportunity and risk management to facilitate ongoing sustainable growth in future as well and enable the company to prepare in good time for any changes in the environment in which it operates. Changes in the regulatory environment are also viewed as opportunities to draw on the company's longstanding experience and in-depth quality management to further expand its competitive advantages.

The STRATEC Group comprises several subsidiaries whose business models and services differ in some cases but which are centrally managed and monitored as part of STRATEC's product portfolio. The associated opportunities and risks are largely identical and overlap in some cases. In view of this, no distinction has been made between subsidiaries in the following presentation of opportunities and risks.

Opportunities

Market growth

A major share of the products offered by or in development at STRATEC are used in in-vitro diagnostics (IVD). Having said this, the number of systems deployed in research laboratories in the life science sector is also not insignificant. Within the IVD sector, there are some segments that are forecast to generate growth above the overall sector average in the years ahead. STRATEC has focused on some of these segments with corresponding development projects. The segments of molecular diagnostics and highly sensitive immunoassays processes are particularly noteworthy in this respect.

Furthermore, geopolitical, infrastructural, technological, and demographic developments – together with the associated improvement in medical infrastructures – should also continue to ensure that, overall, ever more people around the world have access to higher numbers of diagnostics tests. The resultant rise in test volumes should continue to generate sustainable growth in the IVD market.

Opportunities due to new projects and customers

STRATEC still has numerous customer and proprietary projects in development. The resultant products will be launched by STRATEC's customers onto the market in the years ahead and will provide one major foundation for the future growth of the STRATEC Group. Before entering into new development and supply agreements, STRATEC evaluates the potential projects in terms of their opportunity/risk profiles and the customer's future potential to place the resultant products in the corresponding target markets. On this basis, the company expects to be able to generate further growth with new products.

Growth opportunities due to outsourcing

Demand for instrumentation and system solutions from independent providers such as STRATEC is still on the increase, a development due not least to the fact that many diagnostics companies are increasingly focusing on developing their reagents and thus do not or no longer view instrument development as forming part of their core businesses. Outside the diagnostics industry, there are also areas in which similarly specific product qualities are called for and where similar underlying conditions apply. Research laboratories are particularly worthy of mention in this respect. Not only that, pharmaceuticals development processes also require precisely these conditions. As a result, STRATEC continues to benefit from above-average opportunities of participating in these developments, and in particular from the trend towards outsourcing. The emergence of new areas of research that move over time from pure research to diagnostics processes and pharmaceuticals products will further increase demand for laboratory automation solutions.

Opportunities due to global pandemics

Pandemics such as COVID-19 present countries around the world and their healthcare systems with immense challenges. Recent years showed that few countries are prepared for crises of this kind, with medical infrastructures and laboratory test capacities reaching their limits even in leading industrialized countries. Providers of diagnostics applications therefore still face great opportunities to participate in the global development and expansion of diagnostics infrastructures and, in parallel, of laboratory test capacities expected in the years ahead.

Consolidation

The ongoing consolidation in the IVD market presents STRATEC with the opportunity to generate higher sales figures with established systems due to its established partners gaining broader market access. In recent years, various diagnostics groups have been seen to enter cooperations or take over competitors in order to offer their customers broader product portfolios or enter new markets. This enables STRATEC's systems to be sold to a broader customer base. At the same time, consolidation nevertheless also involves the risk that the merger of customer product portfolios may result in customers discontinuing individual product series.

Increasing market regulation

Ever increasing regulation of the IVD market is creating ever greater demand for standardized automation solutions. Standards in terms of the precision and reliability of IVD tests have been rising continually for years now. Automated solutions offer clear benefits in this respect when compared with manual processes. As a company that operates in highly regulated markets, such as instrumentation and automation and the development and production of consumables for in-vitro diagnostics, STRATEC requires extensive expertise to meet the requirements and regulations in force in the respective markets. Not only that, the test and process structures, which involve close interaction between specialisms as varied as mechanics, software, electronics, and biochemical reactions, require the utmost precision and calibration. The corresponding quality assurance and process documentation steps are foundations for functional and marketable development. Successfully combining all these qualities in a complex and permanently reliable, but also user-friendly product, is currently only possible for a small number of companies that are in most cases highly specialized. As a result, the number of service providers able to cover all areas of the value chain from development through to serial production is very limited. With its broad technology pool, STRATEC is one of the few companies able to do justice to these requirements. The increasing complexity of the instruments and consumables makes it necessary for companies to permanently adapt to this development and research new technologies. At the same time, this development also acts as an ever higher barrier to market entry for potential competitors.

Technological opportunities

As a market, in-vitro diagnostics is highly dependent on the financing provided to healthcare systems. Approval by the authorities and financing commitments for individual diagnostics tests from health insurance companies or bodies is a highly complex process. As a general rule, technological advances or entirely new applications can therefore only rarely be introduced at short notice. In view of this, STRATEC is largely relying on the further development of proven technologies and process enhancements. Having said this, STRATEC nevertheless also cooperates and conducts its own research in the field of new technologies. Together with partners, various development projects are currently underway that are thought to have the potential to sustainably influence their target markets due to new areas of application or technological advances.

Alongside molecular diagnostics, the key focus of these projects is on point-of-care. Here, STRATEC is benefiting from the trend towards smaller systems, particularly those involving the provision of complex consumables.

Risks

Given that its business model is based on very long periods of cooperation with customers, STRATEC is exposed to some risk factors to a notably lesser extent than is customary at many other companies that are dependent on macroeconomic cycles, or on technological and demand trends. As a general rule, customers' long-term planning for the development of an analyzer system is dependent on their market presence and the lifecycles of existing products, but not on macroeconomic cycles and economic crises. The period required for planning, specification and development ranges from around two to four years, while the lifecycle of a system launched onto the market lasts some 15 to 20 years. A further five to eight years often pass before the final support and service activities are discontinued. The total project lifecycle thus often amounts to more than 25 years.

Irrespective of this, the company is exposed to a variety of risks in connection with its operating business, the environment in which it operates, and its customer relationships. STRATEC evaluates these risks by reference to their estimated probability of occurrence and their potential implications for the company's earnings, assets, financial position, and reputation. Such risks are covered as far as possible by insurance policies. STRATEC's activities nevertheless involve some risks that cannot be insured, or only in part, and whose probability of occurrence and scope are limited by being monitored as closely as possible and with suitable countermeasures. Accordingly, the potential implications are evaluated following the implementation of risk mitigation measures.

To enhance presentation, the various risks have been subdivided into three categories:

- **Market and product risks:** These include risks which may be caused by the market, customers, or the product and for which the damages mostly emerge on a downstream basis.

- **Financial risks:** These involve risks which, if they materialize, result in direct, measurable financial damages.

- **Infrastructure and other risks:** These include risks relating to STRATEC's internal and external infrastructure.

The evaluation of the probability of the risks occurring is based on the following criteria:

Assessment of probability of occurrence

0%–25%	Unlikely
25%–50%	Possible
50%–75%	Likely
75%–100%	Very likely

The evaluation of the potential financial implications is based on the following criteria:

Estimated implications on asset and earnings position of STRATEC Group in event of risk materializing

Degree of implications	Definition of amount of damages
Low	€ 0 million to € 1.0 million
Medium	> € 1.0 million to € 11.0 million
High	> € 11.0 million to € 37.0 million
Very high	> € 37.0 million

The degree of implications is derived on the basis of the STRATEC Group's asset and earnings strength.

Overview of risks and their implications for the asset and earnings position

following the implementation of risk mitigation measures (risks in the respective category ordered by probability of occurrence, starting with the most likely, and then by degree of potential implications):

	Probability of occurrence	Potential implications short-term (up to 1 year)	medium-term (1–3 years)
Market and product risks			
Supplier risks	Possible	Medium	Medium
Production risks	Possible	Medium	Medium
Project risks	Possible	Medium	Medium
Competition risks	Possible	Low	Medium
Dependency on key customers, sales market	Unlikely	Medium	High
Patent infringement risks	Unlikely	Medium	Medium
Financial risks			
Exchange rate risks	Likely	Medium	Medium
Interest rate risks	Possible	Medium	Medium
Product liability and regulatory risks	Unlikely	Medium	High
Liquidity risks	Unlikely	Medium	Medium
Credit default risks	Unlikely	Medium	Low

	Probability of occurrence	Potential implications short-term (up to 1 year)	medium-term (1–3 years)
Infrastructure and other risks			
Personnel risks	Possible	Medium	Medium
IT risks	Possible	Medium	Medium
Environmental and sustainability risks	Possible	Medium	Medium

Individual risks and the corresponding countermeasures are presented in detail in the following section:

Supplier and procurement risks

Alongside the increase in development expenses, particularly for higher complexity and higher throughout systems, the company's efforts to control costs are increasingly also focusing on the higher costs of stocking inventories. The increased stocks of important materials in the 2023 financial year are attributable in particular to the effects of the COVID-19 pandemic and the ongoing tense situation in global supply chains due to geopolitical tensions. To uphold its continued delivery capacity during these crises and in future as well, and thus minimize its procurement risks, the company has stocked critical modules and components for longer periods than customary in the past.

STRATEC is countering the resultant rise in costs and increased volume of capital committed by ensuring close supplier management and strict project controlling in conjunction with effective target cost management. The complexity of production processes means that, for reasons of economy and to safeguard quality levels, the STRATEC Group focuses on as small a number of suppliers as possible. The high cost of supervising logistics activities, such as securing procurement prices in the long term, and of monitoring quality standards, necessitates this degree of concentration in terms of suppliers.

Production risks

STRATEC is exposed to production risks in connection with its production of analyzer systems at its production sites. Above all, these risks relate to factors that could potentially lead to temporary downtime or delays in production, such as a general lack or the specific unavailability of suitably qualified personnel, damage to production equipment or infrastructure due to external factors, or a lack of production material resulting from supply bottlenecks.

Risks of this nature can be temporarily mitigated by stocking supplies or the possibility of transferring individual product lines to other production sites. Potential restrictions or downtime in production due to a shortage of specialist staff or a lack of materials can only be controlled to a limited extent. Downtime in production due to natural disasters is insured to the extent possible. No notable restrictions on production arose in the 2023 financial year.

Project risks

STRATEC generates a major share of its sales with development projects that may be influenced by numerous factors. Although negative implications resulting from potential damages are already accounted for and secured when structuring the respective project contracts, certain risks cannot always be excluded. Supply shortages for materials, for example, may impact on prototypes being completed on schedule, while shortages of staff may mean that more time is required for development. Residual technological risks are reduced wherever possible by performing feasibility studies. Furthermore, STRATEC is exposed to the risk that a partner may cancel a project once it has started, that unforeseen technical difficulties arise, or that approval is not granted for a product, or only after a delay, and that planned sales are therefore postponed or lost entirely. Should customers not place the expected volumes on the market, this may result in potential write-downs of capitalized development expenses. Moreover, it is important for STRATEC to make sure that the costs of a project remain within the stipulated budget.

In general, both STRATEC and the respective customer have a great interest in the project succeeding and as a general rule therefore allocate the resources necessary for a development project and subsequent serial production to succeed. Finally, active project management by experienced project managers additionally serves to minimize project risks.

Competitive risks

Broadly speaking, STRATEC's competitors can currently be limited to two groups. On the one hand, there are internal development groups maintained by the diagnostics companies themselves. For a variety of reasons, many diagnostics companies have moved in recent years to outsource these development services to specialist companies such as STRATEC. This move is motivated, among other factors, by the lower costs generally achievable due to the shorter development times resulting from specialization and due to the technology pool available at this kind of company. On the other hand, STRATEC's competitors also include those companies that focus on the development of automation solutions in highly regulated markets. As this specialization requires highly in-depth expertise, the market entry period for potential competitors is relatively long and correspondingly costly. The risk that any competitor newly entering the market would gain market share increases in the medium term, as such competitor benefits from its growing experience and resultant expertise. The number of competitors is therefore still comparatively low. As far as STRATEC is aware, the company has gained, rather than lost market share in recent years.

Dependency on key customers / sales market

One main component of STRATEC's business model is its focus on cooperations with OEM partners who are among the market or technology leaders in their respective fields. By definition, this only applies to a limited number of potential partners, a factor that can result in a high degree of dependency in some cases. The resultant concentration of sales on a limited number of key customers and projects (key customer risk) may – in in the event of volatilities in sales of analyzer systems resulting, for example, from customers reducing their stocks – lead to fluctuations in STRATEC's performance. Equally, any reduction in a customer's market share, lower placement volumes for instruments, or termination of one or several projects by one or several customers may lead to a loss of planned sales or to an impairment requirement on capitalized development expenses, among other items, and thus have a direct impact on the company's earnings position that cannot be offset at short notice, or only in part. Any unplanned premature termination of a project by a customer may, depending on the respective project stage, result in compensation payments being made to STRATEC.

STRATEC will continue to work with existing and new partners in the field of new technologies in order to generate sustainable growth and further minimize any 'cluster risks'.

Patent infringement risks

STRATEC's competitiveness depends not only on the long-standing experience and expertise of its employees but also on the protection of its technologies and innovations. The company therefore protects its own expertise directly or indirectly with numerous international patents and property right registrations. Furthermore, STRATEC always ensures that the development, production, or planned market launch of its own products does not infringe any third-party property rights.

Exchange rate risks

Of those sales not invoiced in euros, the only currency to play a major role at the STRATEC Group is the US dollar. Due to exchange rate movements on the currency markets, these foreign-currency sales may result in substantial fluctuations that harbor risks in the form of currency losses. Wherever possible, risks relating to revenues in US dollars are neutralized with corresponding procurement in US dollars. Depending on the assessment of developments in the US dollar and the plannability of incoming payments, the company may hedge the remaining US dollar volume. Due to their measurement at fair value at the respective reporting dates, these hedge transactions may also have a corresponding impact on the company's income statement.

As of the balance sheet date on December 31, 2023, STRATEC SE did not have any currency hedge transactions.

Interest rate risks

STRATEC is exposed to interest rate risks on account of the debt capital it has taken up. The company monitors developments on the international financial markets very closely. A portion of STRATEC's financial liabilities comprises fixed-interest loans, which are thus partly secured against the risk of sharp rises in interest rates. The company considers hedging portions of the remaining share of floating-rate financial liabilities depending on its market assessment.

STRATEC SE did not have any interest hedges as of December 31, 2023.

Product liability and regulatory risks

STRATEC's analyzer systems are deployed in highly regulated markets. Erroneous diagnoses could have drastic implications for the individuals affected. Before any system is put to use in a laboratory, various test and validation phases take place to ensure that strict process and safety requirements are fully met. These are supplemented by several levels of process monitoring during the sample handling process, such as technical, chemistry-inherent, or software-based supervisory mechanisms. In practice, suppliers and manufacturers of diagnostics products are nevertheless exposed to liability risks, not all of which can be fully excluded even by complying with legal requirements and performing extensive quality checks.

Although STRATEC would not be the primary addressee for potential liability claims, the company covers itself against liability risks by concluding suitable product liability insurance policies. The possibility nevertheless cannot be excluded that potential liability claims would exceed the existing insurance cover and that matters of culpability and damages would have to be clarified in lengthy proceedings, with the result that any potential damages might increase in the medium term.

Liquidity risks

To safeguard its ability to meet its payment obligations and uphold its financial flexibility, STRATEC monitors its liquidity risks on a centralized basis and manages its liquidity on the basis of rolling planning. Thanks to a master credit facility with a term running through to January 2027, bridge financing taken up in connection with the acquisition of Natech in the 2023 financial year, and various fixed-rate and development loans with differing terms, the company has sufficient liquidity and flexibility to offset any potential fluctuations in its liquidity. The company has responded in particular to the high volume of financial funds committed to building up inventories in the years since the COVID-19 pandemic in conjunction with a temporarily weak cash flow performance by implementing measures to control its costs and reduce its order obligations.

Credit default risks

Although STRATEC's customers and partners generally involve companies that are strongly positioned in their respective markets and solidly financed, the risk still remains that a customer may be unable to meet its payment obligations, or only in part, as a result of a deterioration in its financial situation.

STRATEC counters this risk by taking up trade credit and receivables default insurance and, if warranted, by screening customers and taking suitable further measures to limit any increase in credit default risk. As a result, this risk is limited to a manageable (short) timeframe and to amounts appropriate to the respective customer relationship.

Personnel risks

At STRATEC, personnel risks relate in particular to the recruitment and retention of well-qualified specialist and management staff. The company's success is significantly determined by the availability of suitable employees and by their competence, motivation, and willingness to perform. This being so, STRATEC aims to offer its employees an attractive and highly varied working environment and to actively promote their further development.

Demand for qualified personnel remains high, especially in technical fields. In attracting staff, STRATEC has to compete with other regional and international companies. The company counters this risk by upholding and extending its image as an attractive employer and by establishing contacts with young specialists at an early stage, for example at careers fairs. Furthermore, various activities, such as those in the field of software development, are performed across several locations to enable use to be made of the resources available at the respective locations. The availability of various professional skills at other locations is thus put to targeted use to avert any shortage of suitable personnel.

IT risks

As documented by numerous examples in industry and the overall economy, the risk of cyberattacks and associated damages remains very high. STRATEC is stepping up its coordinated measures to counter these risks on a technical and organizational level. The company is continually implementing measures to raise awareness among its employees, while also performing detailed IT security analyses and implementing the resultant recommendations. Regular analyses of weak points and penetration tests are mandatory. Ongoing improvements in IT security standards and measures to extend IT security expertise are self-evident aspects of the IT strategy.

Environmental and sustainability risks

The group companies of STRATEC SE are located in different countries with a variety of geographical and ecological conditions. The rising number of extreme weather events caused by climate change, such as storm, drought, fires, or floods, may impede STRATEC's production and supply capacity, as well as that of its suppliers, on a temporary and locally limited basis. By working with forward-looking planning, STRATEC attempts to contain the potential implications in advance already. Where possible and economically expedient, direct implications are countered with insurance policies covering damage caused by water, fire, and storm, as well as the resultant loss of earnings.

One factor that is still difficult to assess involves the transition risks resulting from measures taken to contain climate change. For example, laws and regulations may be imposed that impact on the prices of certain raw materials, such as energy prices, packaging, or logistics.

Overall assessment of risk situation at the STRATEC Group

The risk management system and regular reporting mean that STRATEC's Board of Management has a commensurate overview of the risks facing the respective areas and their financial significance.

The 2023 financial year continued to be affected by numerous downstream effects of the COVID-19 pandemic. These led not only to increased volatility in customer demand but also to numerous challenges in the supply chain and thus in the procurement organization. Due to the long-term nature of customer agreements, it was not possible to pass on price increases to the same extent that they had to be accepted on the procurement side. Recent years have also witnessed a continuous rise in geopolitical tensions and damage to global infrastructure as a result of climate change.

In response to these underlying conditions, STRATEC has continued to take and uphold numerous risk minimization measures in order to safeguard its production and delivery capacity. Planning uncertainties nevertheless remain high. To secure the supply situation on an ongoing basis, the company expects to maintain capital-intensive stocks of critical components on continued higher financing terms.

Based on the overall assessment of risks, the Board of Management currently cannot discern any risks that could threaten the company's ongoing existence or have any materially negative impact on its asset, financial, or earnings position.

Risk management system

STRATEC's risk management system is an active component of the company's management system and combines several aspects of risk detection, monitoring and management. Alongside statutory requirements, the system implements processes into the day-to-day business which make it possible to deploy system-based processes and raise awareness among employees. This way, the company aims to achieve the broadest possible basis of protection against the risks outlined above. The risk management system is centrally managed and is largely based on three pillars:

RISK MANAGEMENT SYSTEM

INTERNAL CONTROL SYSTEM

STRATEC has an internal control system in place to protect the company's assets and information and ensure compliance with the relevant legal requirements and the company's business policy.

The internal control system is based on:

- Internal guidelines
- Requirements and processes
- Relevant legislation
- Ad-hoc instructions

CORPORATE COMPLIANCE

STRATEC has pooled its group-wide codes of conduct, ethical principles, and other guidelines in its Corporate Compliance Policy. This is binding for all employees and is regularly supplemented by updated risk analyses.

This policy is based on:

- Relevant legislation
- Norms
- Guidelines

EARLY WARNING RISK IDENTIFICATION SYSTEM

An early warning risk identification system is established in the risk management system at the STRATEC Group. This has been implemented in the form of regular reporting enabling potential areas of risk to be assessed. It serves to analyze and assess risks at the company and in its environment.

Consistent with § 91 (2) AktG, the system in place at the STRATEC Group offers an all-round instrument for monitoring elementary processes and identifying potential risks at an early stage.

The risk management system is based on:

- Stock Corporation Act
- Risk Handbook
- Internal instructions

Internal control system

STRATEC has an internal control system (ICS) which contains audit processes also covering its (group) financial reporting process, lays down suitable company structures and work processes, and is implemented within the company's organizational structures. The objective of the ICS is to detect and, as far as possible, exclude any risk of errors and damages resulting from the company's own personnel or from criminal third parties. In general, the ICS encompasses the following measures:

- Execution of internal and external audits on the basis of checklists with clearly defined audit criteria
- Detection of regulatory omissions and infringements based on a structured, risk-oriented approach
- Audits in connection with the Tax CMS (compliance management system)
- Compiling of audit reports for forwarding to the Board of Management
- Auditing the implementation of corrective measures
- Regular information and warning messages to employees.

This sustainably safeguards and increases the efficiency of the company's operating processes. Furthermore, it also enhances awareness of control-related topics at the company.

Internal control system and risk management system in respect of the group financial reporting process

The (group) financial reporting process is designed to ensure that the Group's financial reports provide a true and fair view of the net asset, financial and earnings position of the STRATEC Group in accordance with the relevant laws and norms. It should nevertheless be noted that, regardless of its specific structure, no internal control system can provide absolute certainty that material accounting misstatements have been avoided or detected.

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

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

- Regular supervisory measures integrated into, but independent of processes, such as the segregation of duties, compliance with the dual control principle, and the implementation of access restrictions and payment guidelines
- Ensuring uniform accounting treatment by way of group-wide standards
- Inspection and analysis of local financial statements.

STRATEC's internal control system reviews whether individual companies within the STRATEC Group prepare their financial statements in accordance with the relevant requirements, while also complying with group-wide standards. Local companies are supported throughout this financial reporting process by trained contact partners at the parent company. These partners also perform a quality check function for the financial data thereby taken over and assist the companies with any complex questions thereby arising. The consolidated accounts are prepared centrally and in line with uniform accounting policies based on the data from the subsidiaries included in the scope of consolidation. The specialist managers responsible check the processes in place to monitor compliance with the relevant requirements when this data is reconciled in the consolidated financial statements. The company also draws on expertise from external consulting companies when preparing its consolidated financial statements. As a publicly listed company, STRATEC monitors and analyzes all changes in legislation, IFRS accounting standards and other pronouncements in terms of their relevance and implications for the consolidated financial statements so as to enable these to be implemented promptly.

Corporate Compliance

STRATEC's Compliance Policy is binding for all employees and is updated at set intervals to account for the regularly updated risk analysis. At STRATEC, an understanding of corporate compliance is viewed as a key cornerstone of day-to-day business operations both within the company and in its external dealings. In this respect, compliance with a variety of legal systems and statutory regulations is just as important as compliance with ethical principles.

These guidelines are communicated in training sessions and one-to-one meetings to all employees, managers, and members of the Board of Management. An awareness and understanding of applicable requirements is the only way to ensure overall compliance by all of the persons involved and only this way can the company ensure that its international business dealings are compliant with the necessary standards. To standardize the compliance culture throughout the company, regular targeted training is also provided to local compliance officers at all of STRATEC's subsidiaries. Corporate Compliance Summits are also held to enable managers to share their experiences. The aim here is to maintain a uniform compliance management system across the Group and support local officers in implementing the relevant requirements. As well as providing training to new employees, the company also holds regular refresher training sessions within the departments in order to familiarize all employees with our understanding of compliance.

STRATEC's Corporate Compliance Policy includes the following elements:

A basic explanation of STRATEC's understanding of compliance, as well as an explanation of the compliance management system; preventing corruption, i.e. upholding the integrity necessary in business dealings, and in particular the prohibition of any illegitimate exercising of influence; information and assistance for compliance with all requirements set by the law and the respective authorities, as well as with internal requirements; the obligation to provide a fair and respectful working environment at the company; assistance to avoid conflicts of interest between private and business matters; compliance with the requirements of capital market, antitrust, and tax laws; copyright and license conformity; regular training of employees and information material on the intranet and on information boards; respectful and professional conduct at the company; opportunities to report suspected breaches of compliance.

STRATEC's compliance management system is continually extended to address topics of current relevance and further optimized. This enables managers on various levels to detect specific risks and, by taking suitable measures, to reduce or avert these risks entirely. These processes are supplemented by regular discussions between managers and the relevant compliance officer. These discussions enable potential conflicts or questionable matters in the departments to be identified and clarified at an early stage. The compliance officer reports the findings of these discussions with managers in anonymized form directly to the Board of Management. The Board of Management discharges its reporting obligations towards the Supervisory Board.

One aspect of the corporate compliance management system also involves regularly monitoring tax-related risks within the Group by way of a tax control system (Tax CMS). This is intended to monitor, promptly identify, and evaluate potential tax risks, with the aim of minimizing and averting such risks.

Furthermore, STRATEC has established a Compliance Board comprising permanent members from various risk-related areas as well as alternating positions. The aim here is to achieve greater transparency and diversity when it comes to identifying risks and to work together as a board when setting the compliance-related targets for the respective year.

STRATEC expects all its employees to adhere to its compliance requirements and thus ensure that all decisions and actions taken in their areas of responsibility are always consistent with the Corporate Compliance Policy. An anonymous whistleblower system enabling employees or other parties to notify the company of any breaches of regulations or legal requirements has been in place since 2017. To this end, an anonymous whistleblower system has been integrated into the intranet.

STRATEC SE signed the UN Global Compact in 2021. This represents an important milestone in STRATEC's activities as a sustainable company. The commitment thereby made enables STRATEC to continue aligning the strategies and processes within the company to the ten principles of the UN Global Compact on human rights, labor standards, environmental protection, and measures to combat corruption.

Early warning risk identification system

The early warning risk identification system in place at STRATEC is consistent with the legal requirements set out in § 91 (2) of the German Stock Corporation Act (AktG). The processes in place to monitor risks require the relevant heads of specialist and other departments, as well as the managers responsible at subsidiaries, to compile regular reports to assess the risks in their areas of responsibility The resultant reports are reviewed and evaluated by a Risk Committee comprising members of operating divisions and of the Finance department, which then forwards them to the Board of Management, which in turn reviews and evaluates them before reporting to the Supervisory Board. Furthermore, possible countermeasures and monitoring measures are derived and implemented in cooperation with the relevant departments. Independently of this process, exceptional developments require immediate ad-hoc report.

At the various levels of aggregation, the decision makers and directors and officers are provided with a risk handbook to serve as a controlling instrument. The risk handbook is intended to provide an adequate framework that enables users to implement the steps and measures necessary to meet internal and legal requirements.

This enables any risks to the company's continued existence to be identified at an early stage and the conceivable consequences of such risks, including those arising over time, to be viewed and assessed alongside any change in their probability of occurrence. Risk analysis and reporting also account for the individual companies within the STRATEC Group, as well as for any interdependencies between group companies.

To manage risks, the company generally deploys the following measures:

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

The risk management system at STRATEC SE is safeguarded by integrating the subsidiaries into the Group's risk management system.

Risk report in respect of use of financial instruments

STRATEC's financial strategy is based on the availability of the funds needed to finance its targeted organic and potential acquisitions-driven growth.

The STRATEC Group is financed by the cash flows generated from its operating activities and by medium to long-term financing provided by various banks, particularly in the context of a master loan agreement and various fixed-interest loans. Investment programs and development loans are integrated into the financing mechanisms as far as possible.

The principal objectives of the STRATEC Group's financial management involve a basically conservative financing policy aimed at guaranteeing permanent availability of the liquidity required, for example for new development and research projects or for external growth, as well as effective risk management. These objectives are chiefly met by planning and managing liquidity and by optimizing financing costs. Furthermore, STRATEC has a dividend policy that is based on continuity and the Group's long-term, sustainable business performance, with a distribution quota of 40% to 60% of consolidated net income. At the same time, STRATEC will continue to focus on exploiting external and internal growth opportunities, which may also involve temporarily deviating from this quota.

Financial risks basically arise from currency and interest rate fluctuations. As already mentioned (see Section Risks – Currency risks), currency risks in procurement and sales markets are increasing within the STRATEC Group. To counter this risk, the Group is therefore making targeted use of derivative hedging instruments.

A financial instrument is a contract simultaneously resulting in a financial asset at one company and in a financial liability or equity instrument at another company. For financial assets, a distinction is made between:

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

Financial instruments are held for the exclusive purpose of hedging underlying transactions and not for trading or speculative purposes.

The treasury managers review the expediency of currency or interest rate hedging transactions at regular intervals.

Fluctuations in exchange rates and interest rates are expected to remain more pronounced than usual. The related risks are therefore monitored closely, with corresponding hedging transactions being implemented following due consideration of the associated costs and benefits.

Financial derivatives are generally deployed where it is necessary to hedge currency risks in the operating business, risks relating to foreign currency holdings, or interest rate risks relating to financing transactions. The conclusion of such transactions is governed by strict standards laid down in the Code of Procedure for the Board of Management and was agreed with the Supervisory Board.

In the 2023 financial year, currency hedge transactions of USD 12 million were concluded for 2024. No interest hedge transactions were concluded in the 2023 financial year.

E. TAKEOVER-RELEVANT DISCLOSURES[1]

Composition of share capital

The company's share capital amounted to € 12,157,841 as of December 31, 2023 and was divided into 12,157,841 individual registered shares. This total includes 1,899 treasury stock shares as of December 31, 2023. All shares involve the same rights and obligations and each share confers one vote.

Restrictions on voting rights or the transferability of shares

Restrictions on share voting rights may result in particular from the requirements of the German Stock Corporation Act (AktG). In specific circumstances set out in § 136 AktG, for example, shareholders are subject to a prohibition on voting, while pursuant to § 71b AktG the company is not entitled to exercise any voting rights for treasury stock shares. We are not aware of any contractual restrictions relating to voting rights or the transferability of shares.

Pursuant to § 67 (2) AktG, only those shareholders registered as such in the Share Register are deemed shareholders from the company's perspective. According to § 4 (4.2) of the Articles of Association, to be entered in the Share Register shareholders must provide the company with the relevant statutory disclosures. Shareholders are further required to inform the company without delay of any change in their address. Entries by a shareholder acting under its own name and relating to shares owned by another party are only permitted and effective from the company's perspective when the fact that the shares belong to another party and the name and address of the owner are entered in the company's Share Register. The same applies when the party thereby entered or the owner transfer their ownership of the shares to another party following such entry. Pursuant to § 67 (4) AktG, the company is entitled to request information from the party entered in the Share Register concerning the extent to which it actually owns the share for which it is entered as the bearer in the Share Register and, should this not be the case, to convey the information necessary to maintain the Share Register to the party on behalf of which it holds the shares. Should such request for information not meet with any response then, pursuant to § 67 (2) AktG, no voting rights may be exercised for the shares concerned.

Direct or indirect capital shareholdings exceeding 10 % of voting rights

Based on the notifications available to us pursuant to § 33 of the German Securities Trading Act (WpHG), as of December 31, 2023 no shareholder directly held more than 10% of the voting rights in the company. We have received notifications from Bettina Siegle, Tanja van Dinter, Ralf Leistner, Hermann Leistner, Doris Leistner, Herdor Beteiligungs GmbH, and Herdor GmbH & Co. KG (all in Germany) that, due to the allocation of voting rights, they each hold more than 25 % of the voting rights in the company.

The Board of Management is not aware of any other direct or indirect capital shareholdings exceeding 10 % of voting rights.

Bearers of shares with special rights conferring powers of control

There are no shares in the company with special rights conferring powers of control.

Type of voting right control when employees hold shareholdings in the capital and do not directly exercise their control rights

Any shares granted by the company to its employees within the framework of its employee share program or as share-based remuneration are transferred directly to the employees. Like other shareholders, the employees benefiting from such programs can exercise the voting and control rights resulting from their employee shares in accordance with statutory requirements and the provisions of the Articles of Association.

[1] (pursuant to § 315a (1) Nos. 1 to 9 HGB) and explanatory notes

Statutory requirements and provisions of the Articles of Association in respect of the appointment and dismissal of members of the Board of Management and amendments to the Articles of Association

The appointment and dismissal of members of the Board of Management are governed by Article 9 of the SE Regulation, § 84 and § 85 of the German Stock Corporation Act (AktG) and § 5 of the company's Articles of Association. Pursuant to § 84 (1) AktG, the Supervisory Board appoints members of the Board of Management for a maximum term of five years and may also dismiss members; repeated appointments and extensions in terms in office, in each case by a maximum of five years, are permitted. Pursuant to § 5 (5.1) of the Articles of Association, the Board of Management comprises one or several persons. § 5 (5.2) stipulates that the Supervisory Board determines the number of members of the Board of Management. Pursuant to § 84 (2) AktG and § 5 (5.2) of the Articles of Association, the Supervisory Board may appoint a Chair and – pursuant to § 5 (5.2) – a Deputy Chair of the Board of Management.

Consistent with Article 9 of the SE Regulation and § 179 AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting. § 12 (12.2) of the Articles of Association allows the Supervisory Board to make amendments only affecting the respective wording. Furthermore, the Supervisory Board is authorized by resolutions adopted by the Annual General Meetings on June 6, 2013, May 30, 2018, June 8, 2020, and May 17, 2023 to amend § 4 of the Articles of Association in line with the execution of Authorized Capital 2020/I and in accordance with utilization of Conditional Capital VI/2013, Conditional Capital VIII/2018, Conditional Capital X/2023, and Conditional Capital IX/2020 or upon the expiry of the authorization period governing the utilization of conditional capitals.

Pursuant to § 179 (2) AktG in conjunction with § 15 (15.3) of the Articles of Association, all resolutions adopted by the Annual General Meeting to amend the Articles generally require a simple majority of the votes cast and, unless otherwise mandatorily stipulated in legal requirements, a simple majority of the share capital represented upon the adoption of the resolution. Legal requirements call for larger majorities of three quarters of the share capital represented upon the adoption of the resolution in several cases, such as for any amendment in the object of the company's activities (§ 179 (2) Sentence 2 AktG), for specific capital-related measures, and for the exclusion of subscription rights.

Powers of the Board of Management to issue or buy back shares

Pursuant to § 4 (4.5) of the Articles of Association, STRATEC SE had authorized capital of € 2.4 million as of December 31, 2023:

The Annual General Meeting held on June 8, 2020 created authorized capital (Authorized Capital 2020/I). The Board of Management is authorized, subject to approval by the Supervisory Board, to increase the company's share capital by a total of up to € 2.4 million by issuing new shares in return for contributions in cash and/or in kind on one or several occasions up to June 7, 2025. Shareholders must generally be granted subscription rights. In certain circumstances set out in the Articles of Association, however, the Board of Management is entitled to exclude subscription rights for a total of amount of up to 10% of the share capital existing upon the authorization taking effect or – if lower – of the share capital existing upon the authorization being acted on. To date, no use has been made of this authorization.

Pursuant to § 4 (4.6) and § 4 (4.7) of its Articles of Association, STRATEC SE had conditional capitals amounting to up to € 1,789,750 in total as of December 31, 2023:

Conditional Capital VI/2013 (amounting to up to € 19,750) serves to grant subscription rights (stock option rights) through to June 5, 2018 in accordance with the resolution adopted by the Annual General Meeting on June 6, 2013. The conditional capital increase is only executed to the extent that the bearers of stock options actually exercise their subscription rights. The new shares have profit participation rights from the beginning of the financial year in which they are issued.

Conditional Capital VIII/2018 (amounting to up to € 220,000) serves to grant subscription rights (stock option rights) through to May 29, 2023 in accordance with the resolution adopted by the Annual General Meeting on May 30, 2018. The conditional capital increase is only executed to the extent that the bearers of stock options actually exercise their subscription rights. The new shares have profit participation rights from the beginning of the financial year in which they are issued.

Conditional Capital X/2023 (amounting to up to € 750,000) serves to grant subscription rights (stock option rights) through to May 16, 2028 in accordance with the resolution adopted by the Annual General Meeting on May 17, 2023. The conditional capital increase is only executed to the extent that the bearers of stock options actually exercise their subscription rights. The new shares have profit participation rights from the beginning of the financial year in which they are issued.

Conditional Capital IX/2020 (amounting to up to € 800,000) serves exclusively to grant new shares to the bearers or creditors of convertible or warrant bonds issued in accordance with the resolution adopted by the Annual General Meeting on June 8, 2020 in the period through to June 7, 2025 by the company or by a domestic or foreign company in which STRATEC SE directly or indirectly holds a majority of the voting rights and capital. Shares are issued in accordance with the aforementioned resolution and with the resolutions to be adopted by the Board of Management and the Supervisory Board in respect of the conversion and option prices to be set in each case. The conditional capital increase is only executed to the extent that the bearers or creditors of the convertible or warrant bonds actually exercise their rights to convert their conversion or option rights into shares in the company or that the conversion obligations relating to such bonds are met. To the extent that they arise due to the exercising of conversion or subscription rights through to the beginning of the company's Annual General Meeting, the new shares have profit participation rights from the beginning of the previous financial year and otherwise from the beginning of the financial year in which they arise due to the exercising of conversion or subscription rights. To date, no use has been made of this authorization.

In the cases governed by law in § 71 of the German Stock Corporation Act (AktG), STRATEC SE is authorized to buy back shares and to sell any shares thereby bought back. Furthermore, by resolution adopted by the Annual General Meeting on June 8, 2020 the company is authorized until June 7, 2025 to acquire treasury stock on one or several occasions and in total or in partial amounts up to a total of 10% of current share capital for every purpose permitted within the statutory limitation and consistent with the conditions stipulated in greater detail in Agenda Item 10 of the Annual General Meeting on June 8, 2020. The authorization may not be drawn on to trade in treasury stock. Together with the treasury stock already acquired and still possessed by the company, the treasury stock acquired may not at any time exceed 10% of the respective share capital. The shares should be usable for one or several of the purposes set out in greater detail in Agenda Item 10 of the Annual General Meeting on June 8, 2020, which in some cases also permit the exclusion of subscription rights. To date, the company has not made any use of the authorization to buy back treasury stock.

Material company agreements subject to change of control as a result of a takeover bid

Individual agreements include change of control provisions that entitle the contractual partner to terminate the agreement in the event of a change of control over the company or that grant other special rights potentially detrimental to the company or make the continuation of the contract dependent on approval by the contractual partner.

Remuneration agreements reached by the company with members of the Board of Management for the event of a takeover bid

Members of the company's Board of Management have special resignation rights in the event of a change of control over the company. They are thus entitled within six months from the change of control taking effect to stand down from their positions with a notice period of three months to the end of the month and to terminate their employment contracts on an exceptional basis with a notice period of three months to the end of the month. Should this special termination right be exercised, then the member's position on the Board of Management and employment relationship both end prematurely upon expiry of the three-month notice period. A change of control pertains when one shareholder holds at least 30% of the shares in the company, whether directly or indirectly (allocation pursuant to German Securities Trading Act [WpHG] and German Securities Takeover Act [WpÜG]), or if the company becomes a dependent company due, for example, to the conclusion of a corporate agreement, or to the merger, contribution, or integration of the company. The member of the Board of Management receives remuneration amounting to 150% of the severance pay cap agreed for mutually agreed premature termination of activity on the Board of Management. This amounts to a maximum of two annual remuneration packages.

F. (GROUP) CORPORATE GOVERNANCE STATEMENT

STRATEC has published the (Group) Corporate Governance Statement required by § 289f and § 315d of the German Commercial Code (HGB) respectively, including the declaration on the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG), together with its Corporate Governance Report in the Investors section of its website (www.stratec.com).

G. NON-FINANCIAL GROUP DECLARATION

Introduction

This Non-Financial Group Declaration has been compiled in accordance with the relevant requirements of the German Commercial Code (§ 315b and § 315c HGB) and includes the disclosures required by the European CSR Directive concerning the topics of environmental, employee, and social concerns, respect for human rights, and measures to combat corruption and bribery. Information about STRATEC's business model (The STRATEC Group) and additional non-financial risks relevant to the aspects presented in this report (Opportunity and Risk Report) can be found in the other sections of the Management Report. Furthermore, this Non-Financial Group Declaration includes the disclosures required by the EU Taxonomy Regulation (Taxonomy Regulation) in respect of Taxonomy-eligible and Taxonomy-aligned economic activities. Unless otherwise indicated, the data provided in this declaration refers to all companies included in the scope of consolidation with the exception of the sales location newly opened in India in 2023 (which currently does not yet have any employees). The period under report is the 2023 financial year. The data for the locations of Natech Plastics, Inc. have been included from the date of first-time consolidation as of July 1, 2023. STRATEC has based its CSR reporting on the Global Reporting Initiative (GRI) standards.

Corporate Social Responsibility

Since its foundation more than 40 years ago, a responsible mindset and sustainable operations have been one of the foundations enabling STRATEC to grow from a small startup into what is now a company with global operations. By implementing sustainability topics in its corporate strategy, STRATEC is accounting for its responsibility towards society. Given the high priority accorded to them, corporate social responsibility topics are managed at the STRATEC Group by the Board of Management, which discusses these and formulates suitable targets with and on behalf of the members of the first management tier and for the management at subsidiaries. Within the Supervisory Board, Dr. Hiller has been appointed as the member responsible for topics relating to corporate social responsibility. Furthermore, STRATEC has established an ESG (Environmental Social Governance) Board. This comprises the managers responsible for those company divisions that are especially relevant to sustainability aspects (Procurement, Human Resources, Manufacturing, Legal & Compliance, Quality Management, Project Management, Investor Relations, Sustainability, Corporate Communications) and further employees in specialist functions. Together with the managers responsible for the risk management system described in Section D, the ESG Board addresses topics which include the materiality and risk analyses in the field of corporate social responsibility. In addition, the ESG Board identifies potential improvements for sustainability and oversees the introduction of measures aimed at achieving defined targets (as well as monitoring target achievement). Materiality aspects relevant to corporate social responsibility are continually evaluated and adapted in line with changing circumstances. The opportunities and risks associated with corporate social responsibility are regularly assessed and continually monitored within the risk management system. To date, no risks meeting the definition provided in § 289c (3) Nos. 3 and 4 HGB ('very probable' & 'severely negative') have been identified.

STRATEC divides the topics relevant to corporate social responsibility into three dimensions. For each dimension, a materiality analysis was performed to evaluate the 'double materiality' defined in § 289c HGB. On this basis, the individual matters requiring report and key performance indicators have been derived for each dimension. The dimensions relevant to STRATEC are:

- ECONOMIC OPERATIONS
  for long-term growth
- ECOLOGICAL RESPONSIBILITY
  for tomorrow's world
- SOCIAL RESPONSIBILITY
  towards people and society

Economic operations

We see economic operations as a core element of our company's long-term business success. Our strategic objective is to generate growth that is sustainable, ecological, socially responsible, and permanently higher than the sector average. At the same time, as an innovation leader STRATEC aims to make a valuable contribution towards further technological advances in various areas of life sciences and diagnostics.

Ecological responsibility

STRATEC has implemented extensive measures enabling it to meet its ecological responsibility. STRATEC's business activities are performed in compliance with current environmental legislation, local laws and ordinances, and recommended guidelines.

The company ensures that resources are put to economical use in all relevant processes – from forward-looking, resource-efficient product design, via measures to reduce greenhouse gas emissions, through to environmentally-friendly waste disposal. STRATEC's objective here is to detect savings potential and render this measurable for the purpose of assessing target achievement by working with defined key figures.

The aspects with double materiality recorded in the ecological responsibility section of the materiality analysis comprise the topics of climate protection and emissions.

Social responsibility

STRATEC's success is driven by its employees with their individual skills, wealth of ideas, and outstanding motivation. It is their work and the resultant innovations that facilitate the company's successful and sustainable development. As a group of companies with operations worldwide and 1,522 employees (including temporary staff and trainees), STRATEC is aware of its social and ecological responsibilities.

The aspects with double materiality recorded in the social responsibility section of the materiality analysis comprise the following topics: employee concerns, employer attractiveness and employee recruitment, occupational health and safety, topics relating to human rights, and measures taken to combat corruption and bribery. However, no double materiality has been identified for the social concerns aspect. The associated reporting is therefore provided on a voluntarily basis.

Stakeholder engagement

STRATEC defines its stakeholders as those persons, companies, institutions, and interest groups that may influence the company's performance or themselves be influenced by its decisions. These include customers, employees, shareholders, lenders, suppliers, other business partners, local authorities/residents, the media, authorities, associations, research institutions, rating agencies, and lawmakers.

STRATEC attaches great importance to remaining regularly in dialog with its stakeholders. Only this way is it possible to identify the interests of the respective stakeholders and address important concerns. This dialog with stakeholders is conducted, for example, by way of active investor relations and press activities, specialist fairs, social media, regional and national newspapers, membership in industry associations, employee events, questionnaires, and endowed professorships at and cooperations with universities.

Signatory to the UN Global Compact

STRATEC is a signatory to the UN Global Compact of the United Nations, the world's largest initiative for sustainable and responsible corporate governance. As a signatory, STRATEC is committed to upholding the ten principles of the UN Global Compact, which include the topics of human rights, work, environment, and combating corruption. Furthermore, STRATEC supports the UN's 2030 Agenda for Sustainable Development and the 17 associated goals (Sustainable Development Goals). The activities and information presented in this report have therefore been designated with one of the following symbols in cases where they are significant to, or associated with one of the 17 Sustainable Development Goals.

Producer of medical products

The right to a standard of living that ensures good health and well-being is a fundamental human right under the Universal Declaration of Human Rights of the United Nations. As a designer and manufacturer of automation solutions for in-vitro diagnostics, STRATEC supports its partners in their mission to improve the health of people around the world. Providing innovative, reliable, and high-quality healthcare products is therefore part of the core business at the STRATEC Group. STRATEC accounts for this responsibility with its comprehensive and certified quality management system. Details about the quality management system can be found in the preceding sections of this management report.

Environmental concerns

Ecological responsibility enjoys high priority at the STRATEC Group and forms a fundamental aspect of our quality management – from forward-looking resource-efficient product design, via measures to avoid and offset greenhouse gas emissions, through to environmentally-friendly waste disposal. The STRATEC Group's impact on its environment relates in particular to its greenhouse gas emissions.

Key risks to the company's own business activities as a result of environmental concerns particularly include interruptions to production or disruptions in the supply chain due to increasing numbers of extreme weather events in connection with global climate change.

Climate protection and emissions

One of the greatest risks and challenges of the 21st century is the further advance of climate change and the resultant implications for current and future generations. Examples worth mentioning in this respect are rising sea levels, extreme heatwaves, drought, and the resultant loss of harvests and water shortages. STRATEC therefore attaches great importance to protecting the climate and the associated need to cut greenhouse gas emissions.

STRATEC records, analyzes, and manages its greenhouse gas emissions on a group-wide basis. It bases its recording of greenhouse gas emissions on the internationally recognized Greenhouse Gas Protocol (GHG) and therefore breaks its emissions down into the following three categories:

Scope 1: Direct emissions from proprietary sources or sources controlled by STRATEC. At STRATEC, this category includes emissions in connection with building heating (gas and heating oil) and its vehicle pool.

Scope 2: Indirect emissions resulting from external energy procurement. At STRATEC, this involves the procurement of electricity.

Scope 3: Other emissions sources that are not within the company's control but which are associated with its business activities. In this category, STRATEC records emissions arising in connection with purchased goods, upstream logistics, the upstream energy chain, work-related flights, waste disposal, and its employees' journeys to and from work.

STRATEC's current science-based climate target is based on the agreements reached in the Paris Climate Agreement in order to limit global warming to significantly less than 2°C. Without accounting for offsetting measures, by 2030 the STRATEC Group therefore aims to reduce its absolute greenhouse gas emissions (Scopes 1 and 2) by 30% compared with 2019. In response to the increasing urgency of global climate protection, however, in December 2022 the Board of Management of STRATEC decided to significantly further step up its climate protection ambitions. In this regard, the STRATEC Group plans to translate its existing climate target into a 1.5°-compatible target by December 21, 2024 and to have this reviewed by the Science Based Targets initiative (SBTi) on the basis of scientific calculations.

One key aspect of STRATEC's efforts to achieve the emissions targets set involves procuring electricity from renewable sources. At its Birkenfeld location (DE), the company has generated green electricity with photovoltaics systems since 2011 already. Solar modules with total nominal capacities of 330 kWp are installed at the Birkenfeld location. At the Beringen location (CH), green electricity has been supplied since 2016 by a photovoltaics system with a nominal capacity of 95 kWp. These systems generated a total of 412,943 kWh of green electricity in the 2023 financial year. Of this, the proportion of own use amounted to around 51% in the 2023 financial year. With the exception of the US locations, moreover, in the 2020 financial year the Group already converted nearly all of its electricity supply to CO_2-neutral green electricity from alternative energy sources (mainly wind power and hydro-electricity).

Not only that, since 2020 STRATEC has offset unavoidable Scope 1 and 2 emissions by supporting certified climate protection projects.

As well as procuring green electricity, another aspect that plays a key role in the STRATEC Group's efforts to reduce its CO_2 emissions in absolute terms is that of building energy efficiency. In planning the new building and extensions at the company's headquarters in Birkenfeld (construction period: 2018 to 2020), for example, STRATEC ensured optimized exterior insulation and energy-efficient light systems. Furthermore, windows with enhanced heat insulation and a central air-conditioning system with an air heat exchanger were installed. These measures continued to promote energy efficiency in the 2023 financial year. In addition, an energy audit was performed at the Birkenfeld location in the 2023 financial year in order to identify potential savings and address these as appropriate.

Back in the 2021 financial year STRATEC also drew up a concept for gradually electrifying the vehicle pool at the company's headquarters in Birkenfeld. The aim is to increase the share of partly and fully electric vehicles from 20% in 2021 to 50% by 2024 and to ensure that the share of fully electric vehicles is as high as possible. The share of partly and fully electric vehicles already reached 48.9% in the 2023 financial year, up from 31% in the previous year.

Energy consumption[1]

	2023	2022	Change
Gas consumption (MWh)	2,118.0	2,270.7	-6.7 %
per 1,000 employees[2]	1,393.4	1,586.8	-12.2 %
Heating oil (MWh)	25.3	0	–
per 1,000 employees[2]	16.6	0	–
Electricity consumption (MWh)	6,864.6	6,106.1	+12.4 %
per 1,000 employees[2]	4,516.2	4,267.0	+5.8 %
of which procured from renewable sources	5,845.9	5,818.8	+0.5 %
of which procured from non-renewable sources	808.3	89.3	+805.2 %
of which self-generated from renewable sources	210.5	198.0	+6.3 %
Total (MWh)	**9,008.0**	**8,376.8**	**+7.5 %**
per 1,000 employees[2]	5,926.3	5,853.8	+1.2 %
Fuel consumption in vehicle pool (l)	97,283	81,086	+20.0 %

[1] Data partly based on estimates, as not all data was yet available for some group companies at the reporting date due to the respective invoicing periods
[2] Based on average number of employees in financial year including temporary staff and trainees

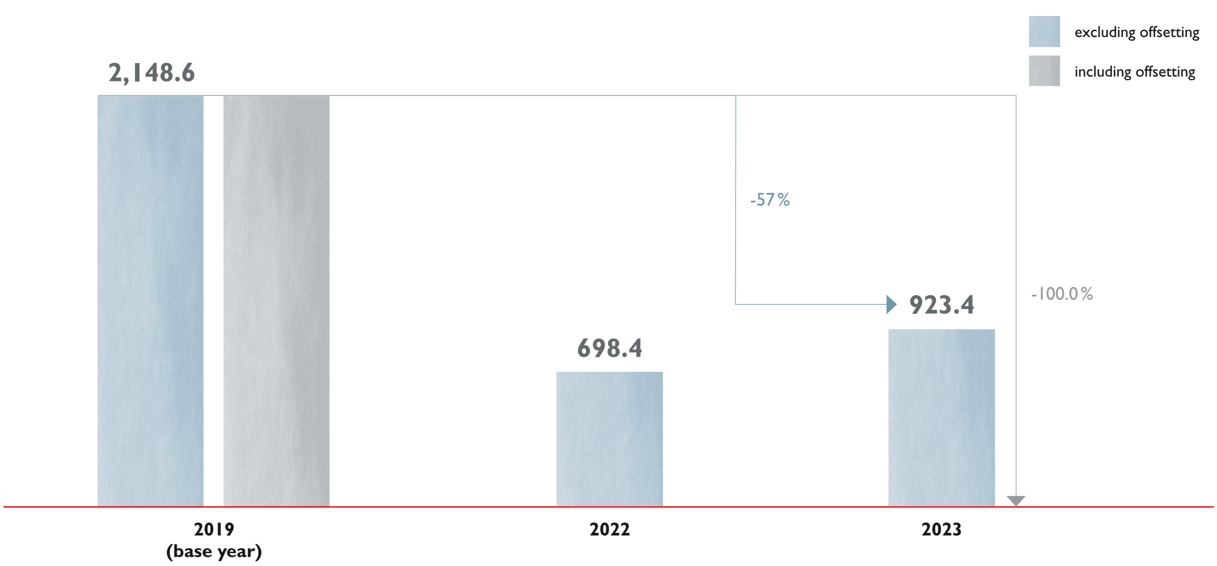
The STRATEC Group's total energy consumption in the form of gas, heating oil, and electricity amounted to 9,008.0 MWh in the 2023 financial year and was thus 7.5 % higher than in the previous year (8,376.8 MWh). While gas consumption fell due to the savings measures initiated and a further mild winter, electricity consumption rose by 12.4 %, with this being due in particular to the first-time consolidation of Natech Plastics, Inc. (electricity consumption of 737.6 MWh). The use of heating oil, which was not included in the previous year, is also attributable to the acquisition of Natech Plastics, Inc. The significant year-on-year increase in fuel consumption in the vehicle pool is due on the one hand to the acquisition of Natech Plastics, Inc. and should on the other hand be viewed in connection with the rise in travel volumes in the 2023 financial year due to the end of the COVID-19 pandemic.

Scope 1 and Scope 2 Emissions in tonnes (CO_2 equivalents)[1]

	2023	2022	Change
Scope 1			
Combustion at stationary plants[4]	394.7	459.3	-14.1 %
• of which offset	394.7	459.3	–
• per 1,000 employees[3] (excluding offsetting)	259.7	321.0	-19.1 %
Combustion at mobile plants[5]	244.4	207.4	+17.8 %
• of which offset	244.4	207.4	–
• per 1,000 employees[3] (excluding offsetting)	160.8	144.9	+11.0 %
Scope 2 (market-based)			
Purchased electricity[3]	284.3	31.7	+796.8 %
• of which offset	284.3	31.7	–
• per 1,000 employees[3] (excluding offsetting)	187.0	22.2	+742.3 %
Total Scope 1 and 2	**923.4**	**698.4**	**+32.2 %**
• of which offset	**923.4**	**698.4**	**–**
• per 1,000 employees[3] (excluding offsetting)	**607.5**	**488.1**	**+24.5 %**
Total Scope 1 and scope 2 (after offsetting)	**0.0**	**0.0**	**–**

[1] Data partly based on estimates, as not all data was yet available for some group companies at the reporting date due to the respective invoicing periods
[2] Based on average number of employees in financial year including temporary staff and trainees
[3] Scope 2 emissions calculated using the location-based method amount to 1,376.7 tonnes of CO_2 equivalents (previous year: 1,083.3 tonnes of CO_2 equivalents)
[4] Gas and oil consumption in building heating systems
[5] Fuel consumption in vehicle pool

Comparison with previous year and base year: total scope 1 and scope 2 emissions in tonnes (CO_2 equivalents)



Due in particular to the conversion of nearly all electricity volumes to renewable energies (photovoltaics, wind power, and hydroelectricity), since the 2019 financial year (base year for climate target) the STRATEC Group has managed to reduce its total Scope 1 and Scope 2 emissions excluding offsetting measures by 57.0% to 923.4 tonnes of CO_2 equivalents. The year-on-year increase in emissions from combustion at mobile plants in the 2023 financial year is due among other factors to the acquisition of Natech Plastics, Inc., as well as to higher fuel consumption in the vehicle pool on account of increased travel activity. The rise in Scope 2 emissions relates almost exclusively to the acquisition of Natech Plastics, Inc. Overall, the STRATEC Group offset 1,800 tonnes of CO_2 equivalents with certified climate protection projects in the 2023 financial year. From this overall budget, corresponding sub-volumes were allocated to Scope 1 and Scope 2 emissions, meaning that these were fully offset once again in the 2023 financial year. The allocation of the remaining budget of offset CO_2 equivalents to the individual sources of Scope 3 emissions is presented in the schedule below.

Scope 3 emissions in tonnes (CO_2 equivalents)[1]

	2023	2022
Purchased goods and services[2]	5,463.1	5,065.6
• of which offset	514.7	735.7
• per € 1,000,000 sales (excluding offsetting)	20.9	18.4
Transport and distribution (upstream)	608.9	465.2
• of which offset	57.4	67.6
• per € 1,000,000 sales (excluding offsetting)	2.3	1.7
Fuel and energy-related emissions (not included in Scope 1 or Scope 2)	192.4	371.2
• of which offset	18.1	53.9
• per 1,000 employees[3] (excluding offsetting)	126.6	259.4
Employee commuting	2,329.0	1,202.8
• of which offset	219.4	174.7
• per 1,000 employees[3] (excluding offsetting)	1,523.2	840.5
Business travel[4]	705.9	468.2
• of which offset	66.5	68.0
• per 1,000 employees[3] (excluding offsetting)	464.4	327.2
Waste volumes	4.2	12.4
• of which offset	0.4	1.8
• per 1,000 employees[3] (excluding offsetting)	2.8	8.7
Total Scope 3	**9,303.6**	**7,585.4**
• of which offset	**876.6**	**1,101.6**
• per € 1,000,000 sales (excluding offsetting)	**35.5**	**27.6**
• per 1,000 employees[3] (excluding offsetting)	**6,120.8**	**5,300.8**
Total Scope 3 (after offsetting)	**8,427.0**	**6,483.8**

1 When recording data and calculating Scope 3 emissions, reference was made to estimates and assumptions. In calculating Scope 3 emissions, an external service provider commissioned for this purpose referred, among other sources, to numerous internationally recognized databases, such as Ecoinvent, International Energy Agency Data Services, Exiobase.
2 The figure stated accounts for circuit boards, printed circuit boards, injection-molded parts, metal or electrical modules (motors, pumps, valves) at the Birkenfeld and Beringen locations, and for plastic granulates at the Anif, Birkenfeld & Beringen locations. The figure stated does not include items such as welded constructions and casings It also does not account for purchased volumes at the Budapest location or at Natech Plastics, Inc., which was acquired in the 2023 financial year.
3 Based on average number of employees in financial year including temporary staff and trainees
4 The figure stated includes flights for the headquarters in Birkenfeld and the locations in Budapest, Anif, and Ronkonkoma.

STRATEC is continually working to enhance the precision of the estimates used to calculate its Scope 3 emissions. Consistent with this approach, a number of enhancements were introduced to the methods used to record and calculate emissions in the 2023 financial year. This means that some figures are only comparable to a limited extent with the previous year's figures. This relates, among other items, to the emissions figures for employee commuting (due to amended emissions factors and updates in the estimated average distances to the workplace). A further extensive project intended to refine the method used to calculate Scope 3 emissions is planned for the 2024 financial year. Within this project, future reporting is to be extended to include additional Scope 3 categories (particularly for downstream emissions).

In the 2023 financial year, 876.6 tonnes of CO_2 equivalents within Scope 3 emissions were offset with certified climate protection projects.

Waste and recycling

STRATEC aims to ensure that resources are treated as sparingly as possible and to use a high share of recyclable materials and packaging.

Careful and correct waste separation is a matter of course for STRATEC, as is the suitable disposal of hazardous goods.

STRATEC distinguishes between several categories of waste to facilitate classification of their environmental relevance. Since 2015, uncritical waste has been separated into municipal waste, cardboard packaging/paper, metal, and timber waste. Waste materials with electronic components, chemicals, and oils are disposed of separately, as is laboratory waste, such as blood samples. For the disposal and recycling of its waste, STRATEC works together closely with specialist waste disposal companies.

In its supply chain as well, STRATEC attaches great value to avoiding waste by working with recyclable materials. To this end, STRATEC has obliged its suppliers to use recyclable packaging. Any exceptions to this requirement have to be explicitly approved by the company. STRATEC also makes use of reusable shuttle containers which are returned to suppliers for reuse following receipt of a delivery.

Waste volumes decreased from 275.5 tonnes in the previous year to 205.5 tonnes in the 2023 financial year. This reduction is due among other factors to the slight reduction in overall production volumes, the extended use of shuttle containers for intragroup deliveries, and a lower volume of laboratory waste at the Budapest location.

Waste volumes in year-on-year comparison in tonnes[1]

	2023	2022	Change
Waste volumes	205.5	275:5	-25.4 %
per 1,000 employees[2]	135.3	192.5	-29.7 %
per € 1,000,000 sales	0.8	1.0	-20.0 %
of which non-hazardous waste (municipal waste, paper and cardboard, metals, timber)	164.9	209.3	-21.2 %
of which hazardous waste (electronics, laboratory waste, waste oil, chemicals, other (e.g. fluorescent lamps))	40.7	66.2	-38.5 %

[1] Data partly based on estimates, as not all data was yet available for some group companies at the reporting date due to the respective invoicing periods
[2] Based on average number of employees in financial year including temporary staff and trainees

Water and wastewater

STRATEC's production sites (Birkenfeld, Beringen, Anif, Budapest) are predominantly located in regions that according to the Aqueduct Water Risk Atlas of the World Resources Institute do not constitute risk areas (Overall Water Risk: Low [0-1]). The two sites of Natech Plastics, Inc., which was acquired in 2023, are the only locations where the overall water risk is higher than lowest risk category (Medium-High [2-3] and Low-Medium [1-2]). Furthermore, apart from the production site in Hungary, STRATEC's production processes only use a relatively low volume of water. Moreover, this water does not remain in the finished products. The volume of wastewater thus corresponds to the volume of water used at all locations with the exception here too of the Hungarian location, which fills a notable volume of reagents and other liquids.

Group-wide water consumption volumes per 1,000 employees amounted to 14,573 m³ in the 2023 financial year (previous year: 15,164 m³).

Water consumption (fresh water) in cubic meters[1]

	2023	2022	Change
Water consumption	22,151	21,700	+2.1 %
per 1,000 employees[2]	14,573	15,164	-3.9 %

[1] Data partly based on estimates, as not all data was yet available for some group companies at the reporting date due to the respective invoicing periods
[2] Based on average number of employees in financial year including temporary staff and trainees

Product-related environmental protection

During appliance development, STRATEC already ensures that its products have a lean and resource-efficient design scheme and that they are made of forward-looking, recyclable materials.

- **Smart design reduces material input**
  When developing product designs, resource input is minimized by working with light construction and limiting the design scheme to the most important components. This has the beneficial side-effect of reducing the cost of materials.

- **Recyclable materials**
  When using stainless steel and aluminum, STRATEC avoids coatings wherever possible, as these mostly involve harmful or critical substances. STRATEC frequently uses thermoplastics as materials due to their good properties in terms of thermal usability. Due to potential contamination, these plastics may not be recycled.

- **Development of consumables**
  When developing consumables, such as pipette tips, reagent vessels or reaction cuvettes, STRATEC uses thermoplastics with good thermal properties and only containing a minimum share of contaminants. Due to potential contamination, however, these plastics may also not be recycled.

- **Development of flat modules**
  In developing flat modules (printed circuit board assemblies – PCBAs), STRATEC ensures that the PCB surface area selected is very small and that the circuit design is optimized in such a way that only two or four copper layers are required. Furthermore, to avoid separate assembly printing the desired information is included in the copper layer. This increases efficiency in module production, reduces the use of machinery, accelerates the galvanic processes, and thus results in a more sustainable approach to using raw materials.

- **Recycling of used consumables**
  When disposing of used consumables, STRATEC ensures that liquid wastes are strictly separated in order to optimize incineration. For all appliances, the residual liquids are sucked out before the plastic components are disposed of as solid waste.

When selecting materials and technologies and procuring components, STRATEC ensures strict compliance with EU Directive 2011/65/EU. This RoHS (Restriction of Hazardous Substances) Directive serves to limit the use of specific hazardous substances in electrical and electronics appliances.

In designing and manufacturing appliances, STRATEC has complied with the necessary substance restrictions since the entry into force of the previous directive 2002/95/EC, which has now been replaced by the new requirements. This means that STRATEC's products already conformed to the RoHS Directive even before this required mandatory application in in-vitro diagnostics. STRATEC identifies further materials limitations in the context of 2011/65/EU, such as those published in the form of delegated legislation, and factors these into its product design, change management, and procurement processes.

STRATEC pursues an analogous proactive approach to materials compliance with regard to European Regulation No. 1907/2006 (REACH Regulation; Registration, Evaluation, Authorisation and Restriction of Chemicals). This way, the company ensures that the materials used to construct appliances do not pose any risk to the people processing, using, or disposing of them and also safeguards the long-term approval, availability, and usability of the appliances on the market. The main components of the products manufactured by STRATEC include aluminum, steel, and semiconductors.

Employee concerns

STRATEC's employees – with their individual skills, wealth of ideas, and outstanding motivation – are the source of the company's success. STRATEC therefore attaches great importance to personnel development, occupational health and safety, and health-related topics. STRATEC has set itself the long-term objective of continually extending its personnel development opportunities and permanently enhancing its occupational health and safety and health promotion activities. A further self-evident aspect of STRATEC's approach involves positioning the company in the labor market as an open, tolerant, and flexible company, and thus as an attractive employer.

Attractiveness as employer and measures to attract employees

STRATEC makes every effort to position itself as an attractive employer both for its existing and for its future employees. One key task for human resources therefore involves offering STRATEC's employees an interesting and attractive working environment.

One way in which we act early to present STRATEC as an attractive employer to young people is by taking part in careers' fairs to raise awareness of the wide variety of activities on offer at the company. We are also active on various social media channels. Furthermore, STRATEC offers training posts to young people in a variety of areas and employs students in the context of internships, student research projects, and dual training and study programs.

With 260 new hires, the STRATEC Group successfully attracted a large number of highly qualified employees once again in the 2023 financial year (previous year: 379). Women accounted for 44.4% of employees newly hired in 2023. A further criterion referred to by STRATEC to assess the attractiveness of its working environment is the voluntary personnel turnover rate. Excluding employees whose temporary contracts expired, employees in their probationary periods, employer-issued redundancies, and employees entering retirement, this figure amounted to 11.8% in 2023.

New hires

	2023	2022
Total new hires	**260**	**379**
of which Women	115	179
of which Men	145	200
of which Employees aged below 30	93	138
of which Employees aged between 30 and 50	142	192
of which Employees aged 50 and older	25	49

Personnel turnover rate

	2023	2022
Voluntary personnel turnover rate[1]	11.8%	9.5%

[1] Excluding employees whose temporary contracts expired, employees in their probationary periods, employer-issued redundancies, and employees entering retirement.

Further training

The wealth of new ideas and willingness to perform shown by our employees are the driving force for developing new, innovative technologies. STRATEC therefore accords high priority to promoting its employees. The company offers its employees individually tailored further development programs which include training for all employees on general topics as well as training courses tailored to the functions and tasks performed in individual departments. Managers also receive a variety of training on personnel management at regular intervals.

As well as being recommended or instructed to take part in training by their managers, employees may themselves also apply to participate in specific training sessions or courses. Further training is also a fixed item at the regular feedback meetings and annual appraisals between employees and their managers.

Occupational health and safety

Occupational health and safety is one key element of STRATEC's responsibility towards its employees and part of its Corporate Compliance Policy. The company's top safety objective is to ensure a working environment that is free of injury and illness, and one that benefits all employees, suppliers, partners, and customers.

STRATEC achieves this by ensuring forward-looking occupational health and safety management. To this end, the company has appointed a safety engineer who is responsible for the topic of occupational safety. The company regularly offers special health protection programs for first-aiders and evacuation assistants, as well as occupational health and training sessions. Work-related accidents are recorded and accident logbook entries are documented to enable suitable measures to be taken to further enhance workplace safety.

The Corporate Compliance Policy obliges all STRATEC Group employees to adhere to the occupational health and safety guidelines and adopt the company's basic approach to these areas. Employees are also required to immediately report any potential safety risks.

In terms of health promotion, the company also implements preventative measures, programs, and courses. These include various sports programs, for example. Not only that, medical checks tailored to employees' specific workplaces are also offered, as are special vaccinations for employees (COVID-19 and influenza).

Work-related accidents

	2023	2022
Work-related accidents[1]	20	6
per 1,000 employees[2]	13.2	4.2
Lost time injury frequency (LTIF) rate[3]	8.2	2.8
of which severe work-related accidents[4]	0	0

[1] Based on GRI definition (work-related accidents leading to absence on day after)
[2] Based on average number of employees in financial year including temporary staff and trainees
[3] Number of work-related accidents leading to absence on day after per million working hours (including temporary staff and trainees). The calculation of working hours is partly based on estimates.
[4] Based on GRI definition (work-related accidents in which the employee does not regain his/her previous state of health within six months)

The total number of work-related accidents leading to absence on the day after the accident per 1,000 employees rose from 4.2 in the previous year to 13.2 in 2023. The resultant accident frequency rate amounts to 8.2 per million working hours. As in the previous year, no severe work-related accidents were reported in the 2023 financial year. To keep the number of avoidable accidents as low as possible in future as well, individual accidents are analyzed and suitable measures taken to minimize the risk of such accidents recurring.

Sickness quota

	2023	2022
Sickness quota in %	4.8[1]	4.6

[1] Excluding locations at Natech Plastics, Inc., which was consolidated for the first time as of July 1, 2023.

The sickness quota for the STRATEC Group, i.e. the number of working days missed due to sickness as a proportion of planned working time, increased slightly from 4.6% in the previous year to 4.8% in the 2023 financial year. The development in the sickness quota is particularly dependent on seasonal factors, such as the varying intensity, frequency, and duration of any influenza outbreaks.

Working hour regulations, family and work

The STRATEC Group offers its employees flexible working hours and flexi-time arrangements. Part-time models are also available and particularly benefit employees with children. This makes it easier for them to return to work and may lead to full-time employment at a later date. Throughout the STRATEC Group, employees who find themselves in unforeseeable situations are supported by being granted individual working hour models. In the course of the COVID-19 pandemic and since then as well, extended regulations have been introduced for employees with children to provide them with flexible working hours and facilitate mobile work. This way, they were assisted in meeting their work and family commitments at times when childcare services were not always available. In the 2023 financial year, a total of 36 female and 31 male employees took parental leave or comparable periods of leave.

Diversity

Innovation driven by diversity – STRATEC views a diverse workforce as a great source of added value. A wide range of personal and cultural diversity is seen as a force driving innovation and enabling the company to respond more closely and swiftly to technological changes and customers' needs. Maintaining an open and tolerant corporate culture is therefore a matter of course for STRATEC. It also makes it easier for the company to attract highly qualified employees, particularly at times when specialists are in short supply.

STRATEC treats all employees equally and provides them with the same career opportunities irrespective of their age, disability, chronic illnesses, ethnic origin, religious affiliation, gender, sexual identity, or of any other reasons for potential discrimination. The Corporate Compliance Policy obliges all employees worldwide to behave with respect and in compliance with legal requirements towards their employees, colleagues, business partners, customers, and the authorities.

In practice, diversity is lived on a top-down basis

STRATEC is aware that its managers have a key role to play in promoting diversity and inclusion. In view of this, diversity is actively promoted in practice by STRATEC's Board of Management.

One key focus here as well is on raising the share of management positions held by women. To this end, in 2020 the company set targets for the share of women on the first and second management tiers below the Board of Management at the parent company of the STRATEC Group. The share of women in the first management tier is to be increased to 25.0% by December 31, 2024. As of December 31, 2023, women accounted for 16.7% of managers in the first management tier. For the second management tier below the Board of Management, the company has set a target of 20.0% to be achieved by December 31, 2024; as the labor market is still very robust and given the low number of women newly graduating from technology-related courses at universities, the company still fell significantly short of this target as of December 31, 2023.

To further raise the share of women in management tiers, the company is continually taking additional measures. In 2019, for example, a training program aimed at raising awareness for diversity and inclusion among all of the Group's managers was held for members of the first and second management tiers. Further measures to increase diversity were drawn up and implemented once again in the 2023 financial year. In 2023, for example, a program aimed at increasing diversity in management positions was developed and implemented worldwide in 2023. This included components such as training for women in management positions, diversity awareness training for all management staff, and the compilation of a diversity portal with resources for all employees. This program will be further promoted in 2024, with one focus on introducing management groups aimed at further raising diversity awareness.

Percentage of female employees

	2023	2022
Female employees in %	36.1	33.7

Women's share of the STRATEC Group's total workforce rose from 33.7 % in the previous year to 36.1 % in the 2023 financial year.

With regard to the diversity concept for the composition of the Board of Management and Supervisory Board, reference is made to the Corporate Governance Statement, which is available at the company's website at www.stratec.com > Investors >Corporate Governance.

Social commitment

As a company with global operations but regional roots, the STRATEC Group is aware of its social responsibility on both global and local levels. STRATEC therefore regularly supports both regional and global charities, healthcare and education organizations, conservation organizations, and associations. In 2023, the organizations which STRATEC supported with financial donations once again included: Plan International, Erde der Kinder e.V., Kinderhospiz Sterneninsel e.V., die Familienherberge Lebensweg, and Birkenfeld Fire Brigade.

Furthermore, STRATEC supports its employees in their commitment to charitable organizations or voluntary activities. The company offers leave to employees for the time they need to donate blood or thrombocytes, as well as for training sessions and deployment at aid organizations.

No donations whatsoever were made to political parties, lobbyists, or comparable organizations in the 2023 financial year or in previous years.

Corporate Compliance and measures to combat corruption and bribery

Any incidence of corruption, bribery or other illegal actions within the STRATEC Group may impact on the company's reputation and its existing and future business relationships. Corruption also has enormously negative implications for society as a whole, as well as for political integrity, and general prosperity.

Measures to prevent corruption, bribery, and any other violations of the law therefore form an integral component of STRATEC's understanding of compliance and of its compliance management system. At STRATEC, compliance-related measures are summarized in its Corporate Compliance Policy, which is binding for all employees, line managers, and executives throughout the Group and is communicated in regular mandatory training. In this respect, compliance with a variety of legal systems and statutory regulations is just as important as adherence to ethical principles. Core elements of STRATEC's Corporate Compliance Policy include the following:

- A basic explanation of STRATEC's understanding of compliance, as well as an explanation of the compliance management system
- Preventing corruption, i.e. upholding the integrity necessary in business dealings, and in particular the prohibition of any illegitimate exercising of influence
- Information and assistance for compliance with all requirements set out by the law and the respective authorities, as well as with internal requirements
- Assistance to avoid conflicts of interest
- The obligation to provide a fair and respectful working environment at the company
- Assistance to avoid conflicts of interest between private and business matters
- Compliance with the applicable legal requirements in Germany and abroad
- Copyright and license conformity
- Regular training of employees and information material on the intranet
- Respectful and professional conduct at the company
- Opportunities to report suspected breaches of compliance.

The Corporate Compliance Policy can be viewed on the company's website at www.stratec.com/company/about-us/corporate-compliance.

STRATEC expects all of its employees, line managers, and executives to adhere to compliance requirements and to ensure that all business decisions and actions taken in their areas of responsibility are consistent with relevant legal requirements and the Corporate Compliance Policy and also serve the company's best interests. To this end, the company aims to ensure that all new employees are trained in person by the compliance department at company headquarters or the relevant local compliance officer with regard to the Corporate Compliance Policy within three months of joining the company. Training is provided to all full-time and part-time employees, as well as to all interns, trainees, and freelance employees at all locations. In addition to initial training provided to individuals coming into contact with the Corporate Compliance Policy for the first time, mandatory training is also provided at regular intervals to STRATEC's existing workforce. This is intended on the one hand to inform employees about the latest developments in this area while on the other hand creating a permanent awareness of compliance among employees.

STRATEC's compliance system is continually being enhanced and optimized. Moreover, regular compliance summits are held to which all active compliance officers are invited in order to share their experiences and receive further training. A further component of STRATEC's compliance management system involves the annual meeting of the Compliance Board, which comprises six permanent members and two alternating members whose specialist departments at STRATEC are assessed as potentially being exposed to risks. This body discusses and decides on compliance targets and separate relevant topics. The risk reports compiled by compliance officers at individual locations form the basis for the compliance report provided to the Board of Management. The Board of Management discharges its reporting duties towards the Supervisory Board.

An anonymous whistleblowing system enabling employees or other parties to notify the company of any breaches of regulations or legal requirements has been in place since 2017. In 2023, the system was extended to include an online tool that is available to the public via the company's website. A total of 14 notifications was received via the anonymous whistleblowing system and other channels in 2023 (previous year: 13). Of these 14 notifications, two cases were classified as not being relevant to compliance. The other 12 cases were assessed as uncritical or, at most, forwarded for investigation either by local compliance officers or the Global Compliance Officer. The resultant measures involved talks with the individuals involved, reviewing and clarifying internal regulations, and agreements with the Human Resources department.

Respecting human rights

STRATEC is committed to the Human Rights' Charter of the United Nations and, via its Board of Management, is a signatory of the UN Global Compact. It provides employees throughout the Group with a high degree of social security and performance-based remuneration. The group-wide Corporate Compliance Policy ensures that all employees behave with respect and in compliance with legal requirements within the STRATEC Group and in their dealings with employees, colleagues, business partners, customers, and the authorities. The company's approach towards human rights and employee rights is laid down in guidelines that are mandatory throughout the Group. The Board of Management of STRATEC SE is informed about human rights-related topics in the annual compliance report. Furthermore, the ESG Board also performs an advisory function towards the Board of Management in this respect.

To create an even clearer focus on respecting human rights and raise awareness among all of STRATEC's employees, STRATEC has compiled its own Human Rights Strategy. This also involves reviewing and aligning relevant processes, documents, and the risk management system to the requirements of the German Supply Chain Due Diligence Act (LkSG). Although STRATEC is not yet within the scope of the LkSG Act, the company aims to meet the obligations resulting from this legislation today already.

Even though STRATEC's suppliers predominantly operate in western industrial economies, it is not possible to fully exclude the risk of human rights' breaches, particular in the upstream supply chain. STRATEC therefore expects its suppliers to meet the same standards in terms of safeguarding and complying with human rights.

To this end, all suppliers relevant to the company's production activities have been contractually obliged to abide by STRATEC's generally valid Code of Conduct, which is based on the guidelines of the UN Global Compact, the conventions of the ILO, the UN Declaration of Universal Human Rights and Children's Rights, and the OECD Guidelines for Multinational Enterprises. Furthermore, sanction list, watch list and blacklist screenings are performed whenever contracts are initiated with new business partners. Furthermore, in 2023 STRATEC extended its supplier audit process to include additional aspects addressing the protection of human rights. These will be applied in audits from 2024 onwards.

No breaches of human rights were identified within the STRATEC Group or its supply chain in the 2023 financial year or the preceding financial years.

Reporting pursuant to EU Taxonomy Regulation

One key objective of the EU's Action Plan on Sustainable Finance is to steer capital flows towards sustainable investments. Against this backdrop, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulation (EU) 2019/2088 (hereinafter 'Taxonomy Regulation') has taken effect. This provides a uniform and legally binding system of classification to determine which economic activities in the EU are to be considered as 'environmentally sustainable'. The results of this classification have to be reported annually on a company-specific basis.

Article 9 of the Taxonomy Regulation lists the following six environmental objectives:

a) Climate change mitigation
b) Climate change adaptation
c) Sustainable use and protection of water and marine resources
d) Transition to a circular economy
e) Pollution prevention and control
f) Protection and restoration of biodiversity and ecosystems.

On November 21, 2023, the EU officially published Delegated Regulation 2023/2486 and Delegated Regulation 2023/2485. These regulations comprise the economic activities for the four remaining environmental objectives and supplements the previously published Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2021/2178.

In classifying an economic activity as 'environmentally sustainable' as defined in the EU Taxonomy Regulation, a distinction has to be made between 'Taxonomy eligibility' and 'Taxonomy alignment'. The first step involves checking whether the respective economic activity is described in the Delegated Regulation and thus Taxonomy-eligible. Only Taxonomy-eligible economic activities may count as 'environmentally sustainable', and then only if specific criteria are met. Accordingly, the second step involves evaluating whether the specific economic activity satisfies the listed technical screening criteria and whether minimum safeguards are complied with. This is a prerequisite for classifying an economic activity as Taxonomy-aligned.

For the 2023 financial year, it is necessary to disclose the shares of turnover (sales), capital expenditure (CapEx) and operational expenditure (OpEx) that are attributable to Taxonomy-eligible and Taxonomy-non-eligible economic activities for all environmental objectives, as well as the respective shares of these key figures attributable to Taxonomy-aligned and Taxonomy-non-aligned economic activities for the first two environmental objectives.

The amounts used to calculate the turnover, CapEx, and OpEx key figures are based on the figures reported in the consolidated financial statements. This calculation basically includes all fully and proportionately consolidated group companies.

STRATEC's activities were assessed in terms of their Taxonomy eligibility for the 2023 financial year. For Taxonomy-eligible economic activities falling within the 'Climate change mitigation' and 'Climate change adaptation' environmental objectives, an analysis was performed to ascertain their Taxonomy alignment.

With regard to the templates pursuant to Annex XII of Delegated Regulation 2021/2178, the company does not have any activities in the fields of electricity generation, combined heat/cooling energy and power generation or heat/cooling energy generation from fossil gas or nuclear energy. There is therefore no requirement to report the gas and nuclear energy tables.

Turnover KPI

The turnover key performance indicator presents the turnover (sales) from Taxonomy-eligible economic activities in a given financial year as a proportion of the total sales in this financial year.

The total sales of € 261,911k in the 2023 financial year provide the denominator for the turnover KPI and are presented in the consolidated income statement.

The sales reported in STRATEC's consolidated income statement (see notes to consolidated financial statements) are investigated across all group companies to ascertain whether they were generated with Taxonomy-eligible economic activities pursuant to Annex I (Climate change mitigation) and Annex II (Climate change adaptation) to Delegated Regulation 2021/2139 and Delegated Regulation (EU) 2023/24, and pursuant to Annex I (Sustainable use and protection of water and marine resources), Annex II (Transition to a circular economy), Annex III (Pollution prevention and control), and Annex IV (Protection and restoration of biodiversity and ecosystems) of Environmental Delegated Regulation 2023/2486 to the Taxonomy Regulation. Based on detailed analysis of the constituent items, the respective sales are allocated if applicable to Taxonomy-eligible economic activities. Due to the entry into effect of the four further environmental objectives, the economic activities 1.2 'Manufacture of electrical and electronic equipment', 5.1 'Repair, refurbishment and remanufacturing', and 5.2 'Sale of spare parts' have been identified as Taxonomy-eligible economic activities within the 'Transition to a circular economy' environmental objective. For sales, the analysis of Taxonomy alignment is not required for the 2023 financial year, as it is only necessary to analyze the Taxonomy eligibility for the four further environmental objectives. This results in Taxonomy-eligible sales (turnover) of € 174,375k and corresponds to Taxonomy eligibility of 66.6%. The Taxonomy alignment of sales (turnover) amounts to 0.0% for the 2023 financial year.

CapEx KPI

Pursuant to Point 1.1.2.2 of Annex I to Delegated Regulation (EU) 2021/2178 Content and Presentation, the CapEx key performance indicators present that share of capital expenditure that

a) Relates to assets or processes that are associated with Taxonomy-aligned economic activities, or
b) Forms part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ('CapEx plan') under the conditions specified in the second subparagraph of this Point 1.1.2.2, or
c) Relates to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, notably activities listed in Points 7.3 to 7.6 of Annex I to the Climate Delegated Act, as well as other economic activities listed in the delegated acts adopted pursuant to Article 10 (3), Article 11 (3), Article 12 (2), Article 13 (2), Article 14 (2) and Article 15 (2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

The calculation of capital expenditure is based on additions to property, plant and equipment, intangible assets, and IFRS 16 right-of-use assets before depreciation, amortization, and any remeasurements for the respective financial year and excluding changes in fair values. Total capital expenditure pursuant to Article 8, Annex I No. 1.1.2.1 of the Taxonomy Regulation amounts to € 52,214k (see respective disclosure in group asset schedule).

Based on a project description of the additions, these items are analyzed to ascertain their Taxonomy eligibility and compared with Annex I (Climate Change Mitigation) and Annex II (Climate Change Adaptation) of Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2023/24, as well as with Annex I (Sustainable use and protection of water and marine resources), Annex II (Transition to a circular economy), Annex III (Pollution prevention and control), and Annex IV (Protection and restoration of biodiversity and ecosystems) of Environmental Delegated Regulation 2023/2486 to the Taxonomy Regulation. The total of additions reflecting Taxonomy-aligned capital expenditure forms the nominator for the CapEx KPI. These additions are calculated based on Taxonomy-eligible capital expenditure of € 7,850k. Taxonomy-eligible capital expenditure includes capital expenditure that is associated with Taxonomy-aligned economic activities (CapEx letter a)) - 1.2 'Manufacture of electrical and electronic equipment'). Furthermore, Taxonomy-eligible capital expenditure includes capital expenditure relating to the purchase of Taxonomy-eligible services and products (CapEx letter c)) in the following categories 6.5 'Transport by motorbikes, passenger cars and light commercial vehicles', 7.3 'Installation, maintenance and repair of energy efficiency equipment', and 7.7 'Acquisition and ownership of buildings' within the 'Climate change mitigation' environmental objective and 1.2 'Manufacture of electrical and electronic equipment' in the 'Transition to a circular economy' environmental objective. This results in Taxonomy-eligible CapEx of 15%. Pursuant to letters a) and c) of Point 1.1.2.2 to Annex I of Delegated Regulation (EU) 2021/2178 Content and Presentation, this capital expenditure can be classified as Taxonomy-eligible. For Taxonomy-eligible capital expenditure within the 'Climate change mitigation' environmental objective, pursuant to letter c) the Taxonomy alignment criteria require fulfilment by the respective business partners. The business partners were unable to provide suitable documentary evidence. The capital expenditure pursuant to letter a), which was identified exclusively in the 'Transition to a circular economy' environmental objective, does not require a Taxonomy alignment assessment for the 2023 financial year. Accordingly, Taxonomy-aligned CapEx amounts to 0.0%.

OpEx KPI

Pursuant to Point 1.1.3.2 of Annex I to Delegated Regulation (EU) 2021/2178 Content and Presentation, the OpEx key performance indicators present that share of operational expenditure that

a) Relates to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalized costs that represent research and development, or
b) Forms part of the CapEx plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe as set out in the second paragraph of this Point 1.1.3.2, or
c) Relates to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures as identified in the delegated acts adopted pursuant to Article 10 (3), Article 11 (3), Article 12 (2), Article 13 (2), Article 14 (2) or Article 15 (2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

The calculation of this KPI is based on total expenditure on direct, non-capitalized research and development expenses, building renovation measures, short-term leases, and maintenance and repairs. Total operational expenditure pursuant to Article 8, Annex I No. 1.1.3.1 of the Taxonomy Regulation amounts to € 9,642k.

Pursuant to Article 8, Annex I No. 1.1.3.2 of the Taxonomy Regulation, the nominator of the OpEx KPI is obtained by analyzing the aforementioned expenditure relating to Taxonomy-aligned economic activities. In the first step, Taxonomy-eligible operational expenditure of € 662k was identified. This comprises operational expenditure in connection with the Taxonomy-eligible economic activities (OpEx category a) - 1.2 'Manufacture of electrical and electronic equipment' within the 'Transition to a circular economy' environmental objective and operational expenditure in connection with 7.3 'Installation, maintenance and repair of energy efficiency equipment' within the 'Climate change mitigation' environmental objective. This corresponds to Taxonomy eligibility of 6.9%. Pursuant to letter c) of Point 1.1.3.2 of Annex I to Delegated Regulation (EU) 2021/2178 Content and Presentation, this operational expenditure can be classified as Taxonomy-eligible as it relates to the purchase of output from Taxonomy-eligible economic activities. For this reason, the Taxonomy alignment criteria for the 'Climate change mitigation' environmental objective require fulfilment by the respective business partners. The business partners were unable to provide suitable documentary evidence. For the 'Transition to a circular economy' environmental objective, the Taxonomy alignment does not yet have to be assessed for the 2023 financial year. Accordingly, the Taxonomy-aligned OpEx KPI amounts to 0.0%.

When calculating the aforementioned key performance indicators, any double counting of economic activities was avoided by performing various audit steps, including documenting data generation and safeguarding the reconcilability of the figures with the other financial information.

Key performance indicators for EU Taxonomy – 2023 turnover

Economic activities	Codes	2023 Turnover (€ 000s)	2023 Proportion of turnover, year 2023 (%)	Substantial contribution criteria: Climate change mitigation (Y;N;N/EL)	Climate change adaptation (Y;N;N/EL)	Water and marine resources (Y;N;N/EL)	Circular economy (Y;N;N/EL)	Pollution (Y;N;N/EL)	Biodiversity (Y;N;N/EL)
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (taxonomy-aligned)									
		–	–	–	–	–	–	–	–
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
of which enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which transitional		0.0	0.0%	0.0%					
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
				(EL; N/EL)	**(EL; N/EL)**	**(EL; N/EL)**	**(EL; N/EL)**	**(EL; N/EL)**	**(EL; N/EL)**
Manufacture of electrical and electronic equipment	CE 1.2	110,801.2	42.3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Repair, refurbishment and remanufacturing	CE 5.1	793.0	0.3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Sale of spare parts	CE 5.2	62,780.2	24.0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**174,374.5**	**66.6%**	**0.0%**	**0.0%**	**0.0%**	**66.6%**	**0.0%**	**0.0%**
A. Turnover of taxonomy eligible activities (A.1+A.2)		**174,374.5**	**66.6%**	**0.0%**	**0.0%**	**0.0%**	**66.6%**	**0.0%**	**0.0%**
B. Taxonomy-non-eligible activities									
Turnover of taxonomy-non-eligible activities		87,536	33 %						
Total (A+B)		**261,911**	**100%**						

Y = Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N = No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL = not eligible, Taxonomy non-eligible activity for the relevant environmental objective
EL = Taxonomy eligible activity for the relevant objective

Table according to footnote (c) of Environmental DA Annex V

	Proportion of turnover/Total turnover: aligned per objective	Proportion of turnover/Total turnover: eligible per objective
CCM	0.0%	0.0%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	66.6%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

DNSH criteria ('Does Not Significantly Harm')									
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity (Y/N)	Minimum safeguards (Y/N)	Proportion of taxonomy aligned (A.1) or eligible (A.2) turnover, year 2022 (%)	Category (enabling activity) (E)	Category (transition activity) (T)
–	–	–	–	–	–	–	–		
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
–	–	–	–	–	–	–	–		
							–		
							–		
							–		
							–		
							–		

Key performance indicators for EU Taxonomy – 2023 CapEx

Economic activities	Codes	2023 CapEx (€ 000s)	Proportion of CapEx, year 2023 (%)	Substantial contribution criteria: Climate change mitigation (Y;N;N/EL)	Climate change adaptation (Y;N;N/EL)	Water and marine resources (Y;N;N/EL)	Circular economy (Y;N;N/EL)	Pollution (Y;N;N/EL)	Biodiversity (Y;N;N/EL)
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (taxonomy-aligned)									
		–	–	–	–	–	–	–	–
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
of which enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which transitional		0.0	0.0%	0.0%					
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
				(EL; N/EL)	**(EL; N/EL)**	**(EL; N/EL)**	**(EL; N/EL)**	**(EL; N/EL)**	**(EL; N/EL)**
Manufacture of electrical and electronic equipment	CE 1.2	2,311.8	4.4%	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	699.4	1.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	4,828.9	9.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	10.4	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	–	–	–	–	–	–	–	–
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**7,850.5**	**15.0%**	**10.6%**	**0.0%**	**0.0%**	**4.4%**	**0.0%**	**0.0%**
A. CapEx of taxonomy eligible activities (A.1+A.2)		**7,850.5**	**15.0%**	**10.6%**	**0.0%**	**0.0%**	**4.4%**	**0.0%**	**0.0%**
B. Taxonomy-non-eligible activities									
CapEx of taxonomy-non-eligible activities		44,364	85%						
Total (A+B)		**52,214**	**100%**						

Y = Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N = No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL = not eligible, Taxonomy non-eligible activity for the relevant environmental objective
EL = Taxonomy eligible activity for the relevant objective

Table according to footnote (c) of Environmental DA Annex V

	Proportion of CapEx/Total CapEx: aligned per objectiv	eligible per objective
CCM	0.0%	10.6%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	4.4%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

DNSH criteria ('Does Not Significantly Harm')									
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity (Y/N)	Minimum safeguards (Y/N)	Proportion of taxonomy aligned (A.1) or eligible (A.2) CapEx, year 2022 (%)	Category (enabling activity) (E)	Category (transition activity) (T)
–	–	–	–	–	–	–	–		
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
–	–	–	–	–	–	–	–		
							0.9%		
							22.4%		
							0.1%		
							0.1%		
							23.5%		
							23.5%		

Key performance indicators for EU Taxonomy – 2023 OpEx

Economic activities	Codes	2023 OpEx (€ 000s)	2023 Proportion of OpEx, year 2023 (%)	Substantial contribution criteria: Climate change mitigation (Y;N;N/EL)	Climate change adaptation (Y;N;N/EL)	Water and marine resources (Y;N;N/EL)	Circular economy (Y;N;N/EL)	Pollution (Y;N;N/EL)	Biodiversity (Y;N;N/EL)
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (taxonomy-aligned)									
		–	–	–	–	–	–	–	–
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
of which enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which transitional		0.0	0.0%	0.0%					
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
				(EL; N/EL)	(EL; N/EL)	(EL; N/EL)	(EL; N/EL)	(EL; N/EL)	(EL; N/EL)
Manufacture of electrical and electronic equipment	CE 1.2	509.5	5.3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	17.0	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	74.8	0.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	60.3	0.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	–	–	–	–	–	–	–	–
Electricity generation using solar photovoltaic technology	CCM 4.1	–	–	–	–	–	–	–	–
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**661.6**	**6.9%**	**1.6%**	**0.0%**	**0.0%**	**5.3%**	**0.0%**	**0.0%**
A. OpEx of taxonomy eligible activities (A.1+A.2)		**661.6**	**6.9%**	**0.8%**	**0.0%**	**0.0%**	**5.3%**	**0.0%**	**0.0%**
B. Taxonomy-non-eligible activities									
OpEx of taxonomy-non-eligible activities		8,981	93%						
Total (A+B)		**9,642**	**100%**						

Y = Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N = No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL = not eligible, Taxonomy non-eligible activity for the relevant environmental objective
EL = Taxonomy eligible activity for the relevant objective

Table according to footnote (c) of Environmental DA Annex V

	Proportion of OpEx/Total OpEx: aligned per objective	eligible per objective
CCM	0.0%	1.6%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	5.3%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

DNSH criteria ('Does Not Significantly Harm')									
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity (Y/N)	Minimum safeguards (Y/N)	Proportion of taxonomy aligned (A.1) or eligible (A.2) OpEx, year 2022 (%)	Category (enabling activity) (E)	Category (transition activity) (T)
–	–	–	–	–	–	–	–		
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
–	–	–	–	–	–	–	–		
							0.4%		
							0.2%		
							0.0%		
							0.6%		
							0.6%		

Birkenfeld, March 26, 2024

STRATEC SE

The Board of Management

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2023 FINANCIAL YEAR OF STRATEC SE

CONTENTS

CONSOLIDATED BALANCE SHEET
as of December 31, 2023

Assets

€ 000s	Note	12.31.2023	12.31.2022
Non-current assets			
Goodwill	(01)	51,158	36,655
Other intangible assets	(01)	62,130	51,616
Right-of-use assets	(02)	16,490	12,444
Property, plant and equipment	(03)	67,513	61,559
Non-current financial assets	(07)	3,583	3,539
Non-current contract assets	(05)	13,381	16,638
Deferred taxes	(11)	4,347	3,666
		218,602	**186,117**
Current assets			
Inventories	(04)	142,625	117,630
Trade receivables	(06)	58,059	51,730
Current financial assets	(07)	2,047	1,404
Current other receivables and assets	(08)	8,059	10,502
Current contract assets	(05)	1,880	6,115
Income tax receivables	(11)	1,774	1,338
Cash	(26)	33,532	22,668
		247,976	**211,387**
Total assets		**466,578**	**397,504**

Shareholders' equity and debt

€ 000s	Note	12.31.2023	12.31.2022
Shareholders' equity	(09)		
Share capital		12,158	12,158
Capital reserve		36,273	35,145
Revenue reserves		184,100	182,823
Treasury stock		-35	-35
Other equity		830	-4,907
		233,326	**225,184**
Non-current debt			
Non-current financial liabilities	(12)	98,248	84,033
Non-current contract liabilities	(15)	24,181	15,477
Provisions for pensions	(10)	4,317	3,152
Deferred taxes	(11)	10,076	9,412
		136,822	**112,074**
Current debt			
Current financial liabilities	(12)	53,464	15,254
Trade payables	(13)	21,454	10,865
Current other liabilities	(14)	7,230	7,532
Current contract liabilities	(15)	5,936	15,352
Provisions	(16)	1,502	1,291
Income tax liabilities	(11)	6,844	9,952
		96,430	**60,246**
Total shareholders' equity and debt		**466,578**	**397,504**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Period from January 1 to December 31, 2023

€ 000s	Note	2023	2022
Sales	(17)	261,911	274,625
Cost of sales	(18)	-197,066	-195,135
Gross profit		**64,845**	**79,490**
Research and development expenses	(19)	-8,740	-6,873
Sales-related expenses	(20)	-12,344	-12,108
General administration expenses	(21)	-19,255	-18,145
Other operating income and expenses	(22)	-2,119	-1,224
Earnings before interest and taxes (EBIT)		**22,387**	**41,140**
Net financial expenses	(23)	**-4,158**	**-2,052**
Earnings before taxes (EBT)		**18,229**	**39,088**
Taxes on income	(11)	-5,162	-9,865
Consolidated net income		**13,067**	**29,223**
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		-947	2,146
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences from translation of foreign operations		6,684	-3,381
Other comprehensive income (OCI)		**5,737**	**-1,235**
Comprehensive income		**18,804**	**27,988**
Basic earnings per share in €	(24)	**1.07**	**2.41**
No. of shares used as basis (undiluted)		12,155,942	12,131,780
Diluted earnings per share in €	(24)	**1.07**	**2.40**
No. of shares used as basis (diluted)		12,158,841	12,172,854

CONSOLIDATED CASH FLOW STATEMENT
for the 2023 Financial Year

€ 000s	Note	2023	2022
I. Operations			
Consolidated net income (after taxes)		13,067	29,223
Depreciation and amortization		17,693	16,931
Current income tax expenses	(11)	4,884	11,298
Income taxes paid less income taxes received		-8,457	-5,901
Financial income	(23)	-110	-71
Financial expenses	(23)	3,992	1,898
Interest paid		-4,191	-1,599
Interest received		337	132
Other non-cash expenses		4,756	6,752
Other non-cash income		-6,333	-1,708
Change in net pension provisions through profit or loss	(10)	1,022	-2,347
Change in deferred taxes through profit or loss	(11)	278	-1,433
Profit (-) / loss (+) on disposals of non-current assets		366	443
Increase (-) / decrease (+) in inventories, trade receivables and other assets		-12,701	-46,765
Increase (+) / decrease (-) in trade payables and other liabilities		4,822	3,426
Cash flow from operating activities		**19,425**	**10,279**
II. Investments			
Incoming payments from disposals of non-current assets			
• Property, plant and equipment		229	17
• Financial assets		5	5
Outgoing payments for investments in non-current assets			
• Intangible assets	(1)	-9,082	-8,722
• Property, plant and equipment	(3)	-8,342	-10,297
Outgoing payments for acquisition of consolidated companies less cash thereby acquired		-26,965	0
Cash flow from investing activities		**-44,155**	**-18,997**
III. Financing			
Incoming funds from taking up of financial liabilities		60,000	48,000
Outgoing payments for repayment of financial liabilities	(12)	-12,768	-52,328
Incoming payments from issue of shares for employee stock option programs		0	1,744
Dividend payments		-11,790	-11,521
Cash flow from financing activities		**35,442**	**-14,105**
IV. Cash-effective change in cash (net balance of I – III)		**10,712**	**-22,823**
Cash at start of period		22,668	47,184
Impact of exchange rate movements		152	-1,693
Cash at end of period	(26)	**33,532**	**22,668**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 2023 Financial Year

€ 000s	Note	Share capital	Capital reserve
January 1, 2023	(09)	**12,128**	**32,217**
Equity transactions with owners			
• Dividend payment			
• Issue of subscription shares from stock option programs, less costs of capital issue after taxes		30	1,714
Allocations due to stock option programs			1,214
Comprehensive income			
December 31, 2022	(09)	**12,158**	**35,145**
Equity transactions with owners			
• Dividend payment			
Allocations due to stock option programs			1,128
Comprehensive income			
December 31, 2023	(09)	**12,158**	**36,273**

Revenue reserves	Treasury stock	Other equity: Pension plans	Other equity: Currency translation	Group equity
165,121	**-35**	**-2,080**	**-1,592**	**205,759**
-11,521				**-11,521**
				1,744
				1,214
29,223		2,146	-3,381	**27,988**
182,823	**-35**	**66**	**-4,973**	**225,184**
-11,790				**-11,790**
				1,128
13,067		-947	6,684	**18,804**
184,100	**-35**	**-881**	**1,711**	**233,326**

NOTES TO THE CON-SOLIDATED FINANCIAL STATEMENTS

FOR THE 2023 FINANCIAL YEAR OF STRATEC SE

CONTENTS

A. GENERAL DISCLOSURES

General information

STRATEC SE designs and manufactures fully automated analyzer systems for its partners in the fields of clinical diagnostics and biotechnology. Furthermore, the STRATEC Group (hereinafter also 'STRATEC') provides complex consumables for diagnostics and medical applications. In this, the company covers the entire value chain – from development and design through to production and 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.

STRATEC SE, whose legal domicile is at Gewerbestrasse 37, 75217 Birkenfeld, Germany, is a publicly listed corporation under European law and is registered in the Commercial Register in Mannheim, Germany, with the number HRB 732007.

These consolidated financial statements were approved for publication by the Board of Management of STRATEC SE on March 26, 2024.

Basis of preparation

The consolidated financial statements compiled by STRATEC SE as the topmost parent company as of December 31, 2023 have been prepared with due application of § 315e (1) of the German Commercial Code (HGB) in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRS IC) valid and endorsed by the European Union as of the balance sheet date, as well as with the supplementary requirements of German commercial law.

The consolidated financial statements have been compiled in thousand euros (€ 000s). Unless otherwise stated, the amounts reported in the notes to the consolidated financial statements are denominated in thousand euros (€ 000s). Due to numbers being rounded and presented in € 000s, individual figures in the consolidated financial statements of STRATEC SE may not add up exactly to the totals stated and percentage figures may not correlate exactly with the absolute figures to which they refer.

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

The consolidated statement of comprehensive income has been prepared using the cost of sales method. This involves presenting sales alongside the expenses incurred to generate such, which are generally allocated to the functional areas of production, research and development, sales, and general administration.

In the interests of clarity, individual items have been aggregated in the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity. These are explained in the notes to the consolidated financial statements. The consolidated balance sheet has been structured in line with the maturities of the respective assets and liabilities. All assets and liabilities maturing or due to be sold within the next twelve months are classified as current. Assets and liabilities earmarked for realization in the company's usual course of business are also classified as current, even when their maturities exceed twelve months. Liabilities for which STRATEC has a substantive right to defer settlement by at least twelve months after the balance sheet date are classified as non-current. Deferred taxes must generally be recognized as non-current items.

Unless reported otherwise below, the accounting policies applied have not changed since the previous year.

Accounting standards requiring mandatory application for the first time in the current financial year

The following accounting standards and interpretations required mandatory application for the first time in the 2023 financial year:

Standard	Title	Effective date[1]	EU endorsement
New and amended standards and interpretations			
IFRS 17	Insurance Contracts	01.01.2023	11.19.2021
IAS 1, IFRS Practice Statement 2	Amendments: Disclosure of Accounting Policies (and Amendments to IFRS Practice Statement 2)	01.01.2023	03.02.2022
IAS 8	Amendments: Accounting Policies, Changes in Estimates and Errors	01.01.2023	03.02.2022
IAS 12	Amendments: Deferred Tax Related to Assets and Liabilities from a Single Transaction	01.01.2023	08.11.2022
IFRS 17	Amendments: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01.01.2023	09.08.2022
IAS 12	Amendments: International Tax Reform – Pillar Two Model Rules	Immediately and 01.01.2023	09.08.2023

[1] For companies like STRATEC whose financial year corresponds to the calendar year

The application of these standards and interpretations in the 2023 financial year was consistent with the respective transition requirements. Unless explicitly required by individual standards and interpretations and explained separately below, the respective requirements have generally been applied retrospectively, i.e. the information has been presented as if the new accounting methods had always been applied in the past. In these cases – and where called for by the respective standard – the comparative figures have been adjusted accordingly.

The aforementioned amendments did not have any material implications for these consolidated financial statements.

Accounting requirements already published but not yet applied

The IASB and IFRS IC have issued the following standards, amendments and revisions to standards and interpretations which do not yet require mandatory application. Application of the new and revised standards and interpretations is dependent, among other factors, on their acceptance by the European Union within its IFRS endorsement procedure.

Standard	Title	Effective date[1]	EU endorsement
New and amended standards and interpretations			
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current Amendments: Disclosures on Non-Current Liabilities with Covenants	01.01.2024	12.19.2023
IFRS 16	Amendments: Lease Liability in a Sale and Leaseback	01.01.2024	11.20.2023
IAS 7	Amendments: Disclosures on Supplier Finance Arrangements	01.01.2024	outstanding
IAS 21	Amendments: Lack of Exchangeability	01.01.2025	outstanding

[1] For companies like STRATEC whose financial year corresponds to the calendar year

STRATEC does not intend to make any voluntary, premature application of these standards and interpretations or of the relevant amendments.

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

IAS 1 (Presentation of Financial Statements)

The IASB published amendments to IAS 1 (Presentation of Financial Statements) in October 2022. These relate to the classification of liabilities that are subject to covenants. They clarify that covenants which require compliance prior to or as of the balance sheet date may have implications for the classification of the related liabilities as current or non-current. Covenants which merely require compliance after the balance sheet date, by contrast, have no impact on such classification. Rather than being accounted for upon classification, such covenants will in future require disclosure in the notes. Due to the existence of covenants for the overwhelming share of financial liabilities to banks, these amendments will result in additional disclosures in the notes to STRATEC's consolidated financial statements.

B. ACCOUNTING POLICIES APPLIED

Consolidation principles

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

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

Scope of consolidation

In accordance with the requirements of IFRS 10 (Consolidated Financial Statements), the consolidated financial statements of STRATEC SE (parent company) basically include all companies controlled by STRATEC SE (subsidiaries).

Subsidiaries whose implications, both individually and aggregately, are of immaterial significance for the asset, financial, and earnings position are included in the consolidated financial statements at cost, less any impairments, and recognized as investments in associates in the consolidated balance sheet. The financial data of those subsidiaries of immaterial significance cumulatively account for less than 1 % of consolidated sales, group equity, group earnings and total group assets respectively.

Subsidiaries are deconsolidated as soon as STRATEC SE can no longer exercise control. The assets and liabilities of the subsidiary are derecognized in the month of deconsolidation. In the consolidated statement of comprehensive income, earnings from deconsolidation of the subsidiary are presented in the line item 'Earnings from discontinued operations'.

In addition to STRATEC SE the consolidated financial statements as of December 31, 2023 and as of December 31, 2022 include the following subsidiaries by way of full consolidation:

Company	Domicile	Shareholding 12.31.2023	Shareholding 12.31.2022
Germany			
STRATEC Capital GmbH	Birkenfeld, Germany	100%	100%
STRATEC PS Holding GmbH	Birkenfeld, Germany	100%	100%
European Union			
STRATEC Biomedical S.R.L	Cluj-Napoca, Romania	100%	100%
STRATEC Consumables GmbH	Anif, Austria	100%	100%
RE Medical Analyzers Luxembourg 2 S.à r.l.	Luxembourg, Luxembourg	100%	100%
Diatron Medicinai Instrumentumok Laboratóriumi Diagnosztikai Fejlesztő-Gyártó Zrt	Budapest, Hungary	100%	100%
Mod-n-More Kft.	Budapest, Hungary	100%	100%
Other			
STRATEC Switzerland AG	Beringen, Switzerland	100%	100%
STRATEC Biomedical USA, Inc.	Glendale, US	100%	100%
STRATEC Services AG	Beringen, Switzerland	100%	100%
Medical Analyzers Holding GmbH	Zug, Switzerland	100%	100%
STRATEC Biomedical Inc.	Southington, US	100%	100%
Diatron (US), Inc.	Delaware, US	100%	100%
Natech Plastics, Inc.	Ronkonkoma, US	100%	100%
Thal Precision Industries LLC	Clark, US	100%	100%
Diatron MI APAC Private Limited	Delhi, India	100%	100%

Due to its immaterial significance, the following subsidiary has not been included in the consolidated financial statements by way of full consolidation:

Company, domicile	Share capital	Shareholding	Annual earnings[1]
STRATEC Biomedical (Taicang) Co. Ltd., Taicang, China	CNY 814,940	100%	CNY -1,030,838 (2022: CNY 62,076)

[1] The earnings figures reported are based on the annual financial statements prepared in accordance with national accounting requirements as of December 31, 2023 and December 31, 2022.

Company acquisitions

Diatron MI APAC Private Limited

On March 31, 2023, Diatron Medicinai Instrumentumok Laboratóriumi Diagnosztikai Fejlesztő-Gyártó Zrt and Mod-n-More Kft. acquired 99.99% and 0.01% of the shares in Diatron MI APAC Private Limited respectively for a total of INR 100,000 (€ 1k). As Diatron MI APAC Private Limited is purely a shelf company and therefore does not constitute a business pursuant to IFRS 3.3., this acquisition does not represent a company acquisition as defined in IFRS 3 (Business Combinations). The company thereby acquired was fully consolidated as of November 1, 2023.

Natech Group

On June 6, 2023, STRATEC announced the signing of the contract to acquire all the shares in Natech Plastics, Inc., a company based in Ronkonkoma, NY, US, including its wholly-owned subsidiary Thal Precision Industries LLC, Clark, NY, US (hereinafter 'Natech Group'). The acquisition was completed as of July 1, 2023. The shares in Natech Plastics, Inc. are held by STRATEC Biomedical Inc. The companies thereby acquired were fully consolidated as of July 1, 2023.

The Natech Group designs and manufactures highly complex polymer-based consumables for customers in medical technology, in-vitro diagnostics, life sciences, consumer goods, and specialist packaging solutions. The Natech Group also has state-of-the-art production capacities for injection molding and assembly, including cleanroom production. With its complementary product and customer portfolio, together with new target markets, the Natech Group supplements the business model, which focuses on OEM partnerships and offers great potential for further targeted diversification in STRATEC's business. The US production site gained due to the acquisition, which is to be expanded to include system production as well, should enable STRATEC to address customer needs even more effectively in future and further boost its position in this important market. Given STRATEC's already strong market position in smart consumables, particularly in cooperation with the leading companies in the in-vitro diagnostics industry, this acquisition is expected to generate notable synergies in terms of sales and technology.

The fair values of the assets and liabilities identifiable at the Natech Group as of the acquisition date are as follows:

	As of acquisition date € 000s
Assets	
Other intangible assets	8,286
Right-of-use assets	4,419
Property, plant and equipment	6,060
Deferred tax assets	3,214
Inventories	2,376
Trade receivables	895
Financial assets	64
Other receivables and assets	64
Cash	760
Total assets	**26,138**
Liabilities	
Non-current financial liabilities	4,490
Deferred tax liabilities	3,199
Current financial liabilities	1,403
Trade payables	837
Contract liabilities	1,848
Other liabilities	652
Total liabilities	**12,429**
Total identifiable net assets at fair value	**13,709**
Goodwill from company acquisition	14,015
Total consideration	**27,724**

	As of acquisition date € 000s
Breakdown of outflow of cash due to company acquisition	
Cash acquired with the subsidiary (included in cash flow from investing activities)	760
Outflow of cash	-27,724
Actual outflow of cash	**-26,964**

The gross amount of receivables acquired stood at € 919k. Of these receivables, an amount of € 24k was impaired. The receivables stated are expected to be collectible. Due to the predominantly current terms of receivables acquired, their carrying amounts upon acquisition did not deviate to any material extent from their fair values.

The deferred tax claims of € 3,214k comprise the effects of goodwill tax deductibility over a 15-year period. The deferred tax liabilities comprise the effects of temporary differences between the fair values stated for the assets and liabilities identified upon allocation of the purchase price and their respective carrying amounts in the tax balance sheet.

The goodwill recognized primarily results from the synergies referred to above. Of goodwill, an amount of € 27,691k is deductible for tax purposes.

Since the acquisition date, the Natech Group contributed € 7,322k to the STRATEC Group's sales and € -233k to its earnings.

Transaction costs of € 278k were expensed and have been recognized under administration expenses in the consolidated statement of comprehensive income and in the cash flow from operating activities in the consolidated cash flow statement.

If the acquisition of the Natech Group had occurred as of January 1, 2023 then, based on estimates compiled by STRATEC SE, consolidated sales and consolidated earnings would have amounted to € 266.9 million and € 11.9 million respectively. In determining these amounts, STRATEC SE assumed that the adjustments to fair values made as of the acquisition date would also have been applicable if the acquisition had taken place as of January 1, 2023. Due to the depreciation and amortization of assets measured in the context of the purchase price allocation and the inclusion of acquisition-related transaction costs, the meaningfulness of the estimated level of consolidated earnings is only limited.

Currency translation

Transactions in foreign currencies

Transactions in foreign currencies have been translated into the functional currency using the rate on the date of the transaction. On the balance sheet date, monetary items have been translated using the reporting date rate, while non-monetary items have been translated at the rate on the date of the transaction. Differences arising upon currency translation have been recognized through profit or loss in the consolidated statement of comprehensive income, provided that the item in question does not form part of a net investment in a foreign operation.

Translation of financial statements of foreign group companies

With the exception of Medical Analyzers Holding GmbH, Zug, Switzerland, whose functional currency is the euro, the functional currency of all other foreign group companies is the respective national currency, as the companies operate independently in financial, economic and organizational terms.

Assets and liabilities at group companies with functional currencies other than the euro have been translated into euros at the reporting date rate, while income and expenses have been translated into euros using annual average exchange rates. Equity components have been translated at historic rates upon the respective dates of addition from the Group's perspective. The translation difference arising compared with the reporting date rates has been recognized directly in equity in the 'Other equity – Foreign currency translation' item.

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

1 €/		Reporting date rate		Average rate	
		2023	**2022**	**2023**	**2022**
USD	**US**	1.105	1.067	1.081	1.053
CHF	**Switzerland**	0.926	0.985	0.972	1.005
RON	**Romania**	4.976	4.950	4.947	4.931
HUF	**Hungary**	382.800	400.870	381.850	391.290
INR	**India**	91.905		89.300	

Other intangible assets

Other intangible assets are recognized upon addition at cost. The purchase costs of a separately purchased intangible asset particularly comprise the purchase price, less any reductions in the price, plus costs directly attributable to preparing the asset for its intended use. The construction costs of an internally generated intangible asset comprise all costs directly attributable to create, produce and prepare the asset to be capable of operating in the manner intended by the management.

Subsequent measurement is based on the cost model. As all other intangible assets apart from those not yet ready for use currently have limited useful lives, their cost has been amortized in accordance with these, generally using the straight-line method unless the actual decline in their value requires another form of amortization. Furthermore, account is also taken where necessary of impairments (see 'Impairment tests'). If the reasons for impairment no longer apply, the respective assets are written back to a maximum of amortized cost.

Amortization of other intangible assets has been based on the following useful lives:

	Useful lives in years 2023	Useful lives in years 2022
Acquired technologies	7–15	7–15
Internally generated intangible assets		
• **Proprietary development projects**	5–12	5–12
• **Development cooperations and comparable proprietary development projects**	*	*
Acquired patents	12–19	12–19
Acquired trademarks	10	10
Acquired customer relationships	5–12	5–12
Other rights and values		
• **Software and licenses**	1–8	1–8
• **FDA certifications**	8	
• **Prohibitions on competition**	2	

* In respect of the **accounting treatment** of development cooperations within the OEM partnering business model, reference is made to the comments in 'Recognition of sales, cost of sales, research and development expenses' in this section. In respect of the **period** and **method of amortization** applied to the intangible assets resulting from development cooperations within the OEM partnering business model and from comparable 'Proprietary development projects', reference is made to the comments in 'Forward-looking assumptions' in this section.

Property, plant and equipment

Property, plant and equipment are measured upon initial recognition at cost in accordance with IAS 16.15 et seq.

Subsequent measurement is based on the cost model. Accordingly, in subsequent periods the costs recognized are reduced by depreciation, in general using the straight-line method, where the respective assets are depreciable. Furthermore, account is also taken where necessary of impairments (see 'Impairment tests' below). If the reasons for impairment no longer apply, the respective assets are written back to a maximum of amortized cost.

Costs incurred to repair or maintain items of property, plant and equipment have generally been recognized through profit or loss. Costs incurred for measures expected to lead to an inflow of economic benefits in future have been capitalized as retrospective costs.

Depreciation of property, plant and equipment has been based on the following useful lives:

	Useful lives in years 2023	Useful lives in years 2022
Buildings	12–33	25–33
Outdoor facilities	5–30	10–30
Technical equipment and machinery	3–20	3–20
Vehicles	3–6	3–6
Tools	3–7	3–7
IT components	2–5	2–5
Other plant and office equipment	1–25	1–20

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

Leases

A lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration.

In its capacity as a **lessee**, STRATEC recognizes right-of-use assets for leased items and liabilities for the payment obligations thereby entered into for basically all leases in its consolidated balance sheet. Exemptions apply for low-value leases (for which, as in the previous year, no expenses were recognized in the 2023 financial year), short-term leases (for which expenses of € 84k were recognized in the 2023 financial year; previous year: € 105k) and leases of intangible assets. The lease installments payable for these leases are expensed on a straight-line basis in line with their allocation to individual functional areas in the consolidated statement of comprehensive income. For contracts including lease and non-lease components, STRATEC has drawn on the option of not separating these components. When determining the contract term, extension and termination options have only been accounted for when the exercising or non-exercising of such options is sufficiently certain.

As of the provision date, lease liabilities comprise the lease payments listed in IFRS 16.27 which have not yet been made. These are discounted using the interest rate implicit in the lease, where this can be determined, and otherwise using the lessee's incremental borrowing rate. Subsequent to the provision date, lease liabilities are increased by interest expenses and reduced by the lease payments made. Lease liabilities are revalued to account for changes in lease payments.

Right-of-use assets are measured at cost and, alongside the respective lease liabilities, also include the components listed in IFRS 16.24 as of the provision date. These assets are subsequently measured at amortized cost. Depreciation is recognized on a straight-line basis over the term of the respective contract.

Depreciation of right-of-use assets is based on the following useful lives:

	Useful lives in years 2023	Useful lives in years 2022
Land and buildings	1–11	1–11
Vehicles	2–4	2–4
Other plant and office equipment	5	5–6
Technical equipment and machinery	1–4	

In the land and buildings category, STRATEC chiefly leases production and office buildings, as well as warehouse and parking space. The lease arrangements include conditions that basically conform to customary practice in the industry. The lease arrangements provide for extension and termination options in some cases and thus provide STRATEC with the greatest possible flexibility. Further future outflows of funds may arise due to lease payments which are indexed or based on utilization volumes.

Specifically, potential future outflows of funds not accounted for in the measurement of lease liabilities include:

	2023 € 000s	2022 € 000s
Due to extension and termination options	0	0
Due to variable lease payments	2,534	2,688
Due to low-value assets	0	0
Due to short-term leases	27	44
Total	**2,561**	**2,732**

Future outflows of funds for leases which STRATEC has entered into in its capacity as lessee, but which had not begun as of the balance sheet date, amounted to € 76k (previous year: € 509k).

Further details about leases can be found in our comments in Section 'C. Notes to the consolidated balance sheet (2) Right-of-use assets' and Section 'C. Notes to the consolidated balance sheet (12) Non-current and current financial liabilities'.

As in the previous year, STRATEC did not have any leases in which the company acted as lessor as of December 31, 2023.

Impairment tests

Impairment tests pursuant to IAS 36 (Impairment of Assets) are performed on goodwill and other intangible assets with unlimited or indefinite useful lives, as well as on intangible assets not yet ready for use, at least once a year and, in the case of other intangible assets with limited useful lives and property, plant and equipment, if there are specific indications of impairment.

Impairment losses have been recognized through profit or loss in the consolidated statement of comprehensive income to the extent that the recoverable amount of the asset, i.e. the higher of its fair value less costs to sell and its value in use, falls short of its carrying amount.

A review is performed at least once a year to ascertain whether there is any indication that the reason for impairment losses already recognized no longer applies or that the amount of impairment has reduced. In this case, the recoverable amount is newly determined and the impairment losses already recognized, unless they involve goodwill, are correspondingly reversed.

In principle, the recoverable amount has been determined for each individual asset where such asset generates cash flows that are largely independent of those generated by other assets. Where this is not possible, the recoverable amount has been determined on the basis of a group of assets representing a cash generating unit.

In assessing whether the cash flows are largely independent, STRATEC accounts for various factors, including the questions as to how the management manages the company's activities or how the management reaches decisions concerning the continuation or retirement of assets or the discontinuation of company activities.

STRATEC has been managed as a 'one-segment company' since the 2023 financial year. Further information about this can be found in the comments provided in Section 'F. Segment Reporting'. Due to the close alignment now achieved between business units, a factor that is outlined in the aforementioned section and also reflected in Group-wide central coordination, corporate management and monitoring, as well as the newly created Board of Management division, the existing delineation of cash generating units has been reviewed to assess whether the cash flows are still largely independent of one another.

Based on management assessment and consistent with the technology and system approach, this is no longer the case for the key value drivers (technology, systems, products, and performance types). As a result, since January 1, 2023 the STRATEC Group as a whole has been viewed as one single cash generating unit: 'STRATEC'. In view of this, the cash generating units previously referred to for **goodwill** impairment tests and reported up to and including December 31, 2022, namely 'Laboratory automation', 'Manufacturing, parts & services', 'Diatron', and 'Smart consumables', have been aggregated into the 'STRATEC' cash generating unit.

Due to the acquisition of the Natech Group as of July 1, 2023, a review was also performed to ascertain whether this constituted a cash generating unit pursuant to the definition provided in IAS 36 (Impairment of Assets). As, based on management assessment, this is not the case due to integration not yet having been completed, a divergent customer structure compared with STRATEC, and additional target markets, the Natech Group has been defined as the 'Natech' cash generating unit.

As a result, the following cash generating units are relevant for the **goodwill** impairment test in the 2023 financial year: 'STRATEC' and 'Natech'.

The recoverable amount for the cash generating units as of December 31, 2023 (previous year: December 31, 2022) has been determined by reference to their value in use, defined as the present value of future net inflows of cash. The forecast future net inflows of cash have been based on STRATEC's current budgets. The detailed budget period covers five (previous year: three) years. This period has been adjusted in order to take closer account of the impact of STRATEC's long-term project business and the associated cycles from development of an analyzer system to serial manufacturing through to the subsequent service and spare parts business. This period therefore provides a more accurate presentation of the planned business performance than would a shorter detailed budget period. Future net inflows of cash are budgeted in the functional currency. The budgets have in turn been based on assumptions concerning future sales volumes and sales prices, as well as on expected costs. Raw materials prices are accounted for on their given terms. Net inflows of cash beyond the detailed budget period have been presented as perpetuity, taking due account of growth rates based on current market information. Should the value in use fall short of the carrying amount of the cash generating unit, then the fair value less costs to sell has to be determined.

Net inflows of funds have been discounted at capital cost rates. The capital costs of cash generating units have been calculated as the weighted average of their equity and debt capital costs (WACC). To calculate the weighted capital costs, reference has been made on the one hand to the costs of equity, which comprise the risk-free base rate and the risk premium (market risk premium, multiplied by a beta factor based on a peer group analysis) and on the other hand on the cost of borrowing, which corresponds to the average cost of borrowing at the peer group companies. Equity and debt capital costs have been weighted based on the average capital structure at the peer group companies. Given the risk and return profiles of the cash generating units thereby reviewed, the costs of capital have been calculated on an individual basis. The key parameters are as follows:

Cash generating unit	**Pre-tax WACC % 2023**
STRATEC	11.73
Natech	12.10

The **goodwill** recognized in the amount of € 51,158k (previous year: € 36,655k) is attributable to the company acquisitions made by STRATEC. Of the year-on-year change, an amount of € 14,015k is due to the acquisition of the Natech Group and to currency translation. For impairment testing purposes, the goodwill has been allocated to those cash generating units benefiting from the synergies.

The goodwill previously allocated to the existing cash generating units was allocated in its entirety to the newly created 'STRATEC' cash generating unit in the 2023 financial year. The allocation of the goodwill of € 14,015k acquired upon the acquisition of the Natech Group has been based on the fair values of the free cash flows at the two cash generating units of 'STRATEC' and 'Natech'. As of December 31, goodwill has therefore been allocated as follows:

€ 000s	**STRATEC**		**Natech**		**Total**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Carrying amount of goodwill	37,376	36,655	0	0	37,376	36,655
	13,159	0	623	0	13,782	0
	50,535	**36,655**	**623**	**0**	**51,158**	**36,655**

As in the previous year, in line with IAS 36 (Impairment of Assets) STRATEC performed the annual impairment test for these goodwill items as of December 31. Also as in the previous year, this did not lead to the recognition of any impairment loss in the year under report.

The following key assumptions have been used to determine the recoverable amounts of these cash generating units:

Assumptions used to calculate recoverable amounts of cash generating units

'STRATEC'	The budget for the recoverable amount has been based on average sales growth of 10.8% (previous year: 18.4%) and a budgeted average free cash flow margin of 9.8% (previous year: 8.4%). This assumption reflects previous management experience. In perpetuity, a growth rate of 1.0% has been assumed (previous year: 1.0%).
'Natech'	Average sales growth of 12.1% and a budgeted average free cash flow margin of 9.0% have been assumed. This assumption reflects past management experience. In perpetuity, a growth rate of 1.5% has been assumed.

The sensitivity analysis assumed a reduction in the future cash flow and an increase in weighted costs of capital by 10% each, as changes on this scale would appear reasonable and possible, especially from a long-term perspective. On this basis, STRATEC concluded that there were no indications of any potential impairment in the goodwill reported for any of the cash generating units at STRATEC.

Inventories

Inventories include assets held for sale in the normal course of business (finished products and merchandise), assets currently in the process of being manufactured for sale (unfinished products and contract fulfilment costs), and assets consumed during the manufacturing process or in the performance of services (raw materials and supplies).

Inventories are measured at cost or, if lower, at net realizable value.

The acquisition costs of raw materials, supplies, and merchandise are based on average procurement prices. The manufacturing costs for unfinished and finished products include both directly allocable manufacturing wage and material expenses and a prorated share of material and production overheads, including depreciation. The manufacturing costs for contract fulfilment costs include both directly allocable manufacturing wage expenses and prorated production overheads. Administration expenses are also included to the extent that they can be directly allocated to production. Sales-related expenses are not included. Consistent with STRATEC's business model, contract fulfilment costs also include development cooperations or other contracts with customers. In respect of the accounting policies applied for development cooperations, reference is made to the information in 'Recognition of sales, cost of sales, research and development expenses' in this section.

Inventory risks resulting from lower turnover rates or diminished usability have been accounted for with additional write-downs. The assessment of risks resulting from lower turnover rates also accounts for the type of inventories, the project lifecycle applicable to the respective inventories, and current macroeconomic developments.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and simultaneously to a financial liability or equity instrument of another entity.

Financial assets or financial liabilities are recognized in the consolidated balance sheet as soon as STRATEC becomes a party to the contractual requirements of the financial instrument. Trade receivables are recognized at the time at which they arise.

First-time measurement of financial assets and financial liabilities is based on their respective fair values. Transaction costs are accounted for, unless the financial instrument is measured at fair value through profit or loss. Trade receivables without any significant financing component are measured at their respective transaction prices.

Depending on its allocation upon first-time recognition to the various categories provided for by IFRS 9 (Financial Instruments), a financial asset (debt or equity instruments) is subsequently measured either at amortized cost or at fair value. The allocation to the categories provided for by IFRS 9 (Financial Instruments) is based in each case on the objectives of the business model and characteristics of the respective cash flows.

Unless it is designated as FVTPL, a debt instrument is measured at amortized cost (AC debt instrument) when it is held within a business model whose objective involves holding financial assets to collect contractual cash flows and the contractual terms result in cash flows at fixed times that are solely payments of interest and principal on the principal amount outstanding. In accordance with the requirements of IFRS 9 (Financial Instruments), amortized cost is determined using the effective interest method and taking account of any expected impairments. Interest income, exchange rate gains and losses, and impairments are recognized through profit or loss. Gains or losses arising upon derecognition are also recognized through profit or loss.

Unless it is designated as FVTPL, a debt instrument is measured at fair value with any changes in its value being recognized through other comprehensive income (FVTOCI debt instrument) when it is held within a business model whose objective involves holding financial assets both to collect contractual cash flows and to sell these and its contractual terms result in cash flows at fixed times that are solely payments of interest and principal on the principal amount outstanding. Interest income, exchange rate gains and losses, and impairments are recognized through profit or loss. Other net gains or losses are recognized in other comprehensive income (OCI). Upon retirement, the accumulated OCI is reclassified to profit or loss.

Unless it is held for trading, an equity instrument is measured at fair value with any changes in its value being recognized through other comprehensive income (FVTOCI equity instrument) if STRATEC has irrevocably elected upon initial recognition to present subsequent changes in the fair value of the equity instrument in other comprehensive income. This election may be made on a case-by-case basis for each equity instrument. Dividends are generally recognized as income through profit or loss. Other net gains or losses are recognized in other comprehensive income. Upon retirement, accumulated OCI is reclassified to revenue reserves.

Financial assets (debt or equity instruments) not measured at amortized cost or at FVTOCI are measured at fair value with any changes in their value being recognized through profit or loss (FVTPL). Measurement also includes derivative financial instruments, except for those designated as hedging instruments and effective as such, and financial assets held or managed for trading and whose value changes are assessed by reference to their fair values. Furthermore, upon initial recognition companies may irrevocably designate financial assets that otherwise meet the conditions for measurement at amortized cost or at FVTOCI as measured at FVTPL ('fair value option'). As in the previous year, STRATEC did not exercise this option. Net gains and losses, including all interest and dividend income, are recognized through profit or loss.

Financial liabilities are measured at amortized cost unless they are measured at fair value through profit or loss (FVTPL). Measurement at fair value through profit or loss begins as soon as a financial liability is classified as held for trading, a derivative financial instrument is in place, except for those designated as hedging instruments and effective as such, or is designated as such upon initial recognition. Net gains or losses, including interest expenses, are recognized through profit or loss. Other financial liabilities are measured at amortized cost using the effective interest method. Interest expenses and exchange rate gains and losses are recognized through profit or loss. Gains or losses arising upon derecognition are also recognized through profit or loss.

Financial assets are derecognized when the contractual rights to payment from the financial assets no longer exist or the financial asset has been transferred with all of its material risks and rewards. Financial liabilities are derecognized when the contractual obligations have been settled, rescinded or have expired.

Financial assets and liabilities are netted and presented in the consolidated balance sheet as net amounts when STRATEC currently has a legally enforceable right to offset the amounts thereby recognized and intends either to obtain settlement on a net basis or to simultaneously settle the liability upon recovery of the respective asset.

STRATEC deploys derivative financial instruments, and particularly forward exchange transactions, to reduce its currency risks. Derivatives are measured at fair value both upon initial recognition and when measured subsequently. Changes in their fair value are recognized directly through profit or loss in other operating income or expenses, as STRATEC has to date not designated any derivative financial instruments as hedge instruments.

Taxes on income

Taxes levied on taxable profit in individual countries and changes in deferred tax items are reported as taxes on income. The income taxes reported have been calculated in accordance with the country-specific tax legislation valid or enacted as of the balance sheet date, and in the amount at which they are expected to be paid or refunded. Other taxes levied on items other than income have been recognized within the individual functional areas in the consolidated statement of comprehensive income and in other operating expenses.

Deferred taxes have been calculated using the liability method for temporary differences between the amounts recognized for assets and liabilities in the IFRS and tax balance sheets (except for goodwill), as well as for consolidation entries and tax-reducing claims on loss carryovers likely to be recoverable in subsequent years.

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

Pursuant to German tax law, deferred taxes have been recognized on 5% of the differences resulting from translating foreign financial statements denominated in foreign currencies. No further deferred taxes have been recognized in connection with temporary differences of € 4,179k (previous year: € 4,298k) which relate to interests in subsidiaries, as STRATEC is able to manage the timing of any reversal of these differences and these are unlikely to be reversed in the foreseeable future.

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

The way in which tax law is applicable to a specific transaction or circumstance is potentially unclear. Whether a specific tax treatment is acceptable under tax law may potentially remain unknown until the relevant tax authority or court reaches a decision at a later point in time. Any decision by the tax authority to contest or review a specific tax treatment may therefore impact on STRATEC's financial reporting in respect of its current or deferred tax assets or liabilities. In this regard, STRATEC continually assesses the likelihood of a tax authority accepting an uncertain tax treatment. When addressing the question as to whether an uncertain tax treatment should be viewed separately or together with one or several other uncertain tax treatments, STRATEC selects that method which is better suited to predicting the manner in which the uncertainty will be resolved. In particular, STRATEC takes account of the manner in which it prepares its income tax returns and how this fits the tax treatments, and how STRATEC believes that the tax authority/authorities will perform their review and resolve any problems potentially arising thereby.

Provisions for pensions and similar obligations

Pension provisions at STRATEC involve both defined contribution and defined benefit schemes and are structured in accordance with legal requirements in the various countries and based on individual commitments.

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

At STRATEC, the defined benefit pension schemes take a variety of forms due to the different country-specific requirements in Germany, Austria, and Switzerland. To cover the commitments made, STRATEC makes contributions to external plan assets in some cases. In line with IAS 19 (Employee Benefits), the present value of pension obligations has been calculated using the projected unit credit method. This involves future obligations being measured using actuarial methods. The calculations at STRATEC have mainly been based on statistical data concerning mortality and invalidity rates, on assumptions concerning the discount rate, on future increases in incomes and pensions, personnel turnover rates, and the expected income from plan assets. The discount rate and the expected return on plan assets have basically been determined by reference to the yields on high-quality corporate bonds with congruent terms, or additionally by reference to the yields on appropriate government bonds. The currency and terms of the underlying bonds are congruent with the currency and expected maturities of the post-employment pension obligations to be satisfied. The fair value of the plan assets has been deducted from the present value of the pension obligations. The obligations and plan assets are measured annually. Actuarial calculations are performed as of the balance sheet date. Remeasurements for actuarial items are recognized directly in 'Other comprehensive income'.

Other provisions

Other provisions have been recognized to cover legal or constructive obligations to third parties resulting from past events which are likely to lead to a future outflow of resources and for which the expected amount of the obligation can be reliably estimated.

Such obligations have been recognized at the present values of the expected outflow of resources where this is expected to occur later than in the following year. Refund claims due from third parties have been recognized separately from provisions to the extent that their realization is virtually certain.

At STRATEC, other provisions include those stated for obligations resulting from guarantees and warranties. The calculation of the scope of obligation for guarantees and warranties has been based on the sales involving such guarantees thereby generated, on the respective contractual warranty periods, as well as on past empirical values, which are adapted on the basis of the implications of currently observable information and data, thus supplementing the implications of historic values by reference to current information and data.

Share-based payment transactions

IFRS 2 (Share-based Payment) makes a distinction between transactions that are cash-settled and those that are equity-settled. In the financial year under report, STRATEC recognized the following arrangements that are within the scope of IFRS 2 (Share-based Payment):

Cash-settled stock appreciation rights (SARs) and equity-settled stock options for employees.

Goods and services received for cash-settled share-based payments (stock appreciation rights – SARs) are measured at each balance sheet date and settlement date at the fair value of the respective liability, which is determined using recognized option pricing models. Changes in fair value are recognized through profit or loss.

Given the lack of a separately determinable fair value for the services involved, goods and services received for equity-settled share-based payments (stock options, employee participation program) have been measured at the fair value of the equity instruments as of the grant date and, in the case of stock options, using recognized option pricing models. Where the exercising of equity instruments granted or of the right to cash payment is dependent on the performance by the contractual party of a specific period of service, it is assumed that the services to be performed by the counterparty as consideration will be received during the vesting period in future. The payment expenses are therefore recognized over the vesting period within which the beneficiaries acquire an unrestricted claim to the instruments thereby committed.

Contingent liabilities

Contingent liabilities are potential obligations resulting from past events whose existence is conditional on the materialization or otherwise of one or several uncertain future events not fully within STRATEC's control. Such obligations are not recognized in the balance sheet, as the outflow of resources is deemed unlikely or the scope of obligations cannot be reliably estimated.

Recognition of sales, cost of sales, research and development expenses

The core principles governing the recognition of sales, as well as of cost of sales and research and development expenses, in respect of STRATEC's business model are as follows:

If they relate to **development projects without a customer contract** (proprietary development projects), the development expenses incurred in this context are generally recognized as expenses in the period in which they are incurred, with the exception of research and development projects acquired upon company acquisitions and development expenses cumulatively meeting the criteria stipulated in IAS 38.57. Capitalized development expenses are tested for impairment at least once a year in line with IAS 36 (Impairment of Assets) in cases where they are not yet ready for their intended use. Impairment losses are recognized when the carrying amount of the capitalized assets exceeds the recoverable amount. Once ready for their intended use, assets relating to 'proprietary development projects' which are not comparable with development cooperations are amortized, generally over a period of five years. With regard to the amortization of 'proprietary development projects' which are comparable with development cooperations, reference is made to the information provided under 'Forward-looking assumptions' in this section.

In the 2023 financial year, development expenses in connection with aforementioned development projects were capitalized as internally generated intangible assets in an amount of € 8,916k (previous year: € 8,305k).

Pursuant to IAS 38.54, expenses attributable to research expenses are recognized as expenses in the period in which they are incurred.

For **development projects with customer contracts** (development cooperations) or **other contracts with customers,** STRATEC recognizes sales for development and other services and for sales of analyzer systems, service parts, and consumables. These are based on STRATEC's customer contracts and the performance obligations contained therein, which are individually identified and presented separately for the purpose of recognizing sales. Sales are recognized when or as STRATEC transfers control over goods or services to customers either at a given point in time or over a given period of time. For **sales of analyzer systems, service parts, and consumables**, the respective sales are generally recognized at a point in time determined by taking account of the transfer of ownership and assignment of the related risks and rewards. Sales for **other services** are generally recognized over the time in which they are performed in accordance with the percentage of completion. Depending on contractual requirements, sales for **development performance obligations** are recognized over time or at a given point in time. When recognizing development cooperations and associated development performance obligations in the OEM partnering business, which is the business model with the greatest significance for STRATEC in both quantitative and qualitative terms, distinctions – based on whether the development expenses are covered by (milestone) payments or remuneration clauses, and/or whether minimum collection volumes were agreed – can be made between four case groups:

Case groups for recognition of development cooperations

CASE 1	CASE 2	CASE 3	CASE 4
• Development performance obligation satisfied at a point in time (IFRS 15.38) – Development expenses covered by payments = contract fulfilment costs – Development expenses not covered by payments = intangible asset pursuant to IAS 38 – Payments received before transfer of development work = contract liabilities	• Development performance obligation satisfied at a point in time (IFRS 15.38) – Transaction price allocated from appliance delivery obligations for minimum acceptance volumes to development work = contract asset – Development expenses covered by payments = contract fulfillment costs – Development expenses not covered by payments = intangible assets pursuant to IAS 38 – Payments received before transfer of development work = contract liabilities	• Development performance obligation satisfied over time (IFRS 15.35(c)) – Transaction price allocated from appliance delivery obligations for minimum acceptance volumes to development work = contract asset – Payments received before transfer of development work = contract liabilities	• Development performance obligation satisfied over time (IFRS 15.35(c)) – Transaction price not allocated from appliance delivery obligations for minimum acceptance volumes to development work – Payments received before transfer of development work = contract liabilities

Sales are recognized in the amount which STRATEC expects to receive for satisfying the performance obligations. Variable consideration is included in the transaction price when it is highly likely that no significant cancellations will arise for the cumulative sales thereby recognized and as soon as the uncertainty underlying the variable consideration no longer applies. Variable consideration is determined using the experience method or the most likely amount method. Both the determination of variable consideration and the assessment of the likelihood of any potential cancellation of sales are subject to discretionary decisions. Fee components that have to be withheld for third parties, such as sales taxes and revenue reductions, e.g. discounts and bonuses, are deducted from the sales recognized. STRATEC adjusts the amount of promised consideration to account for the effects of significant financing components when the period between satisfaction of a performance obligation and payment for such is expected to amount to more than one year. STRATEC usually has significant financing components when development performance obligations are satisfied over a period of time and consideration is only received upon completion of development. Financing components are evaluated for each contract and are only significant when factors such as a lower cash purchase price and the combined effect of the passage of time and market interest rates give reason to expect a significant variance from the agreed consideration.

Additional contract acquisition costs are directly expensed when the amortization period does not amount to more than one year. As a general rule, STRATEC does not incur any additional costs that would not have arisen without corresponding contractual agreements. The costs incurred by STRATEC to acquire contracts are therefore recognized as expenses at the time at which they are incurred.

Costs incurred to satisfy performance obligations ('contract fulfilment costs') that are within the scope of IFRS 15 (Revenue from Contracts with Customers) are capitalized as assets and recognized in inventories when the costs lead to the creation or improvement of resources that will be used in future to satisfy performance obligations and are expected to be settled.

At the time at which a contract is agreed, STRATEC does not recognize an asset or liability for the resultant pending transaction. Only when one of the parties to the contract meets its obligation does STRATEC recognize a contract asset or contract liability in its consolidated balance sheet. A contract liability exists when the customer has already paid all or part of the consideration due for the promised services before STRATEC has transferred these to the customer. In STRATEC's business model, this situation may arise, for example, with development service obligations satisfied at a point in time when the customer makes milestone payments during the development phase. In this case, STRATEC recognizes the milestone payments as contract liabilities until the development work is transferred to the customer and the associated sales are recognized. In the reverse case, in which STRATEC provides its services and the customer has not yet paid consideration, STRATEC reviews whether its claim to payment of the consideration is conditional or unconditional. A conditional claim leads to the recognition of a contract asset, while an unconditional claim leads to the recognition of a trade receivable. In STRATEC's business model, this may be the case for a development performance obligation satisfied over time for which the costs of satisfying the development performance obligation exceed the consideration paid by the customer during the period in which the service is performed. Furthermore, the arising of an unconditional payment claim in connection with the development service obligation may also depend on the satisfaction of further contractually agreed performance obligations.

Should STRATEC be contractually obliged to transfer several performance obligations to a customer, the contractually promised consideration is divided on the basis of the standalone selling price at the time at which the contract was concluded. Standalone selling prices are not directly observable within STRATEC's development cooperation business model, i.e. STRATEC does not separately transfer similar goods and services to similar customers. In this case, the standalone selling price for a good or service must be estimated using a suitable method. For this purpose, STRATEC generally uses the 'expected-cost-plus-a-margin' approach.

Discretionary decisions and forward-looking assumptions

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

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

Discretionary decisions

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

The assessment as to whether the requirements for capitalization have been met in each individual case is subject to significant discretionary decisions. Given the empirical values available in the fields of development and project management, STRATEC assumes that the estimates in terms of technical feasibility, expected overall costs and market conditions are sufficiently reliable.

2. Recognition of development cooperations and recognition of sales

With regard to the discretionary decisions relating to the recognition of development cooperations and recognition of sales pursuant to IFRS 15 (Revenue from Contracts with Customers), reference is made to the information provided under 'Recognition of sales, cost of sales, research and development expenses' in this section.

3. Allocation of goodwill to cash generating units for impairment testing purposes

The allocation of goodwill acquired upon company acquisitions to cash generating units for impairment testing purposes pursuant to IAS 36 (Impairment of Assets) is subject to significant discretionary decisions. From the takeover date onwards, STRATEC allocates the goodwill resulting from any company acquisition to each cash generating unit at the company intended to benefit from the synergies expected to arise on account of the business combination. STRATEC works with appropriate key figures (free cash flow factors) to determine the potential synergies expected in each case.

4. Identification of functional currency

When determining the functional currency of a foreign business operation and deciding whether its functional currency is identical with that of the reporting company, reference has to be made to the indicators specified in IAS 21 (The Effects of Changes in Foreign Exchange Rates). When these indicators provide a mixed picture and the functional currency is not immediately apparent, STRATEC determines at its own discretion which functional currency best reflects the economic implications of the underlying business transactions, events and circumstances. In the case of foreign group companies, the respective national currencies have accordingly been chosen as the functional currencies with the exception of Medical Analyzers Holding GmbH, Zug, Switzerland, whose functional currency is the euro.

5. Assessing whether the exercising or non-exercising of an extension or termination option for a lease is sufficiently certain

Numerous lease contracts, particularly for buildings, include extension and termination options. The extensions to terms resulting from the exercising or non-exercising of such options may only be accounted for when determining the lease contract term if they are sufficiently certain. The assessment as to whether the exercising or non-exercising of such options is sufficiently certain is subject to discretionary decisions. STRATEC accounts for all significant facts and circumstances that would provide the company with an economic incentive to exercise or not exercise the respective option, as well as for decisions taken in the past.

Forward-looking assumptions

1. Determination of the recoverable amount when testing goodwill for impairment under IAS 36 (Impairment of Assets)

Due to the large number of variables involved, as well as to dynamic developments in the underlying framework, the goodwill impairment test (carrying amount as of December 31: € 51,158k; previous year: € 36,655k) is subject to a difficult assessment involving a significant degree of uncertainty in the estimates used. The principal assumptions underlying the impairment test performed at each balance sheet date are outlined under 'Impairment tests' in this section. When performing sensitivity analyses for goodwill impairment tests, a reduction in the future cash flow and an increase in the weighted costs of capital by 10% each has been assumed, as changes on this scale would appear possible from a long-term perspective. On this basis, STRATEC has concluded that there are no indications of potential impairment in the goodwill of any of its cash generating units.

2. Determination of the recoverable amount when testing other intangible assets for impairment under IAS 36 (Impairment of Assets)

Other intangible assets (e.g. capitalized development expenses) are tested for impairment either upon the occurrence of a triggering event (where the respective assets are subject to scheduled amortization) or at least once a year (where the respective assets are not subject to scheduled amortization) (carrying amount as of December 31: € 62,130k; previous year: € 51,616k). These impairment tests are also basically subject to the same difficulties and estimation uncertainties as the goodwill impairment test. When performing sensitivity analyses for these impairment tests, a reduction in the future cash flows and an increase in the weighted costs of capital by 10% each has been assumed, as changes on this scale would appear possible from a long-term perspective. Based on the sensitivity analyses performed for the impairment tests, STRATEC concluded that there are no indications of potential impairment in these assets.

3. Determination of the 'expected credit losses' upon subsequent measurement of financial assets

At STRATEC, the 'expected credit losses' upon subsequent measurement of trade receivables (carrying amount as of December 31: € 58,059k; previous year: € 51,730k) and contract assets (carrying amount as of December 31: € 15,261k; previous year: € 22,753k) are determined on the basis of a sophisticated method which accounts for the creditworthiness of the debtor, the number of days overdue, and the trade credit insurance policies concluded to minimize default risk. Given the dynamic development in the underlying framework, this calculation involves significant estimation uncertainties with regard to the credit default risk resulting from the debtor's creditworthiness.

4. Determination of the interest rate implicit in a lease

To calculate lease liabilities (carrying amount as of December 31: € 16,331k; previous year: € 13,526k), the future lease payments are discounted using an interest rate. This interest rate corresponds to the interest rate implicit in the lease, where this can be determined. Should this not be possible, the lessee should refer to its own incremental borrowing rate.

As the interest rate implicit in the lease is viewed from the perspective of the lessor, this rate is often not available to the lessee. In many cases, lessees therefore have to refer to their own incremental borrowing rate (hereinafter also 'IBR'). The IBR is an interest rate that is specific to each company and, as a rule, specific to each individual lease agreement and legal unit. For this purpose, comparable leased items may be aggregated into groups of leased items, such as lease arrangements for comparable vehicles on comparable terms and in a comparable setting. The main factors determining the IBR are the term of the lease, the currency in which it is executed, the creditworthiness of the lessee, the credit amount, the economic environment in which the leased item is deployed, collateral by way of the leased item, the specific features of the leased item, and the valuation date.

STRATEC generally determines its IBR using the build-up approach and calculates this rate as the total of the following components:

(a) A term-specific, risk-free base rate based on the yields of government bonds (mostly based on an established currency with a reliable basis of data)
(b) Premiums/discounts for currency risks compared with the currency of the base rate, for example based on inflation data if the IBR is in a currency different to that of the base rate
(c) Premiums for country risks in cases where the country is different to that of the base rate
(d) Premiums for the creditworthiness of the individual lessee (legal unit), for example based on rating and term-specific credit spreads
(e) Discounts for the collateral provided by way of the leased item, and
(f) Premiums/discounts due to the specific features of the leased item.

In determining the term-specific base rate, STRATEC took due account of the fact that the yields on government bonds with congruent terms cannot simply be applied without further reflection. Due to the interest payments made during the term and repayment of the nominal amount at the end of the term, such bonds have different payment structures to typical leases, which involve constant payments each year of the term. To account for this, duration-adequate discount rates were applied to derive the IBR. Significant estimation uncertainties still apply, particularly when determining the premiums and discounts for the degree of collateral and the specific features of the leased item, not least as relatively little reliable empirical data is available.

5. Measurement of the stock appreciation rights (SARs) granted and determination of the resultant personnel expenses pursuant to IFRS 2 (Share-based Payment)
The stock appreciation rights (SARs) granted (carrying amount as of December 31: € 434k; previous year: € 970k) have been measured by an independent surveyor specializing in option valuations. This surveyor uses the binomial tree method to measure the SARs. The principal parameters subject to estimates (term, expected volatility, risk-free interest rate) have been presented in Section 'c. Notes to the consolidated balance sheet (12) Non-current and current financial liabilities – Stock appreciation rights (SARs)'.

6. Measurement of post-employment defined benefit plans pursuant to IAS 19 (Employee Benefits)
The defined benefit plans pursuant to IAS 19 (Employee Benefits) (carrying amount as of December 31: € 4,317k; previous year: € 3,152k) have been measured by an independent company specializing in employee benefits. These measurements are based on actuarial assumptions which, given the long-term nature of these plans, involve uncertainties. With regard to the significant assumptions used in this respect, reference is made to the information provided in Section 'C. Notes to the consolidated balance sheet (10) Provisions for pensions'.

7. Calculation of provision for guarantee and warranty obligations pursuant to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)
When calculating the provision for guarantee and warranty obligations (carrying amount as of December 31: € 1,502k; previous year: € 1,291k), STRATEC takes due account of historic values from the past, which are adapted on the basis of the implications of currently observable information and data, thus supplementing the implications of the historic values by reference to this current information and data. The insights gained in the 2023 financial year led to a change of € 211k (previous year: € 346k) in the provision for guarantee and warranty obligations. Actual expenses in future financial years may deviate from the estimated figures.

8. Recognition of deferred taxes for temporary differences and tax loss carryovers pursuant to IAS 12 (Income Taxes) and uncertainties in income tax treatment
In its assessment that the – predominantly short-term – differences between the figures recognized for tax purposes and the figures recognized in the consolidated financial statements will reverse in subsequent financial years, STRATEC is bound pursuant to IAS 12 (Income Taxes) by the requirements of tax law valid or enacted as of the balance sheet date. Future legislative amendments could therefore make it necessary to adjust these figures through profit or loss.

In its assessment that it will be possible to offset the deferred tax assets recognized for tax loss carryovers (carrying amount as of December 31: € 3,443k; previous year: € 2,601k) against future profits, STRATEC relies on sources including its short and medium-term budget forecasts. The actual materialization of future profits is based on discretionary estimates. The carrying amounts of the deferred tax assets and liabilities recognized and not recognized in the consolidated financial statements, as well as their materialization and changes in the 2023 financial year compared with the previous year have been explained in detail in Section 'C. Notes to the consolidated balance sheet (11) Taxes on income'.

STRATEC is subject to income taxation in Germany and in various countries outside Germany ('foreign jurisdictions'). The measurement of the tax position(s) in individual countries is subject to substantial discretionary decisions, particularly for cross-border items. In the normal course of business, there are numerous transactions and calculations for which the definitive tax assessment is uncertain. STRATEC states provisions for tax-related uncertainties and bases these on estimates as to whether and, if so, to what extent, additional (income) taxes will be incurred. It adjusts these provisions to account for changes in facts and circumstances resulting, for example, from new information or the results of (current) tax audits. Taxes on income (current tax expenses and deferred tax expenses or deferred tax income) and the balance sheet line items of income tax receivables (carrying amount at December 31; € 1,774k; previous year: € 1,338k), income tax liabilities (carrying amount at December 31: € 6,844k; previous year: € 9,952k), deferred tax assets (carrying amount at December 31: € 4,347k; previous year: € 3,666k), and deferred tax liabilities (carrying amount at December 31: € 10,076k; previous year: € 9,412k) account for the impact of provisions, and of changes in such, as well as for the implications which STRATEC deems appropriate when assessing the uncertainty surrounding the respective income tax treatments.

In addition to changes in tax laws and ordinances, administrative practices, interpretations, and tax audits on the part of the tax authorities may also impact on the uncertainties surrounding the respective income tax treatments.

In Germany, the external tax assessment for the 2014 – 2017 assessment periods was completed in the 2023 financial year. The assessments and agreements reached in this context were also referred to by STRATEC as the basis for reassessing the income tax position for the subsequent 2018 – 2022 assessment periods, which resulted in the recognition of additional income tax liabilities in the 2022 financial year, as well as for the 2023 assessment period.

As the aforementioned assessments and agreements chiefly involve cross-border items, in the 2022 financial year STRATEC and its tax advisors assumed that the Swiss subsidiaries would witness **tax reductions**. In an agreement procedure executed in accordance with the double taxation agreement between Germany and Switzerland, which concluded with an agreement between the two countries for the 2014 – 2020 assessment periods, this assessment was confirmed **in terms of the underlying principle** in the 2023 financial year. Due to implementation of the agreement procedure by the respective canton, both the **amount** and the **timing** of the tax reduction are still unclear. In view of this, as in the 2022 financial year already STRATEC has recognized these tax refund claims in Switzerland as deferred tax assets of € 2,460k (previous year: € 2,545k). The actual amounts may thus deviate from the amounts presented above, which STRATEC nevertheless views as representing the best possible current estimate of the tax position. Should, as planned, income taxes be refunded for the Swiss subsidiaries for the assessment periods from 2014 – 2021, this would be expected to give rise to interest income of € 195k resulting from tax refunds (previous year: € 174k). However, this income is not 'virtually certain' as defined in IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and, as in the previous year, has therefore not been recognized.

9. Determining the period and method of amortization applicable to intangible assets capitalized in the context of development cooperations in the OEM partnering business model and for comparable 'Proprietary development projects'

For intangible assets with limited useful lives (carrying amount as of December 31: € 62,130k; previous year: € 51,616k), IAS 38.97 requires the amortizable amount to be allocated over the respective **useful life**. According to the definition provided in IAS 38.8, the useful life is either the period over which the asset is expected to be of use to the company **or** the number of production or similar units which the asset is expected to generate at the company. Pursuant to IAS 38.97, the **method of amortization** has to correspond to the expected pattern of use for the future economic benefits accruing to the company from the asset. According to IAS 38.98, reference may be made to various methods of amortization when determining the scheduled allocation of the amortizable amount. Alongside the straight-line and decreasing balance methods, these also include the units of production method. Pursuant to IAS 38.98B, when selecting an appropriate method of amortization as required by IAS 38.98 the company can determine the inherent predominant limiting factor relevant to the intangible asset. This may serve as the starting point for determining the appropriate amortization base. In the case of the **development cooperations** in STRATEC's OEM partnering business model and of comparable 'Proprietary development projects', the decision as to whether the inherent predominant limiting factor is time-based or based on the number of units produced over the product lifecycle represents a discretionary assessment. Having appraised all circumstances, STRATEC concluded overall that the number of units to be produced over the entire product lifecycle, taking due account of the expected product lifecycle, is the inherent predominant limiting factor. The **amortization method selected** by STRATEC on this basis, under which the amortization required for the respective period under report is measured by reference to the higher of accumulated straight-line amortization based on the expected product lifecycle ('minimum amortization') and of accumulated amortization based on the number of units to be produced, takes suitable account of this circumstance. Based on past experience, the product lifecycles for the appliances can currently be expected to range from 12 to 15 years.

There are no other significant forward-looking assumptions and sources of uncertainty concerning estimates at the balance sheet date which involve any substantial risk of material adjustments being required in the assets and liabilities thereby recognized within the coming financial year.

Supplementary disclosures

In addition to the disclosures required by IFRS, for purposes of comparison STRATEC also reports its EBIT and EBITDA figures following adjustment for one-off items. Together with sales, these adjusted earnings figures represent the key figures referred to for internal management purposes. One-off items are defined in this respect as significant income and expense items incurred outside the framework of customary business activities and/or of a non-recurring nature. Further details can be found in section 'B. Business report – 3. Position' in the Group Management Report.

C. NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) Goodwill and other intangible assets

Intangible assets developed as follows in the 2023 financial year:

	Goodwill € 000s	Acquired technologies € 000s	Internally generated intangible assets € 000s	Acquired patents € 000s	Acquired trademarks € 000s	Acquired customer bases € 000s	Other rights and values € 000s	Advance payments € 000s	Total € 000s
Acquisition and manufacturing costs Balance at 01.01.2023	**36,655**	**18,207**	**68,837**	**5,023**	**2,316**	**23,892**	**7,179**	**51**	**162,160**
Company acquisitions	14,015	6,978	0	0	0	522	786	0	22,301
Additions	0	0	9,017	0	0	0	65	0	9,082
Disposals	0	0	1,633	0	0	0	15	0	1,648
Currency differences	488	354	234	0	109	415	60	2	1,662
Balance at 12.31.2023	**51,158**	**25,539**	**76,455**	**5,023**	**2,425**	**24,829**	**8,075**	**53**	**193,557**

	Goodwill € 000s	Acquired technologies € 000s	Internally generated intangible assets € 000s	Acquired patents € 000s	Acquired trademarks € 000s	Acquired customer bases € 000s	Other rights and values € 000s	Advance payments € 000s	Total € 000s
Accumulated amortization and impairments Balance at 01.01.2023	**0**	**14,011**	**27,134**	**2,166**	**1,563**	**22,504**	**6,511**	**0**	**73,889**
Additions to amortization	0	1,193	3,521	333	243	567	573	0	6,430
Disposals	0	0	984	0	0	0	15	0	999
Currency differences	0	422	-40	0	73	423	71	0	949
Balance at 12.31.2023	**0**	**15,626**	**29,631**	**2,499**	**1,879**	**23,494**	**7,140**	**0**	**80,269**
Carrying amounts at 12.31.2023	**51,158**	**9,913**	**46,824**	**2,524**	**546**	**1,335**	**935**	**53**	**113,288**

The goodwill results from the acquisitions of the companies in the Diatron Group, the Natech Group, STRATEC Consumables GmbH, STRATEC Biomedical USA, Inc., STRATEC Biomedical UK, Ltd., and STRATEC Molecular GmbH.

The carrying amount of technologies includes the technologies relating to technical solutions for decentralized laboratory analyses in the field of hematology and clinical chemicals identified upon the acquisition of the Diatron Group, the technologies for smart consumables, particularly in the fields of nano-structuring, micro-structuring, coating, and plastics production, identified upon the acquisition of STRATEC Consumables, and the technologies for highly complex polymer-based consumables focusing on medical applications and the associated tool production for injection molds identified upon the acquisition of the Natech Group.

The carrying amount for internally generated intangible assets includes both development expenses capitalized for proprietary development projects (€ 45,997k; previous year: € 40,125k), and development expenses capitalized for development cooperations within the OEM partnering business model (€ 827k; previous year: € 1,578k). Of the intangible assets recognized for proprietary development projects, an amount of € 14,799k (previous year: € 15,597k), of which € 827k (previous year: € 163k) for development cooperations, was completed as of the balance sheet date. Reference is also made to the information in Section 'B. Accounting policies applied – Recognition of sales, cost of sales, research and development expenses'.

The carrying amount for other rights and values includes software and licenses acquired, as well as the FDA certifications and prohibitions on competition identified upon the acquisition of the Natech Group.

As in the previous year, no borrowing costs were recognized as a component of costs in accordance with IAS 23 (Borrowing Costs) in the 2023 financial year.

In the consolidated statement of comprehensive income, amortization on internally generated intangible assets, technologies, and other rights and values has been recognized under cost of sales or within the individual functional divisions in line with its causation.

As in the previous year, it was not necessary to recognize any impairment losses in the 2023 financial year.

Individual intangible assets with carrying amounts of more than € 2.0 million at the balance sheet date on December 31, 2023 and thus, alongside goodwill and the intangible assets acquired upon the acquisition of the Diatron Group and STRATEC Consumables GmbH, of material significance for the consolidated financial statements of STRATEC comprise the following items:

	Carrying amount € 000s	**Project phase**
Proprietary development project	10,897	in development
Proprietary development project	7,901	in amortization
Proprietary development project	6,304	in development
Proprietary development project	2,825	in development
Proprietary development project	2,551	in amortization
Proprietary development project	2,444	in development
Proprietary development project	2,061	in development
Total	**34,983**	

Of intangible assets, € 37,726k are located in the country of origin of STRATEC SE (previous year: € 35,334k) and € 75,562k in third countries (previous year: € 52,937k).

Intangible assets developed as follows in the 2022 financial year:

	Goodwill € 000s	Acquired technologies € 000s	Internally generated intangible assets € 000s	Acquired patents € 000s	Acquired trademarks € 000s	Acquired customer bases € 000s	Other rights and values € 000s	Advance payments € 000s	Total € 000s
Acquisition and manufacturing costs Balance at 01.01.2022	**37,996**	**19,068**	**61,159**	**5,023**	**2,515**	**24,685**	**6,969**	**146**	**157,561**
Additions	0	0	8,306	0	0	0	382	34	8,722
Disposals	0	0	226	0	0	0	173	127	526
Currency differences	-1,341	-861	-402	0	-199	-793	1	-2	-3,597
Balance at 12.31.2022	**36,655**	**18,207**	**68,837**	**5,023**	**2,316**	**23,892**	**7,179**	**51**	**162,160**

	Goodwill € 000s	Acquired technologies € 000s	Internally generated intangible assets € 000s	Acquired patents € 000s	Acquired trademarks € 000s	Acquired customer bases € 000s	Other rights and values € 000s	Advance payments € 000s	Total € 000s
Accumulated amortization and impairments Balance at 01.01.2022	**0**	**12,773**	**23,689**	**1,833**	**1,446**	**22,557**	**5,897**	**0**	**68,195**
Additions to amortization	0	1,930	3,433	333	237	740	785	0	7,458
Impairments	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	173	0	173
Currency differences	0	-692	12	0	-120	-793	2	0	-1,591
Balance at 12.31.2022	**0**	**14,011**	**27,134**	**2,166**	**1,563**	**22,504**	**6,511**	**0**	**73,889**
Carrying amounts at 12.31.2022	**36,655**	**4,196**	**41,703**	**2,857**	**753**	**1,388**	**668**	**51**	**88,271**

(2) Right-of-use assets

Right-of-use assets showed the following developments in the 2023 financial year:

			Other equipment, plant and office equipment		
	Land and buildings € 000s	Technical equipment and machinery € 000s	Vehicles € 000s	Office equipment € 000s	Total € 000s
Cost of acquisition Balance at 01.01.2023	**18,447**	**0**	**603**	**121**	**19,171**
Company acquisitions	4,128	291	0	0	4,419
Additions	1,561	0	699	0	2,260
Disposals	419	0	189	0	608
Currency differences	302	-5	9	0	306
Balance at 12.31.2023	**24,019**	**286**	**1,122**	**121**	**25,548**

			Other equipment, plant and office equipment		
	Land and buildings € 000s	Technical equipment and machinery € 000s	Vehicles € 000s	Office equipment € 000s	Total € 000s
Accumulated depreciation Balance at 01.01.2023	**6,389**	**0**	**245**	**93**	**6,727**
Additions	2,185	74	298	23	2,580
Disposals	216	0	123	0	339
Currency differences	89	-1	2	0	90
Balance at 12.31.2023	**8,447**	**73**	**422**	**116**	**9,058**
Carrying amount at 12.31.2023	**15,572**	**213**	**700**	**5**	**16,490**

For information about the corresponding lease liabilities, please see Section 'C. Notes to the consolidated balance sheet (12) Non-current and current financial liabilities'.

Of right-of-use assets, € 807k are located in the country of origin of STRATEC SE (previous year: € 668k) and € 15,683k in third countries (previous year: € 11,776k).

Right-of-use assets showed the following developments in the 2022 financial year:

	Land and buildings € 000s	Technical equipment and machinery € 000s	Other equipment, plant and office equipment Vehicles € 000s	Other equipment, plant and office equipment Office equipment € 000s	Total € 000s
Cost of acquisition Balance at 01.01.2022	**13,073**	**0**	**766**	**121**	**13,960**
Additions	5,834	0	196	0	6,030
Disposals	0	0	352	0	352
Currency differences	-460	0	-7	0	-467
Balance at 12.31.2022	**18,447**	**0**	**603**	**121**	**19,171**

	Land and buildings € 000s	Technical equipment and machinery € 000s	Other equipment, plant and office equipment Vehicles € 000s	Other equipment, plant and office equipment Office equipment € 000s	Total € 000s
Accumulated depreciation Balance at 01.01.2022	**4,805**	**0**	**365**	**70**	**5,240**
Additions	1,741	0	215	23	1,979
Disposals	0	0	335	0	335
Currency differences	-157	0	0	0	-157
Balance at 12.31.2022	**6,389**	**0**	**245**	**93**	**6,727**
Carrying amount at 12.31.2022	**12,058**	**0**	**358**	**28**	**12,444**

(3) Property, plant and equipment

Property, plant and equipment developed as follows in the 2023 financial year:

	Land and buildings € 000s	Technical equipment and machinery € 000s	Other equipment, plant and office equipment € 000s	Prepayments made and assets under construction € 000s	Total € 000s
Acquisition and manufacturing costs Balance at 01.01.2023	**44,565**	**15,508**	**43,659**	**10,934**	**114,666**
Company acquisitions	0	4,965	1,095	0	6,060
Additions	40	765	3,203	4,334	8,342
Disposals	0	23	604	281	908
Reclassifications	0	1,730	2,265	-3,995	0
Currency differences	777	-12	398	31	1,194
Balance at 12.31.2023	**45,382**	**22,933**	**50,016**	**11,023**	**129,354**

	Land and buildings € 000s	Technical equipment and machinery € 000s	Other equipment, plant and office equipment € 000s	Prepayments made and assets under construction € 000s	Total € 000s
Accumulated depreciation and impairments Balance at 01.01.2023	**9,610**	**12,033**	**31,464**	**0**	**53,107**
Additions to depreciation	1,566	2,050	5,067	0	8,683
Disposals	0	5	599	0	604
Currency differences	281	20	354	0	655
Balance at 12.31.2023	**11,457**	**14,098**	**36,286**	**0**	**61,841**
Carrying amounts at 12.31.2023	**33,925**	**8,835**	**13,730**	**11,023**	**67,513**

As in the previous year, no borrowing costs were capitalized as a component of cost in accordance with IAS 23 (Borrowing Costs) in the 2023 financial year.

As in the previous year, it was not necessary to recognize any impairment losses in the 2023 financial year.

Of property, plant and equipment, € 42,031k is located in the country of origin of STRATEC SE (previous year: € 41,411k) and € 25,483k in third countries (previous year: € 20,148k).

Property, plant and equipment developed as follows in the 2022 financial year:

	Land and buildings € 000s	Technical equipment and machinery € 000s	Other equipment, plant and office equipment € 000s	Prepayments made and assets under construction € 000s	Total € 000s
Acquisition and manufacturing costs Balance at 01.01.2022	**43,881**	**14,860**	**39,729**	**6,910**	**105,380**
Additions	322	491	2,325	7,159	10,297
Disposals	71	8	1,149	66	1,294
Reclassifications	0	282	2,733	-3,015	0
Currency differences	433	-117	21	-54	283
Balance at 12.31.2022	**44,565**	**15,508**	**43,659**	**10,934**	**114,666**

	Land and buildings € 000s	Technical equipment and machinery € 000s	Other equipment, plant and office equipment € 000s	Prepayments made and assets under construction € 000s	Total € 000s
Accumulated depreciation and impairments Balance at 01.01.2022	**7,989**	**10,909**	**27,744**	**0**	**46,642**
Additions to depreciation	1,539	1,179	4,776	0	7,494
Disposals	71	8	1,125	0	1,204
Currency differences	153	-47	69	0	175
Balance at 12.31.2022	**9,610**	**12,033**	**31,464**	**0**	**53,107**
Carrying amounts at 12.31.2022	**34,955**	**3,475**	**12,195**	**10,934**	**61,559**

(4) Inventories

Raw materials and supplies

Raw materials and supplies amounted to € 93,598k as of December 31, 2023 (previous year: € 71,057k). In the 2023 financial year, income of € 1,182k (previous year: € 82k) and expenses of € 303k (previous year: € 1,154k) were recognized through profit or loss under cost of sales for changes in write-downs of raw materials and supplies. The resultant earnings items were attributable to diminished usability risks.

Unfinished products and contract fulfilment costs

These items are structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Unfinished products	6,639	7,369
Contract fulfilment costs	29,748	26,937
Total	**36,387**	**34,306**

Income of € 41k (previous year: € 350k) and expenses of € 71k (previous year: € 206k) resulting from changes in write-downs of unfinished products were recognized through profit or loss under cost of sales in the 2023 financial year.

Information about the accounting treatment of contract fulfilment costs in connection with development cooperations can be found in Section ‘B. Accounting policies applied – Recognition of sales, cost of sales, research and development expenses’.

Finished products, merchandise and prepayments made

These items are structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Finished products	10,770	9,229
Merchandise	1,032	1,840
Prepayments made	838	1,198
Total	**12,640**	**12,267**

Income of € 22k (previous year: € 238k) and expenses of € 37k (previous year: € 42k) resulting from changes in write-downs of finished products were recognized through profit or loss under cost of sales in the 2023 financial year.

Of the items recognized within inventories, the overwhelming share is expected to be realized within a period of twelve months after the balance sheet date. One exception relates to contract fulfilment costs of € 29,192k (previous year: € 12,683k), whose realization is only expected after more than twelve months.

(5) Contract assets

The contract assets of € 15,261k (previous year: € 22,753k) involve STRATEC's claims to consideration for work that is completed but not yet invoiced as of the balance sheet date. Contract assets are reclassified as trade receivables when such rights become unconditional. This is generally the case when STRATEC issues or has issued an invoice to the customer.

The change in contract assets in the 2023 financial year was due to a reduction of € 9,239k on account of payments, to an increase in the sales recognized over time for development cooperations, as well as to the discontinuation of netting with contract liabilities following the completion of development work.

(6) Trade receivables

Of trade receivables (€ 58,059k; previous year: € 51,730k), an amount of € 58,059k (previous year: (€ 51,730k) is due for payment within one year. Customer credit balances have been recognized under financial liabilities.

Trade receivables include receivables of € 149k due from associates (previous year: € 13k). The receivables are structured as follows:

Company providing service	Company receiving service	12.31.2023 € 000s	12.31.2022 € 000s
STRATEC SE	STRATEC Biomedical (Taicang) Co. Ltd.	149	13
Total		**149**	**13**

The allowances schedule for trade receivables and contract assets developed as follows:

	2023 € 000s	2022 € 000s
Accumulated allowances at 01.01.	1,292	1,124
Company acquisitions	24	0
Expenses in period under report	877	316
Reversal	-509	-108
Utilized	0	0
Currency differences	21	-40
Accumulated allowances at 12.31.	**1,705**	**1,292**

Of the accumulated allowances recognized as of December 31, 2023, € 43k relate to contract assets (previous year: € 31k).

As in the previous year, no expenses were recognized through profit or loss in the 2023 financial year for the complete write-down of trade receivables. Also as in the previous year, no write-backs were required.

All income and expenses resulting from changes in allowances and the derecognition of trade receivables were, as in the previous year, recognized under sales-related expenses.

The time band structure of trade receivables and of the allowance recognized for 'expected credit losses' is presented in the following table:

<table>
<tr><th>€ 000s</th><th>Gross amount</th><th>of which: not overdue at balance sheet date</th><th colspan="3">of which: overdue at balance sheet date within following time bands</th></tr>
<tr><td></td><td></td><td></td><td>up to 30 days</td><td>between 30 and 90 days</td><td>more than 90 days</td></tr>
<tr><td>12.31.2023</td><td>59,572</td><td>46,212</td><td>8,332</td><td>2,773</td><td>2,255</td></tr>
<tr><td>Expected credit loss</td><td></td><td colspan="2">223</td><td>200</td><td>1,239</td></tr>
<tr><td>12.31.2022</td><td>52,978</td><td>43,576</td><td>4,498</td><td>2,704</td><td>2,200</td></tr>
<tr><td>Expected credit loss</td><td></td><td colspan="2">160</td><td>270</td><td>831</td></tr>
</table>

At STRATEC, 'expected credit losses' have been calculated using a sophisticated process that accounts in particular for different country-specific circumstances, e.g. in terms of overdue items. Furthermore, due account was taken of the fact that STRATEC SE in particular concluded trade credit insurance to minimize default risk and that this also covers part of the default risk at subsidiaries. The (expected) premium for the trade credit insurance was referred to as the basis for calculating (expected) credit losses.

(7) Financial assets

Financial assets are structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Investments in associates	100	100
Investments in listed companies	683	958
Forward exchange transactions	22	0
Other	4,825	3,885
Total	**5,630**	**4,943**

Investments in associates of € 100k (previous year: € 100k) and other financial assets of € 3,483k (previous year: € 3,439k) have been recognized under non-current financial assets.

Investments in associates

The composition of investments in associates is presented in Section 'B. Accounting policies applied – Scope of consolidation'. The amounts recognized in the balance sheet developed as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Carrying amount at 01.01.	100	100
Disposals	0	0
Currency differences	0	0
Total	**100**	**100**

Investments in listed companies

The shares held in listed companies have been measured at their closing prices at the balance sheet date on the stock market with the highest trading volumes.

As in the previous year, STRATEC neither acquired nor disposed of any shares in listed companies in the 2023 financial year.

The net expenses of € 275k (previous year: € 268k) resulting from the measurement of investments in listed companies as of the balance sheet date has been recognized through profit or loss in the 'Other financial result' in the consolidated statement of comprehensive income.

Other

The 'Other' line item mainly includes payments of € 3,000k (previous year: € 3,000k) to secure trade receivables. These payments received are subject to contractually agreed restrictions on disposal, as a result of which STRATEC may only access the funds if certain conditions materialize. Corresponding liabilities of the same amount have been recognized under non-current financial liabilities. Furthermore, this line item includes claims of € 516k for rental deposits (previous year: € 431k), assets of € 478k to cover part-time early-retirement agreements (previous year: € 204k), receivables of € 73k due from employees (previous year: € 55k), loans of € 15k (previous year: € 21k), and creditors with debit balances of € 44k (previous year: € 6k).

(8) Other receivables and assets

Other receivables and assets are structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Sales tax	4,715	7,527
Deferred expenses	2,634	2,653
Other	710	322
Total	**8,059**	**10,502**

The other receivables and other assets are neither impaired nor overdue.

(9) Shareholders' equity

The individual components of shareholders' equity, their development in 2022 and 2023, and dividends paid have been presented in the consolidated statement of changes in equity.

Share capital

The share capital of STRATEC SE amounted to € 12,158k at the balance sheet date (previous year: € 12,158k). The share capital is divided into 12,157,841 ordinary shares (previous year: 12,157,841 ordinary shares). The shares have been paid up in full and are registered shares. Each share entitles its holder to one voting right.

The increase in share capital by € 30k was due to the issue of 29,846 shares for subscription from conditional capitals in the context of stock option programs. This capital increase was entered in the Commercial Register on January 13, 2023.

Authorized capital

Pursuant to § 4 (4.5) of the Articles of Association, the Board of Management is authorized, subject to approval by the Supervisory Board, to increase the company's share capital on one or more occasions prior to June 7, 2025 by a maximum amount of up to € 2,400,000.00 by issuing up to a maximum of 2,400,000 new shares in return for cash and/or non-cash contributions (**Authorized Capital 2020/I**). In general, shareholders must be granted subscription rights. In specific circumstances outlined in the Articles of Association, however, the Board of Management is entitled to exclude such subscription rights for a total amount of up to 10% of existing share capital upon this authorization becoming effective or, if lower, of the equivalent amount upon this authorization being drawn on. Authorized Capital amounted to € 2,400,000.00 as of December 31, 2023.

Conditional capitals

§ 4 (4.6) Paragraph 1 of the Articles of Association provides for **Conditional Capital VI/2013**. This conditional capital increase serves to grant subscription rights (stock options) up to June 5, 2018 on the basis of the resolution adopted by the Annual General Meeting on June 6, 2013. Pursuant to the resolution adopted by the Annual General Meeting on May 30, 2018, Conditional Capital VI/2013 was reduced to € 190,000.00 and the authorization to grant stock options dated June 6, 2013 rescinded to the extent that no further new option rights may be granted; only existing option rights may be exercised. The conditional capital increase is only executed to the extent that bearers of stock options exercise their subscription rights. The new shares have profit entitlement from the beginning of the financial year in which they are issued. Conditional Capital VI/2013 amounted to € 1,500.00 as of December 31, 2023.

Furthermore, § 4 (4.6) Paragraph 2 of the Articles of Association provides for **Conditional Capital VIII/2018**. This conditional capital increase serves to grant subscription rights (stock options) up to May 29, 2023 on the basis of the resolution adopted by the Annual General Meeting on May 30, 2018. Pursuant to the resolution adopted by the Annual General Meeting on May 17, 2023, Conditional Capital VIII/2018 was reduced to € 220,000.00 and the authorization to grant stock options dated May 30, 2018 was rescinded to the extent that no further new option rights may be granted; only existing option rights may be exercised. The conditional capital increase is only executed to the extent that bearers of stock options exercise their subscription rights. The new shares have profit entitlement from the beginning of the financial year in which they are issued. Conditional Capital VIII/2018 amounted to € 177,936.00 as of December 31, 2023.

§ 4 (4.6) Paragraph 3 of the Articles of Association provides for **Conditional Capital X/2023**. This conditional capital increase serves to grant subscription rights (stock option rights) up to May 16, 2028 on the basis of the resolution adopted by the Annual General Meeting on May 17, 2023. The conditional capital increase is only executed to the extent that bearers of stock options exercise their subscription rights. The new shares have profit entitlement from the beginning of the financial year in which they are issued. Conditional Capital X/2023 amounted to € 750,000.00 as of December 31, 2023.

Furthermore, § 4 (4.7) of the Articles of Association provides for **Conditional Capital IX/2020** of € 800,000.00. This conditional capital increase serves exclusively to grant up to 800,000 new shares to the bearers or creditors of convertible or warrant bonds issued by the company or by direct or indirect majority shareholdings of the company by June 7, 2025 on the basis of the resolution adopted by the Annual General Meeting on June 8, 2020. Conditional Capital IX/2020 amounted to € 800,000.00 as of December 31, 2023.

Total conditional capital amounted to € 1,729,436.00 as of December 31, 2023 (previous year: € 1,585,154.00).

Stock option programs

The company had three (previous year: two) stock option programs (equity-settled share-based payment) as of December 31, 2023. These programs are especially well suited to provide a sustainable performance incentive for members of the Board of Management, employees of STRATEC SE, and for members of the management and employees of companies associated with STRATEC SE. They thus help increase the value of the company in the interests both of the company and of its shareholders.

In the financial years from 2015 to 2017, individual members of the Board of Management were exclusively granted stock appreciation rights (cash-settled share-based payment – SARs) as a variable remuneration component of a long-term incentive nature. In the financial years from 2018 to 2022, they were again granted stock options at a ratio of 75% to 25%. Based on the 'new' remuneration system approved by the Annual General Meeting on May 20, 2021 and subsequently applicable to all employment contracts newly concluded, extended, or amended with members of the Board of Management, and given that, at the discretion of the Supervisory Board, stock options may only be granted for up to 25% of the stock appreciation rights, no stock options were granted to individual members of the Board of Management in the 2023 financial year.

The following specific conditions apply in respect of qualifying periods, performance targets, lapsing, caps, and exercise windows:

The stock options granted may be exercised in full at the earliest following the expiry of a **qualifying period of four years** and provided that the following market conditions are fully met:

- Increase in STRATEC's share price by at least 20% compared with the exercise price between the date of the option rights being granted and the date marking the expiry of the qualifying period.
- If this performance target is not met after expiry of the four-year waiting period, the stock options granted may be exercised through to the end of their terms if, on the day preceding the respective exercise date, the closing price of STRATEC's share on the final trading day on the electronic trading system of the Frankfurt Stock Exchange (XETRA) has risen by an average of 0.417% of the exercise price per completed calendar month since the date of the option dates being granted.

Following the expiry of a **seven-year term** after being granted, the option rights lapse without compensation.

Where stock options are granted to the members of the Board of Management, a cap also applies if, on the stock market trading day preceding the respective exercise date for the stock options, the closing price of STRATEC's share on the electronic trading system of the Frankfurt Stock Exchange (XETRA) exceeds the exercise price by more than 200%; in this case the exercise price is increased to the extent that the difference only amounts to 200% of the original exercise price.

If the qualifying period and performance target requirements have been met, the stock option rights may in each case only be exercised on the ten trading days on the electronic trading system of the Frankfurt Stock Exchange (XETRA) subsequent to the holding of the Annual General Meeting, or the publication of the definitive 6-month results, should such publication occur after the Annual General Meeting for the respective preceding financial year, or of the 9-month results (exercise windows). In these cases, the stock option rights may be exercised independently of each other in several of the aforementioned exercise windows.

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

Granted in:	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Option rights granted (number of shares)	35,650	45,132	43,850	43,100	47,350	47,850
Weighted exercise price (in €)	48.40	101.59	119.66	76.81	59.76	60.05
Expected share price volatility in %	40.44 to 41.15	39.79 to 40.83	39.29 to 40.40	35.63 to 38.39	35.78 to 36.20	33.72 to 35.83
Expected dividend yield in %	1.13 to 2.25	0.69 to 1.07	0.60 to 0.78	0.66 to 1.28	1.11 to 1.54	1.09 to 1.45
Risk-free interest rate in %	2.23 to 2.78	-0.25 to 2.03	-0.68 to -0.44	-0.77 to -0.51	-0.70 to -0.07	0.08 to 0.34
Assumed turnover of subscription beneficiaries in %	7.00	0.50 to 7.00	0.50 to 5.00	0.50 to 5.00	0.50 to 5.00	0.50 to 5.00
Fair value of option rights at grant date (in € 000s)	575	1,398	1,608	1,016	731	787

Within the Monte Carlo simulation, the aforementioned market conditions and cap were accounted for as appropriate in the fair value calculation for the option rights.

The weighted average fair value of the option rights granted in the 2023 financial year amounts to € 16.12 (previous year: € 30.96).

The weighted average share price has been accounted for at € 51.04 in the fair value calculation of the option rights granted in the 2023 financial year (previous year: € 99.21).

In respect of the exercise behavior shown by the program participants, it has been assumed that they will exercise their options in line with their economic interests.

The following options schedule provides an overview of the development in stock option rights in the 2022 to 2023 financial years:

	Board of Management		Employees		Total	
Stock option rights	**No. of options**	**Weighted exercise price in €**	**No. of options**	**Weighted exercise price in €**	**No. of options**	**Weighted exercise price in €**
Outstanding on 12.31.2022	**39,557**	**87.35**	**143,379**	**88.54**	**182,936**	**88.29**
of which exercisable	0	n/a	8,504	59.82	8,504	59.82
Granted	0	0.00	35,650	48.40	35,650	48.40
Exercised	0	0.00	0	0.00	0	0.00
Lapsed	0	0.00	0	0.00	0	0.00
Forfeited	0	0.00	10,000	93.60	10,000	93.60
Outstanding on 12.31.2023	**39,557**	**87.35**	**169,029**	**79.78**	**208,586**	**81.21**
of which exercisable	0	n/a	0	n/a	0	n/a

	Board of Management		Employees		Total	
Stock option rights	**No. of options**	**Weighted exercise price in €**	**No. of options**	**Weighted exercise price in €**	**No. of options**	**Weighted exercise price in €**
Outstanding on 12.31.2021	**40,000**	**72.43**	**128,150**	**81.77**	**168,150**	**79.55**
of which exercisable	0	n/a	0	n/a	0	n/a
Granted	9,557	117.52	35,575	97.31	45,132	101.59
Exercised	10,000	56.50	19,846	59.40	29,846	58.43
Lapsed	0	0.00	0	0.00	0	0.00
Forfeited	0	0.00	500	134.08	500	134.08
Outstanding on 12.31.2022	**39,557**	**87.35**	**143,379**	**88.54**	**182,936**	**88.29**
of which exercisable	0	n/a	8,504	59.82	8,504	59.82

Stock option rights granted to individual members of the Board of Management prior to their appointment to the Board of Management have not been reclassified and therefore continue to be recognized in the disclosures on employee stock option rights.

The fair value of the stock option rights has been expensed over the agreed qualifying periods and has resulted in an endowment of the same amount in the capital reserve. This led to expenses of € 1,128k for equity-settled share-based payments in the 2023 financial year (previous year: € 1,214k). Given the consistent and expected level of personnel turnover, it has not been necessary in subsequent periods to adjust the expenses calculated upon the respective rights being granted.

Due to the necessary market conditions and/or the minimum qualifying periods not have been fulfilled, no stock option rights were exercisable as of December 31, 2023. The 8,504 stock option rights exercisable as of December 31, 2022 entitle their bearers to acquire a total of up to 8,504 shares during the future possible exercise windows at a total exercise price of € 509k.

No stock options were exercised in the 2023 financial year. The weighted average share price on the exercise date of the option rights exercised in the 2022 financial year amounted to € 89.71.

The weighted exercise prices and weighted average remaining contractual terms of the stock options outstanding at the end of the period under report have been presented in the following table:

2023

Range in €	Number of stock options	Weighted exercise price in €	Weighted remaining contractual term in months
35.01 – 40.00	24,350	39.69	83.2
40.01 – 45.00	2,800	43.58	82.2
50.01 – 55.00	2,000	50.82	80.1
55.01 – 60.00	32,204	56.32	27.6
60.01 – 65.00	32,250	62.35	38.3
65.01 – 70.00	15,150	67.75	32.6
70.01 – 75.00	1,500	71.18	13.2
80.01 – 85.00	3,800	80.84	62.8
85.01 – 90.00	17,275	85.58	71.7
100.01 – 105.00	13,500	105.00	62.5
110.01 – 115.00	30,000	113.00	51.0
115.01 – 120.00	13,557	117.25	61.8
120.01 – 125.00	2,800	120.48	45.6
125.01 – 130.00	8,850	125.90	50.2
130.01 – 135.00	6,050	134.08	58.9
135.01 – 140.00	2,500	138.84	49.7
Total	**208,586**	**81.21**	**51.8**

2022

Range in €	Number of stock options	Weighted exercise price in €	Weighted remaining contractual term in months
55.01 – 60.00	32,704	56.33	39.7
60.01 – 65.00	32,750	62.19	48.8
65.01 – 70.00	17,150	67.59	45.2
70.01 – 75.00	1,500	71.18	25.4
80.01 – 85.00	3,800	80.84	74.9
85.01 – 90.00	13,775	85.54	83.2
100.01 – 105.00	13,500	105.00	74.7
110.01 – 115.00	30,000	113.00	63.1
115.01 – 120.00	15,057	117.18	74.0
120.01 – 125.00	2,800	120.48	57.8
125.01 – 130.00	9,350	125.92	62.2
130.01 – 135.00	6,550	134.08	71.0
135.01 – 140.00	4,000	138.84	61.9
Total	**182,936**	**88.29**	**58.0**

Employee participation program

As in the previous year, no employee shares were issued within the employee participation program at STRATEC SE in the 2023 financial year.

Capital reserve

The capital reserve of € 36,273k (previous year: € 35,145k) mainly includes the premium from the issuing of shares, less the costs of equity procurement after taxes. Moreover, the capital reserve also includes the benefit from the granting of stock options and from the employee participation program recognized as expenses, as well as the differential amount from the buyback and reissue of treasury stock.

Revenue reserves

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

Revenue reserves are thus structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Free revenue reserves	19,392	19,392
Accumulated net income	164,708	163,431
Total	**184,100**	**182,823**

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

	€ 000s
Accumulated net income at 12.31.2022	163,431
Consolidated net income in 2023	13,067
Distribution (dividend for 2022)	-11,790
Accumulated net income at 12.31.2023	**164,708**

Other equity

The other equity of € 830k (previous year: € -4,907k) includes the currency translation reserve, accumulated actuarial gains and losses from the remeasurement of pensions, and the resultant deferred taxes.

The currency translation reserve of € 1,711k reported as of the balance sheet date (previous year: € -4,973k) mainly relates to currency differences arising upon the translation of the separate financial statements of companies with functional currencies other than the euro, as well as to the translation of group-internal net investments within equity as of the balance sheet date. The change is recognized in the 'Currency translation differences from the translation of foreign operations' line item in the consolidated statement of comprehensive income.

The amounts recognized in other comprehensive income (OCI) within equity are structured as follows:

	Balance at 01.01.2023 € 000s	OCI € 000s	Balance at 12.31.2023 € 000s
Pensions	59	-1,153	-1,094
Deferred taxes	7	206	213
Currency reserve	-4,950	6,675	1,725
Deferred taxes	-23	9	-14
Total	**-4,907**	**5,737**	**830**

	Balance at 01.01.2022 € 000s	OCI € 000s	Balance at 12.31.2022 € 000s
Pensions	-2,427	2,486	59
Deferred taxes	347	-340	7
Currency reserve	-1,562	-3,388	-4,950
Deferred taxes	-30	7	-23
Total	**-3,672**	**-1,235**	**-4,907**

Treasury stocks

By resolution of the Annual General Meeting held on June 8, 2020, STRATEC SE was authorized until June 7, 2025 to acquire treasury stocks on one or several occasions and in total or in partial amounts up to a total of ten percent of existing share capital as of June 8, 2020 and to use these for every purpose permitted within the statutory limitation and consistent with the respective conditions. The authorization may not be drawn on to trade in treasury stocks. Together with the treasury stocks already acquired on the basis of previous authorizations and still possessed by the company, the treasury stocks acquired on the basis of this authorization may not at any time account for more than ten percent of the respective share capital. The treasury stocks may be acquired on the stock market, by way of a public offer, by way of a public request to submit sales offers, or by issuing pre-emptive rights to shareholders.

As in the previous year, STRATEC SE made no use of this authorization to acquire treasury stocks in the 2023 financial year. The company currently has no plans to retire the shares already acquired, but rather intends to retain the financial scope to make acquisitions and safeguard its growth strategy. Furthermore, STRATEC SE reserves the right to use the treasury stocks already acquired for other purposes consistent with the authorization provided by the Annual General Meeting.

As in the previous year, STRATEC SE held 1,899 treasury stocks at the balance sheet date. The treasury stocks have been recognized at cost at a total amount of € 35k (previous year: € 35k) as a separate line item within equity.

Appropriation of earnings

The German Stock Corporation Act (AktG) requires the dividends to be distributed to shareholders to be calculated on the basis of the net income reported in the annual financial statements of STRATEC SE prepared in line with the German Commercial Code (HGB).

In the 2023 financial year, a dividend of € 0.97 (previous year: € 0.95) was paid per share with dividend entitlement for the 2022 financial year, corresponding to a total distribution of € 11,791k (previous year: € 11,521k).

With the approval of the Supervisory Board, the Board of Management proposes that, of the net income of € 106,668k calculated for STRATEC SE in line with the German Commercial Code, an amount of € 6,685,768.10, equivalent to € 0.55 per share with dividend entitlement, should be distributed, and that the remaining amount of € 99,982k should be carried forward. The proposed dividend is dependent on approval by the Annual General Meeting and has not been recognized as a liability in the consolidated financial statements.

As in the previous year, upon preparing the annual financial statements of STRATEC SE in line with the German Commercial Code (HGB) as of December 31, 2023, the Board of Management and Supervisory Board did not allocate any amount from the net income for 2023 to the free revenue reserves.

(10) Provisions for pensions

The company pension scheme can basically be divided into defined contribution plans and defined benefit plans.

In **defined contribution plans**, STRATEC does not enter into any legal or constructive obligations over and above its obligation to pay contributions to an external state or private pension provider. These contributions are recognized within personnel expenses upon becoming due for payment. The related expenses totaled € 5,266k in the 2023 financial year (previous year: € 4,857k). This total includes employer contributions of € 2,829k to the German state pension system (previous year: € 2,689k).

Furthermore, as of the balance sheet date STRATEC had **defined benefit** plan commitments for members of the Board of Management in Germany and for employees in Austria and Switzerland. Reinsurance policies have been concluded in some cases to cover the pension obligation in Germany. The pension plans in Switzerland are executed in accordance with legal requirements on the basis of an external pension fund. In connection with defined benefit plans, STRATEC is exposed not only to general actuarial risks, such as interest rate risk, pension and income growth risks, and risks resulting from rising life expectancy, but also to capital market risks resulting from the investment of plan assets.

The pension obligation is offset against the pledged assets of the reinsurance policies and stated on a net basis in the consolidated balance sheet.

The present value of pension obligations is calculated using the actuarial procedure known as the projected unit credit method. In this, future obligations are measured on the basis of the prorated vested claims attained by the end of the financial year, taking due account of assumed trends.

The calculation of the present value of pension obligations has been based on the following actuarial assumptions:

	Germany 12.31.2023	Austria 12.31.2023	Switzerland 12.31.2023
Discount rate	3.19 %	3.13 %	1.50 %
Future income increases	0.00 %	3.00 %	1.80 %
Future pension increases	0.00 % – 4.58 %	0.00 %	0.00 %
Personnel turnover rate	1.50 %	0.00 %	*
Average duration	***	10.5 years	**

	Germany 12.31.2022	Austria 12.31.2022	Switzerland 12.31.2022
Discount rate	3.69 %	3.49 %	2.30 %
Future income increases	0.00 %	3.00 %	1.80 %
Future pension increases	0.00 % – 1.80 %	0.00 %	0.00 %
Personnel turnover rate	1.50 %	0.00 %	*
Average duration	***	10.8 years	**

* Personnel turnover rate graded for men, women, and age groups. Pursuant to the Swiss Federal Act on Retirement, Dependant Care, and Invalidity Pensions (BVG), the turnover rate for men ranges, as in the previous year, from 1.66 % to 31.00 %; the rate for women ranges, as in the previous year, from 2.15 % to 27.58 %.

** The range of average duration amounts to 16.1 years at STRATEC Switzerland AG (previous year: 14.7 years) and to 15.6 years at STRATEC Services AG (previous year: 14.5 years).

*** The average duration for pension commitments with insurance-based execution channels amounts to 18.7 years (previous year: 18.7 years) while that for direct pension commitments amounts to 8.9 years (previous year: 9.8 years).

As in the previous year, the main life expectancy assumptions for Germany have been taken from the biometric '2018 G Guidelines' published by Prof. Dr. Klaus Heubeck. For Austria, also as in the previous year, these assumptions have been based on the 'AVÖ 2018-P Pagler & Pagler Generationentafel'. For Switzerland they have been based on the 'BVG 2020 Generationstafel'.

The assumptions stated for the calculation of the present value of pension obligations as of the previous year's balance sheet date also apply for the calculation of interest expenses and current service cost in the following financial year.

The present value of the vested defined benefit obligations (DBO) and plan assets changed as follows in the financial year under report:

	2023 € 000s	2022 € 000s
Present value of defined benefit obligations (DBO) as of 01.01.	**14,591**	**15,275**
Transfers due to change of employer	-957	902
Current service cost	809	1,086
Retrospective service cost	-48	0
Compounding of pension obligations	386	95
Payments made	0	-108
Employee contributions to pension plan	585	538
Remeasurement of pension obligations Actuarial gains (-) / losses (+) due to changes in		
• financial assumptions	1,126	-3,811
• demographic assumptions	-5	0
• experience adjustments	86	85
Currency differences	759	529
Present value of defined benefit obligations (DBO) as of 12.31.	**17,332**	**14,591**

	2023 € 000s	2022 € 000s
Fair value of plan assets as of 01.01.	**11,439**	**9,902**
Transfers due to change of employer	-957	902
Employer contributions to plan assets	974	874
Employee contributions to plan assets	585	538
Interest income on plan assets	295	61
Remeasurement of plan assets • Expenses for plan assets (excluding interest income)	54	-1,240
Currency differences	625	402
Fair value of plan assets as of 12.31.	**13,015**	**11,439**

To calculate the financing status and the net obligation, the present value of the externally financed obligations is compared with the fair value of the plan assets.

	31.12.2023 € 000s	31.12.2022 € 000s
Pension plans in Germany • Present value of pension obligations • Fair value of plan assets	 2,848 2,450	 2,103 1,847
Financing status = net obligation	**398**	**256**
Pension plans in Austria • Present value of pension obligations • Fair value of plan assets	 1,504 0	 1,383 0
Financing status = net obligation	**1,504**	**1,383**
Pension plans in Switzerland • Present value of pension obligations • Fair value of plan assets	 12,980 10,565	 11,105 9,592
Financing status = net obligation	**2,415**	**1,513**
Total • Present value of pension obligations • Fair value of plan assets	 17,332 13,015	 14,591 11,439
Financing status = net obligation	**4,317**	**3,152**

The net obligation developed as follows:

	2023 € 000s	2022 € 000s
Net obligation at 01.01.	**3,152**	**5,373**
Share of pension expenses recognized in income statement	852	1,120
Amounts recognized in OCI	1,153	-2,486
Payments made	0	-108
Employer contributions to plan assets	-974	-874
Currency differences	134	127
Net obligation at 12.31.	**4,317**	**3,152**

The pension expenses recognized through profit or loss in the income statement for defined benefit commitments in the period under report comprise the following items:

	2023 € 000s	2022 € 000s
Current service cost	809	1,086
Retrospective service cost	-48	0
Compounding of pension obligations	386	95
Interest income on plan assets	-295	-61
Share of pension expenses recognized in income statement	**852**	**1,120**

Service cost is included in the individual functional areas, while other components of the share of pension expenses recognized in the consolidated statement of comprehensive income are included in the financial income or financial expense line items within net financial expenses.

The following amounts have been recognized in equity under 'Other comprehensive income' in the consolidated statement of comprehensive income:

	2023 € 000s	2022 € 000s
Remeasurement of net obligation:		
Income from plan assets (excluding interest income)	-54	1,240
Actuarial gains (-) / losses (+) due to changes in • financial assumptions • demographic assumptions • experience adjustments	 1,126 -5 86	 -3,811 0 85
Amounts recognized in OCI	**1,153**	**-2,486**

The plan assets relate to pension plans in Germany and Switzerland. In Germany, these reinsurance policies predominantly invest in fixed-income securities. When selecting such securities, the rating and equity resources of the issuer are accounted for, among other factors. The investment strategy predominantly aims to generate ongoing interest income and to ensure capital preservation with a low degree of volatility. No prices listed on an 'active market' are available for the reinsurance policies. The Swiss companies are affiliated to the comprehensive insurance contract for the BVG collective foundation ('Sammelstiftung') at Allianz Suisse, while a reinsurance contract is in place between the Sammelstiftung and the life insurer Allianz Suisse Lebensversicherungs-Gesellschaft.

Depending on the specific country, the key actuarial assumptions used to calculate the pension obligations at STRATEC include the parameters presented in the sensitivity analyses below, namely the discount rate, future income increases, and the interest rate on retirement assets. The sensitivity analyses show how the defined benefit obligation would have been influenced by potential changes in the corresponding assumptions if all other assumptions had remained unchanged.

In Germany, any variation in the respective parameters by 50 basis points would result in the following sensitivities in the present value of the defined benefit obligation:

Germany	**2023** € 000s	**2022** € 000s
Discount rate +0,50 %	-225	-164
Discount rate -0,50 %	253	184

In Austria, any variation in the respective parameters by 50 basis points would result in the following sensitivities in the present value of the defined benefit obligation:

Austria	**2023** € 000s	**2022** € 000s
Discount rate +0,50 %	-74	-68
Discount rate -0,50 %	85	79
Future income increases +0,50 %	79	77
Future income increases -0,50 %	-74	-68

In Switzerland, any variation in the respective parameters by 25 basis points would result in the following sensitivities in the present value of the defined benefit obligation:

Switzerland	**2023** € 000s	**2022** € 000s
Discount rate +0,25 %	-488	-383
Discount rate -0,25 %	528	413
Future income increases +0,25 %	93	68
Future income increases -0,25 %	-92	-67
Interest rate on retirement assets +0,25 %	227	192
Interest rate on retirement assets -0,25 %	-222	-187

Plan asset endowments by STRATEC of € 1,613k (previous year: € 1,424k) are expected for the following 2024 financial year. No outgoing payments from plan assets are expected.

(11) Taxes on income

Taxes on income comprise the income taxes paid or owed and deferred taxes in the individual countries. Interest on tax-related back payments and reimbursements are recognized under other liabilities or receivables and under net financial expenses.

For information about the implications of income tax treatment uncertainties in the 2023 financial year, please see Section 'B. Accounting policies applied, Forward-looking assumptions, 8. Recognition of deferred taxes for temporary differences and tax loss carryovers pursuant to IAS 12 (Income Taxes) and uncertainties in income tax treatment'.

Income tax expenses can be broken down in terms of their origin as follows:

	2023 € 000s	**2022** € 000s
Current tax expenses	4,884	11,298
Deferred tax income (previous year: expenses)	278	-1,433
Total	**5,162**	**9,865**

Of the deferred tax expenses of € 278k recognized in the consolidated statement of comprehensive income (previous year: income of € 1,433k), € 1,019k results from expenses due to temporary valuation differences (previous year: income of € 93k), € 826k from income due to the recognition through profit or loss of changes in deferred tax assets on tax loss carryovers (previous year: expenses of € 1,154k), and € 85k from expenses in connection with the capitalization of expected income tax reductions in Switzerland as a result of the assessments and agreements made in the context of the external tax audit in Germany (previous year: income of € 2,294k).

The changes in the deferred tax assets on tax loss carryovers are structured as follows

	2023 € 000s	2022 € 000s
Income from recognition	-1,288	0
Expenses due to adjustments	2	888
Expenses due to changes in tax rates	244	0
Expenses due to utilization	260	254
Income (previous year: expenses) due to impairments	-44	12
Income (previous year: expenses) due to changes	-826	1,154
Currency translation	-16	-30
Total	**-842**	**1,124**

Deferred tax assets of € 3,443k were recognized on tax loss carryovers at five subsidiaries (previous year: two subsidiaries) in the 2023 financial year (previous year: € 2,601k). In the 2023 financial year, deferred tax assets on loss carryovers were written up by € 44k (previous year: written down by € 12k). As in the previous year, these related to STRATEC Consumables GmbH. Given the existence of deferred tax liabilities, the deferred tax assets still recognized at STRATEC Consumables GmbH are deemed to have retained their value. The nominal amount of loss carryovers for which no deferred tax assets were recognized amounts to € 12,717k (previous year: € 12,378k). The unused tax loss carryovers for which no deferred tax assets have been recognized in the consolidated balance sheet relate to STRATEC Biomedical USA, Inc., STRATEC Consumables GmbH, and RE Medical Analyzers Luxembourg 2 S.à r.l. Their eligibility to be carried forward is as follows:

	1 to 10 years € 000s	**11 to 15 years** € 000s	**16 to 20 years** € 000s	**Unlimited** € 000s	**Total** € 000s
Loss carryover	1,713	5,255	536	5,243	12,717
(previous year)	(1,713)	(5,099)	(536)	(5,030)	(12,378)

The tax expenses of € 5,162k reported for the 2023 financial year (previous year: € 9,865k) deviate by € 171k (previous year: € 837k) from the tax expenses of € 4,991k (previous year: € 10,702k) expected to result from application of the overall tax rate for STRATEC SE (27.38%; previous year: 27.38%) to the Group's earnings before taxes. The overall tax rate results from the corporate income tax rate of 15.00% (previous year: 15.00%), the solidarity surcharge of 5.50% of corporate income tax (previous year: 5.50%), and an average trade tax rate of 11.55% (previous year: 11.55%).

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

	2023 € 000s	2022 € 000s
Earnings before taxes on income	18,229	39,088
Overall tax rate	27.38%	27.38%
Expected tax expenses (-) / income (+)	**-4,991**	**-10,702**
Deviations in German and foreign tax rates	911	3,951
Impact of increase (-) / decrease (+) in effective tax rates	-301	-26
Tax-exempt income (+) / expenses (-) from investments, securities price gains/losses, and dividends	-72	-70
Expenses not deductible for tax purposes less tax settlements	-242	-517
IFRS personnel expenses (stock options)	-309	-332
Tax back payments/refunds for previous years and non-period tax expenses/income	105	-2,101
Write-down of deferred tax assets	44	-12
Sundry	-307	-56
Reported tax expenses (-) / income (+)	**-5,162**	**-9,865**

The income tax receivables of € 1,774k (previous year: € 1,388k) are attributable to prepayments and refunds of taxes on income. The income tax liabilities of € 6,844k (previous year: € 9,952k) relate to current income tax obligations.

Deferred taxes are recognized for the following balance sheet items and factors:

	12.31.2023		12.31.2022	
	Deferred tax assets € 000s	**Deferred tax liabilities € 000s**	**Deferred tax assets € 000s**	**Deferred tax liabilities € 000s**
Intangible assets	3,316	13,691	382	11,642
Right-of-use assets	0	3,020	0	2,091
Property, plant and equipment	219	898	166	99
Non-current financial assets	76	579	0	540
Non-current other receivables and assets	25	0	116	0
Non-current contract assets	331	912	382	791
Inventories	585	1,231	431	1,882
Trade receivables	844	776	1,059	844
Receivables from associates	45	895	45	725
Current financial assets	0	12	0	12
Other receivables and assets	29	0	30	0
Current contract assets	10	285	5	456
Non-current financial liabilities	2,473	0	1,969	0
Provisions for pensions	836	65	657	76
Non-current contract liabilities	98	0	1,501	0
Current financial liabilities	583	0	679	0
Liabilities from associates	1,138	236	837	31
Current other liabilities	143	0	150	0
Provisions	9	121	16	183
Current contract liabilities	263	0	76	0
Tax loss carryovers	3,443	0	2,601	0
Net investment in foreign operation	98	82	13	101
Currency translation	196	223	236	169
Sundry (expected income tax reduction in Switzerland)	2,540	3	2,545	0
Subtotal	**17,300**	**23,029**	**13,896**	**19,642**
Netting	-12,953	-12,953	-10,230	-10,230
Amount recognized in consolidated balance sheet	**4,347**	**10,076**	**3,666**	**9,412**

(12) Non-current and current financial liabilities

Non-current financial liabilities are structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Liabilities to banks	80,800	68,697
Lease liabilities	13,536	11,368
Liabilities for personnel-related items	796	846
Other	3,116	3,122
Total	**98,248**	**84,033**

Current financial liabilities are structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Liabilities to banks	44,240	4,926
Lease liabilities	2,795	2,158
Liabilities for personnel-related items	3,646	4,052
Accrued trade payables	1,937	3,173
Other	846	945
Total	**53,464**	**15,254**

Financial liabilities to banks

Liabilities to banks include liabilities of € 54.0 million (previous year: € 38.0 million) in connection with a master credit facility with a revolving credit line of up to € 55.0 million (previous year: € 55.0 million) that was concluded with four banks and has a term through to January 22, 2027. To finance the acquisition of the Natech Group and further investment opportunities, on June 21, 2023 an additional master credit facility with a revolving credit line of up to € 50.0 million and a term through to June 20, 2024 was agreed with an existing bank. As of December 31, 2023, an amount of € 39.0 million of the additional master credit facility had been drawn down. The interest payable on the amount effectively drawn down from the master credit facility is based on customary market reference rates plus a margin. The margin is increased by a premium should the company not comply with specified key financials. A commitment fee is payable on amounts not drawn down from the master credit facility.

For the predominant share of financial liabilities to banks, the relevant financing contracts include agreements concerning compliance with specific key financial figures (covenants), particularly with regard to the debt/equity ratio and the equity ratio. These covenants have to be calculated at the end of each quarter, half-year, and full-year and the agreements respectively in place were complied with at all times in the 2023 financial year. Furthermore, the company has entered into various obligations in this regard involving restrictions on assets and provisos concerning further borrowing. In particular, no collateral securities exceeding an amount of € 10 million may be provided to third parties (or specific group companies not party to the guarantee concept for the financing arrangement) unless securities in the same amount are provided to the financing banks.

Lease liabilities

In the 2023 financial year, lease liabilities of € 2,626k were repaid (previous year: € 2,115k), while lease interest of € 727k was paid (previous year: € 559k). Leases resulted in a total outflow of funds amounting to € 4,031k in the 2023 financial year (previous year: € 3,289k). With regard to the interest expenses recognized for lease liabilities under net financial expenses in the 2023 financial year, reference is made to the information provided in Section 'C. Notes to the consolidated statement of comprehensive income (23) Net financial expenses'.

Expenses of € 581k for variable lease payments were not included in the measurement of lease liabilities in the 2023 financial year (previous year: € 509k).

Financial liabilities for personnel-related items

Financial liabilities for personnel-related items chiefly comprise obligations of € 3,555k in connection with profit participation schemes (previous year: € 4,230k).

Obligations for profit participation schemes include obligations for short-term performance-related remuneration for employees (€ 1,423k; previous year: € 1,459k), and obligations for short, medium, and long-term performance-related remuneration for the Board of Management (€ 2,132k; previous year: € 2,771k). The obligations for long-term performance-related remuneration for the Board of Management (€ 434k; previous year: € 970k) correspond to the fair value of the payments expected for the stock appreciation rights (SARs) granted. The fair value has been determined using the binomial tree method based on the measurement principles of a risk-neutral valuation using the Black/Scholes method.

Stock appreciation rights (SARs)

The stock appreciation rights are structured such that they refer to a payment to be made by the company to the respective bearer of the rights, with the amount of payment being determined by reference to the share price performance of STRATEC SE (reference share) as documented in XETRA trading on the Frankfurt Stock Exchange over a predefined period. The rights in the tranches issued in the 2021 and 2022 financial years have five-year terms calculated from the issue date, although initial payment of the value of the stock appreciation rights may be requested at the earliest after a 'minimum waiting period' of two years. By contrast, the rights in the tranche issued in the 2023 financial year have seven-year terms calculated from the issue date, with a 'minimum waiting period' of four years. The payment claim is determined on the basis of the increase in the XETRA closing price of a reference share through to the end of the term (based on a 30-day average price plus dividends) compared with the XETRA closing price at the issue date (reference price). In this respect, the annual increase in the reference share price – without reference to the share price performance within the term – must amount to at least eight percent for the tranches issued in the 2021 and 2022 financial years and at least five percent for the tranche issued in the 2023 financial year (exercise hurdle). Should the term of the rights not correspond to a full year, the share price increase is determined on a time-apportioned basis.

The fair value of the stock appreciation rights (SARs) as of the measurement date on December 31, 2023 was determined on the basis of the following parameters:

Stock appreciation rights (SARs) model parameters	**Tranche I 2023 financial year**	**Tranche I 2022 financial year**	**Tranche I 2021 financial year**
Issue date	01.23.2023	01.25.2022	03.08.2021
Average share price on issue date	84.70 €	114.40 €	107.20 €
Term			
Overall term	84.0 months	60.0 months	60.0 months
Remaining term as of 12.31.	72.7 months	36.8 months	26.3 months
Minimum waiting period			
Overall term	48.0 months	24.0 months	24.0 months
Remaining term as of 12.31.	36.7 months	0.8 months	0.0 months
Share price at measurement date	81.10 €	81.10 €	81.10 €
Expected volatility	42.44 %	40.62 %	37.78 %
Assumed personnel turnover rate	1.5 %	1.5 %	1.5 %
Risk-free interest rate	1.88 %	2.03 %	2.27 %
Fair value on issue date	**31.35 €**	**37.45 €**	**38.05 €**
Fair value as of 12.31.	**7.31 €**	**1.59 €**	**0.98 €**

The development in the total number of stock appreciation rights (SARs) in the reporting period is presented below:

Absolute figures	Total at 01.01.2023	Granted	Exercised, lapsed, forfeited	Total at 12.31.2023	of which exercisable
Tranche I 2021	30,000	0	0	30,000	0
Tranche I 2022	30,000	0	0	30,000	0
Tranche I 2023	0	47,940	0	47,940	0
Total	**60,000**	**47,940**	**0**	**107,940**	**0**

Income totaling € 536k was recognized in the 2023 financial year for cash-settled share-based payments (previous year: expenses of € 1,152k).

Other

The 'Other' line item includes financial liabilities of € 693k (previous year: € 68k) resulting from the accrual of interest and the corresponding liabilities for payments received to secure trade receivables. In the previous year, the 'Other' line item also included an amount of € 784k resulting from measurement as of the balance sheet date of forward exchange transactions intended to hedge exchange risks. The gains of € 816k resulting from measurement as of the balance sheet date (previous year: losses of € 528k) have been recognized under 'Other operating expenses' in the consolidated statement of comprehensive income.

Maturities

Financial liabilities have the following maturities:

Maturity[1]	12.31.2023 € 000s
2024	53.464
2025	11,317
2026	8,160
2027	61,864
2028	5,639
2029 and later	11,268
Total	**151,712**

Maturity[1]	12.31.2022 € 000s
2023	15.254
2024	10,527
2025	7,068
2026	7,146
2027	44,653
2028 and later	14,639
Total	**99,287**

[1] The calculation of the maturity of stock appreciation rights (SAR) has been based on the shortest possible term for the rights in each case. With regard to the utilization of the revolving credit facilities, it has been assumed that the amounts drawn down as of the balance sheet date continue to apply through to the end of the credit agreement.

(13) Trade payables

By analogy with the previous year, the trade payables of € 21,454k (previous year: € 10,865k) mostly involve goods and services provided in November and December 2023. Also as in the previous year, these items are due for payment within one year.

Trade payables include liabilities of € 45k to associates (previous year: € 5k). These liabilities are structured as follows:

Company providing service	Company receiving service	12.31.2023 € 000s	12.31.2022 € 000s
STRATEC Biomedical (Taicang) Co. Ltd.	STRATEC SE Mod-n-More Kft.	45 0	0 5
Total		**45**	**5**

(14) Current other liabilities

Other liabilities are structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Liabilities for personnel-related items	3,523	3,423
Other tax liabilities	1,195	1,321
Social security liabilities	1,602	1,416
Other	910	1,372
Total	**7,230**	**7,532**

Liabilities for personnel-related items mainly consist of liabilities for outstanding vacation (€ 2,287k; previous year: € 2,312k) and employee working time credits (€ 1,148k; previous year: € 1,108k).

The other tax liabilities relate to transaction taxes and employee payroll settlement. Social security liabilities chiefly relate to social security contributions still to be transferred. In the previous year, the 'Other' line item included other interest liabilities of € 388k due to tax-related back payments.

In the 2023 financial year, STRATEC received government grants of € 430k (previous year: € 292k). These relate to grants for research purposes and in the previous year also to e-mobility subsidies. Total accrued liabilities for government grants amount to € 221k (previous year: € 125k). This figure includes a repayment allowance of € 91k (previous year: € 123k) which has been reported under other financial liabilities.

Other liabilities have the following maturities:

Maturity	12.31.2023 € 000s
2024	7,230
2025	0
2026	0
2027	0
2028	0
2029 and later	0
Total	**7,230**

Maturity	12.31.2022 € 000s
2023	7,532
2024	0
2025	0
2026	0
2027	0
2028 and later	0
Total	**7,532**

(15) Contract liabilities

Contract liabilities mainly relate to prepayments received from customers for development services and product deliveries. In line with their respective maturities, the overwhelming share of contract liabilities will be recognized as sales in subsequent financial years.

Contract liabilities were structured as follows:

	12.31.2023 € 000s	12.31.2022 € 000s
Development and services	22,962	23,856
Other	7,155	6,973
Total	**30,117**	**30,829**

Contract liabilities have the following maturities:

Maturity	12.31.2023 € 000s
2024	5,936
2025	12,638
2026	9,408
2027	2,135
2028	0
2029 and later	0
Total	**30,117**

Maturity	12.31.2022 € 000s
2023	15,352
2024	10,150
2025	5,327
2026	0
2027	0
2028 and later	0
Total	**30,829**

(16) Provisions

Current provisions mainly include provisions for guarantees and warrantees (€ 1,502k; previous year: € 1,291k).

Provisions developed as follows:

	2023 € 000s	2022 € 000s
01.01.	1,291	1,637
Added	233	0
Reversed	-87	-376
Utilized	0	0
Currency differences	65	30
Total	**1,502**	**1,291**

There is uncertainty in respect of the amount and maturity of the provisions recognized. This has been duly accounted for by way of best estimates.

D. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(17) Sales

The sales generated from contracts with customers are presented below, broken down by the type of goods or services, geographical regions, and point or period of time at which the respective sales are recognized.

Sales from contracts with customers are structured as follows:

	2023 € 000s	2022 € 000s
Type of goods or services		
Analyzer systems	113,839	140,846
Service parts and consumables	96,169	88,762
Development and services	49,698	43,537
Other	2,205	1,480
Total	**261,911**	**274,625**
Geographical regions		
Germany	51,526	56,786
European Union	92,120	109,819
Other • of which US	118,265 93,038	108,020 78,628
Total	**261,911**	**274,625**
Time at which sales are recognized		
Recognized at a point in time	260,494	267,694
Recognized over time	1,417	6,931
Total	**261,911**	**274,625**

For analyzer systems, service parts, and consumables, the allocation of sales to geographical regions has been based on the delivery locations from STRATEC's perspective. In view of the fact that STRATEC's customers partly supply their country outlets and customers from central distribution centers, however, this breakdown of sales does not necessarily reflect the final operating locations of the analyzer systems, service parts, and consumables supplied by STRATEC.

List of major customers pursuant to IFRS 8.34: in the year under report, as in the previous year, two customers with sales of € 47.6 million and € 39.6 million (previous year: € 69.1 million and € 50.4 million). These figures in all cases include sales for several analyzer system lines, development activities, and services and consumables.

STRATEC's performance obligations are described in summarized form below:

Supply of analyzer systems, service parts, and consumables

The performance obligations for supplying analyzer systems, service parts, and consumables are generally satisfied upon delivery. The payment terms vary from advance payment through to a payment target of a maximum of 120 days.

Development and other services

The performance obligations for development and other services are satisfied, taking due account of the respective customer contracts, at a point in time or over time. As a general rule, customers make non-refundable milestone payments during the development phase. In some contracts, consideration for the development performance obligation is transferred to STRATEC in connection with other contractual performance obligations. The payment targets for invoiced development work usually amount to between 30 and 60 days.

Sales include the following amounts:

	2023 € 000s	2022 € 000s
Sales from amounts included in contract liabilities at the beginning of the financial year	10,204	13,398
Sales from performance obligations satisfied in previous financial years	9,239	1,107
Total	**19,443**	**14,505**

(18) Cost of sales

Cost of sales, amounting to € 197,066k (previous year: € 195,135k), include production-related manufacturing expenses incurred for the products, maintenance and spare parts sold, and for development and services.

(19) Research and development expenses

Research and development expenses not meeting the criteria for capitalization pursuant to IAS 38 (Intangible Assets) totaled € 8,740k (previous year: € 6,873k) and mainly involved cost of materials and personnel expenses.

Gross development expenses were structured as follows:

	2023 € 000s	2022 € 000s
Research and development expenses	55,360	50,873
of which development expenses recognized as revenues or capitalized	-46,620	-44,000
Total	**8,740**	**6,873**

In the financial year under report, an amount of € 334k from grants was recognized as a reduction to research and development expenses (previous year: € 390k).

(20) Sales-related expenses

Sales-related expenses amounted to € 12,344k (previous year: € 12,108k) and included direct sales expenses and sales overheads. These basically include all expenses incurred for personnel, materials, and other expenses for sales (including prorated depreciation and amortization). These partly involve expenses arising in connection with product launches.

(21) General administration expenses

At € 19,255k (previous year: € 18,145k), administration expenses include the personnel and material expenses incurred in central administration departments (including corporate management, controlling, finance and accounting, legal affairs, investor relations, and personnel) that are not directly attributable to production, sales, or R&D.

(22) Other operating expenses and income

Other operating expenses are structured as follows:

	2023 € 000s	2022 € 000s
From exchange rate losses	9,554	14,494
From forward exchange transactions	0	528
Other	84	29
Total	**9,638**	**15,051**

Other operating income is structured as follows:

	2023 € 000s	2022 € 000s
From exchange rate gains	5,690	13,413
From forward exchange transactions	816	0
From reversals of provisions and liabilities	635	24
Other	378	390
Total	**7,519**	**13,827**

With regard to the other operating income from forward exchange transactions, reference is made to the information provided in Section "C. Notes to the consolidated balance sheet (12) Non-current and current financial liabilities".

Other than that, other operating income and other operating expenses also include numerous standalone items which, viewed individually, are only of subordinate significance.

(23) Net financial expenses

Financial income is structured as follows:

	2023 € 000s	2022 € 000s
Interest income on cash	66	60
Other financial income	44	11
Total	**110**	**71**

Financial expenses are structured as follows:

	2023 € 000s	2022 € 000s
Interest expenses on loan liabilities to banks	3,157	933
Interest expenses for leases	727	559
Net interest from pension provisions	91	34
Interest expenses for compounding of liabilities and provisions	2	2
Interest expenses for tax-related back payments	0	352
Other interest expenses	15	18
Total	**3,992**	**1,898**

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

	2023 € 000s	2022 € 000s
Gains / losses on financial assets measured at fair value **through profit or loss**:		
• Gains (+) / losses (-) on retirement	0	0
• Gains (+) / losses (-) on measurement at balance sheet date	-276	-268
	-276	-268
Other interest expenses	0	43
Total	**-276**	**-225**

(24) Earnings per share

Earnings per share have been calculated pursuant to IAS 33 (Earnings per Share) by dividing the consolidated net income by the average weighted number of shares in STRATEC SE in circulation in the past financial year.

The treasury stock held by STRATEC AG has been excluded from the calculation of the number of shares in circulation. The year-on-year increase in the number of shares was due to the issue of new shares upon the exercising of option rights within stock option programs. Changes in the number of shares within the financial year have been accounted for by weighting the respective figures on a prorated basis. The resultant weighted average number of outstanding shares used to calculate (basic) earnings per share amounts to 12,155,942 (previous year: 12,131,780).

Pursuant to IAS 33 (Earnings per Share), the consolidated net income of € 13,046k (previous year: € 29,223k) reported in the consolidated statement of comprehensive income has been used as the unaltered basis for the calculation.

Due to the option rights outstanding as of December 31, 2023, both basic earnings per share (€ 1.07; previous year: € 2.41) and diluted earnings per share (€ 1.07; previous year: € 2.40) have been calculated. Diluted earnings per share have been calculated on the assumption that all outstanding options not yet exercised are actually exercised. The number of additional shares to be accounted for is calculated by comparing the proceeds generated by such exercising of options with the proceeds which could theoretically be generated by issuing new shares on customary market terms.

The allocation or exercising of option rights within the financial year has been accounted for using prorated weighting. The resultant weighted average number of outstanding shares with a diluting effect accounted for in the calculation of (diluted) earnings per share amounts to 12,158,841 (previous year: 12,172,854).

(25) Additional disclosures on the consolidated statement of comprehensive income

Cost of materials

The functional divisions include the following cost of materials:

	2023 € 000s	2022 € 000s
Costs of raw materials and supplies	107,815	117,363
Costs of purchased services	7,832	3,461
Total	**115,647**	**120,824**

Personnel expenses

The functional divisions include the following personnel expenses:

	2023 € 000s	2022 € 000s
Wages and salaries	79,380	68,650
Social security contributions and pension and welfare expenses	14,699	13,513
Total	**94,079**	**82,163**

Furthermore, expenses of € 669k (previous year: € 1,992k) were incurred for wages and salaries for third-party employees (personnel leasing).

Number of employees

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

	2023 Number	2022 Number
Employees	1,514	1,315
Trainees	19	41
Employees in permanent employment	1,533	1,356
Temporary employees	26	72
Total	**1,559**	**1,428**

Of permanent employees, 552 (previous year: 528) were in Germany, and 962 (previous year: 787) abroad. Of temporary employees, 8 (previous year: 20) were in Germany, and 18 (previous year: 52) abroad.

Disclosures concerning the auditor's fee pursuant to § 314 (1) No. 9 HGB

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

	2023 € 000s	2022 € 000s
Fee for		
a) Auditing	274	226
- of which for the previous year	0	0
b) Other certification services	42	21
c) Tax advisory services	0	0
d) Other services	27	22
Total auditor's fee	**343**	**269**

Other services relate to an audit review pursuant to ISAE 3402.

E. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

General disclosures

The consolidated cash flow statement shows how the liquidity of the STRATEC Group has changed due to inflows and outflows of funds during the financial year. A distinction is made between the cash flows from operating, investing and financing activities.

The amounts reported for foreign group companies have generally been translated at annual average exchange rates. One exception involves cash which, like in the consolidated balance sheet, has been recognized at the exchange rate on the reporting date. The impact of changes in exchange rates on cash is presented separately.

The outflows of funds for leases are divided, with the amount attributable to the capital repayments share of lease liabilities being allocated to the cash flow from financing activities and the interest portion of lease liabilities being allocated to the cash flow from operating activities. Outflows of funds for low-value leases, short-term leases, and for variable lease payments not accounted for when measuring the lease liabilities are allocated to the cash flow from operating activities.

Inflow / outflow of funds from operating activities

The cash flow from operating activities has been calculated using the indirect method. This involves eliminating non-cash earnings components from consolidated net income after taxes.

Interest income and expenses have been allocated to operating activities, as have the components of the 'Other financial result'. Dividend payments are presented in the cash flow from financing activities.

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

The interest paid/received and income taxes paid/refunded items in the cash flow from operating activities have been presented using the direct method. In the first stage, this involves adjusting consolidated net income to account for income and expenses recognized in the consolidated statement of comprehensive income. After this, the interest and income taxes paid or received are reported separately.

Change in liabilities for financing activities

				Non-cash-effective changes			
	Balance at 01.01.2023 € 000s	Company acquisitions € 000s	Cash-effective changes € 000s	Exchange rates € 000s	New leases € 000s	Other[1] € 000s	Balance at 12.31.2023 € 000s
Non-current liabilities to banks	68,696	1,365	16,000	-13	0	-5,248	80,800
Non-current lease liabilities	11,368	3,335	0	-72	1,700	-2,795	13,536
Current liabilities to banks	4,926	215	33,858	-7	0	5,248	44,240
Current lease liabilities	2,158	203	-2,626	0	266	2,795	2,795
Total	**87,148**	**5,118**	**47,232**	**-92**	**1,965**	**0**	**141,371**

[1] The 'Other' column includes the effects of reclassifications from the non-current share of liabilities for financing activities arising due to the passage of time.

Change in liabilities for financing activities

	Balance at 01.01.2022 € 000s	Company acquisitions € 000s	Cash-effective changes € 000s	Non-cash-effective changes Exchange rates € 000s	New leases € 000s	Other[1] € 000s	Balance at 12.31.2022 € 000s
Non-current liabilities to banks	71,122	0	2,500	0	0	-4,926	68,696
Non-current lease liabilities	7,441	0	0	-6	6,091	-2,158	11,368
Current liabilities to banks	4,713	0	-4,713	0	0	4,926	4,926
Current lease liabilities	2,019	0	-2,115	10	86	2,158	2,158
Total	**85,295**	**0**	**-4,328**	**4**	**6,177**	**0**	**87,148**

[1] The 'Other' column includes the effects of reclassifications from the non-current share of liabilities for financing activities arising due to the passage of time.

(26) Cash

Cash comprises cash holdings and demand deposits at banks. As of December 31, 2023, cash amounted to € 33,532k (previous year: € 22,668k).

F. SEGMENT REPORTING

To account for STRATEC's continuous integration in recent years and for the fact that the activities and target markets of its business units have become ever more closely aligned, in agreement with the Supervisory Board the Board of Management has decided to manage STRATEC as a 'one-segment company' in future. Furthermore, this decision is to be viewed in conjunction with the extension of the Board of Management of STRATEC SE to include Dr. Georg Bauer, who assumed centralized, cross-product responsibility for sales and business development activities at the existing business units as of January 1, 2023. Internal reporting has therefore been aligned to STRATEC's key value drivers and is based on technologies, systems, products, and performance types provided in connection with automation solutions for highly regulated laboratory markets.

Since the first quarter of 2023, the segment information previously provided in regular internal reporting to the Board of Management as the decision maker for the Instrumentation, Diatron, and Smart Consumables segments has no longer been used as the basis for deciding on the allocation of resources or assessing the earnings performance. The previous segment reporting was therefore provided for the last time as of December 31, 2022. This change has not affected the disclosures made on company level pursuant to IFRS 8.31 et seq.

G. FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of individual financial assets and liabilities for each measurement category of financial instruments pursuant to IFRS 9 (Financial Instruments) and reconciles these with the corresponding balance sheet items.

The 'Fair value in scope of IFRS 7' column presents the fair values of all financial instruments recognized in the consolidated financial statements that are within the scope of IFRS 7 (Financial Instruments: Disclosures) and that were not recognized at fair value.

The fair value of those financial instruments that are not recognized at fair value is calculated as the present value of future inflows and outflows of cash. Discounting is based on a market interest rate with a congruent term and risk structure. Where a listed price on an active market is available, this has been taken as the fair value. Given the short-term maturities of financial assets and liabilities, their fair values approximate to their carrying amounts.

Abbreviations for measurement categories

AC	Measured at amortized cost
FVTPL	Measured at fair value through profit or loss
FVTOCI	Measured at fair value through OCI
n/a	Not attributable to any measurement category

12.31.2023 (12.31.2022)	Measured at amortized cost AC	Measured at fair value through profit or loss FVTPL Level 1	Level 2	Level 3	through OCI FVTOCI	Not in scope of IFRS 9 n/a	Carrying amount in balance sheet	Fair value in scope of IFRS 7
	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
Non-current assets								
Financial assets	3,483 (3,439)					100 (100)	**3,583 (3,539)**	3,483 (3,439)
Current assets								
Trade receivables	58,059 (51,730)						**58,059 (51,730)**	58,059 (51,730)
Financial assets	1,342 (446)	683 (958)	22 (0)				**2,047 (1,404)**	1,342 (446)
Cash	33,532 (22,668)						**33,532 (22,668)**	33,532 (22,668)
Total financial assets	**96,416 (78,283)**	**683 (958)**	**22 (0)**	**0 (0)**	**0 (0)**	**100 (100)**	**97,221 (79,341)**	
Non-current debt								
Financial liabilities	84,355 (72,154)					13,893 (11,879)	**98,248 (84,033)**	80,381 (67,800)
Current debt								
Financial liabilities	50,592 (11,853)		0 (784)			2,872 (2,617)	**53,464 (15,254)**	53,730 (13,111)
Trade payables	21,454 (10,865)						**21,454 (10,865)**	21,454 (10,865)
Total financial liabilities	**156,401 (94,872)**	**0 (0)**	**0 (784)**	**0 (0)**	**0 (0)**	**16,765 (14,496)**	**173,166 (110,152)**	

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

2023	IFRS 9 category	From investments	From interest	From subsequent measurement: Fair value through profit or loss	Fair value through OCI	Currency translation	Impairment	From disposals	Net results
		€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
Financial assets measured at amortized cost	AC	0	99	0	0	-5,681	-368	0	**-5,950**
Financial assets measured at fair value (not designated)	FVTPL	8	0	541	0	0	0	0	**549**
Financial liabilities measured at fair value (not designated)	FVTPL	0	0	0	0	0	0	0	**0**
Financial liabilities measured at amortized cost	AC	0	-3,174	0	0	1,817	0	0	**-1,357**
Total		8	-3,075	541	0	-3,864	-368	0	**-6,758**

2022	IFRS 9 category	From investments € 000s	From interest € 000s	From subsequent measurement: Fair value through profit or loss € 000s	Fair value through OCI € 000s	Currency translation € 000s	Impairment € 000s	From disposals € 000s	Net results € 000s
Financial assets measured at amortized cost	AC	0	62	0	0	-231	-216	0	**-385**
Financial assets measured at fair value (not designated)	FVTPL	8	0	-268	0	0	0	0	**-260**
Financial liabilities measured at fair value (not designated)	FVTPL	0	0	-528	0	0	0	0	**-528**
Financial liabilities measured at amortized cost	AC	0	-953	0	0	-850	0	0	**-1,803**
Total		8	-891	-796	0	-1,081	-216	0	**-2,976**

Interest expenses of € 727k for lease liabilities have been recognized in the financial result (previous year: € 559k).

No interest income or interest expenses were generated or incurred in connection with financial instruments measured at fair value through profit or loss. Of the net result for financial instruments measured at fair value, an amount of € -275k has been recognized in the other financial result (previous year: € -268k), while € 816k (previous year: € -528k) has been recognized under 'Other operating income' (previous year: 'Other operating expenses').

The income and expenses resulting from translation through profit or loss of financial assets and liabilities at average exchange rates on the balance sheet date have been recognized under other operating income or expenses, as have the results of foreign currency translation performed within the financial year. The translation of cash at the balance sheet date resulted in currency income of € 12k (previous year: € 87k) recognized through profit or loss under other operating income. Currency expenses of € 343k (previous year: € 306k) have been recognized under other operating expenses in connection with the translation of cash at the balance sheet date.

Fair value hierarchy

To ensure the comparability and consistency of fair value measurements and related disclosures, IFRS 13 (Fair Value Measurement) stipulates a fair value hierarchy that allocates the input factors used in valuation methods to calculate fair value to three levels. The hierarchy grants the highest priority to prices (taken over without amendment) on active markets for identical assets or liabilities (Level 1 input factors) and the lowest priority to non-observable input factors (Level 3 input factors). The following specific definitions apply:

Input factors: Assumptions that would be used by market participants when determining the price of an asset or liability, including risk assumptions, such as:

a) The risk involved in a specific valuation method used to calculate fair value (such as a price model), and
b) The risk involved in the input factors used in the valuation method.

Input factors may be observable or non-observable.

Level 1 input factors: Listed prices (taken over without amendment) on active markets for identical assets or liabilities to which the company has access on the valuation date.

Level 2 input factors: Input factors other than the listed prices included in Level 1 that are either directly or indirectly observable for the asset or liability.

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

Observable input factors: Input factors derived from market data, such as publicly available information about actual events or transactions, which reflect those assumptions that would be used by market participants when determining the price of the asset or liability.

Non-observable input factors: Input factors for which no market data is available and which are derived from the best information available concerning the assumptions that would be used by market participants when determining the price of the asset or liability.

As in the previous year, no items were reclassified within the three input factor levels in the 2023 financial year. The financial assets allocated to Level 1 involve shares in listed companies, which have been measured at the closing price on the stock market with the highest trading volumes as of the balance sheet date. The financial liabilities allocated to Level 2 involve forward exchange transactions intended to hedge currency risks.

Overall, this had the following implications for the consolidated statement of comprehensive income:

	Level 1 € 000s	Level 2 € 000s	Level 3 € 000s
Balance at 01.01.2022	**1,226**	**-234**	**0**
Total gains or losses recognized through profit or loss			
• Other operating income	0	0	0
• Other operating expenses	0	-528	0
• Other financial result	-268	0	0
Total gains or losses recognized in OCI			
• Changes in value	0	0	0
• Reclassifications out of OCI into profit or loss	0	0	0
Additions	0	0	0
Retirements			
• Due to sale	0	0	0
• Due to derecognition	0	0	0
Currency differences	0	-22	0
Balance at 12.31.2022	**958**	**-784**	**0**
Total gains or losses recognized through profit or loss			
• Other operating income	0	816	0
• Other operating expenses	0	0	0
• Other financial result	-275	0	0
Total gains or losses recognized in OCI			
• Changes in value	0	0	0
• Reclassifications out of OCI into profit or loss	0	0	0
Additions	0	0	0
Retirements			
• Due to sale	0	0	0
• Due to derecognition	0	0	0
Currency differences	0	-10	0
Balance at 12.31.2023	**683**	**22**	**0**

Maturity analysis

The liquidity risk to which STRATEC is exposed in connection with its financial instruments consists of obligations due to future interest and principal payments for financial liabilities. Future payments are structured as follows:

	Carrying amount 12.31.2023	Cash flows 2024		Cash flows 2025		Cash flows 2026 – 2027		Cash flows 2028 and later	
Figures in € 000s		**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**
Financial liabilities	151,712	5,036	53,464	3,837	11,317	4,296	70,024	674	16,907
• of which lease liabilities	16,331	774	2,795	628	2,844	790	5,896	403	4,796
Trade payables	21,456	0	21,456	0	0	0	0	0	0
Total	**173,168**	**5,036**	**74,920**	**3,837**	**11,317**	**4,296**	**70,024**	**674**	**16,907**

	Carrying amount 12.31.2022	Cash flows 2023		Cash flows 2024		Cash flows 2025 – 2026		Cash flows 2027 and later	
Figures in € 000s		**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**
Financial liabilities	99,287	1,923	15,254	1,777	10,527	3,101	14,214	785	59,292
• of which lease liabilities	13,526	534	2,158	444	2,048	603	4,321	234	4,999
Trade payables	10,865	0	10,865	0	0	0	0	0	0
Total	**110,152**	**1,923**	**26,119**	**1,777**	**10,527**	**3,101**	**14,214**	**785**	**59,292**

Financing contracts with banks and with remaining terms of up to five years charge interest at a weighted average of 4.80% (previous year: 2.32%), while financing contracts with terms of more than five years charge interest at 1.38% (previous year: 1.32%). This calculation has been based on the nominal interest rates applicable as of the balance sheet date.

H. RISK MANAGEMENT

Risk management principles

STRATEC's assets, liabilities and future activities are subject to liquidity risks, default risks, and market risks resulting from changes in exchange rates, interest rates and stock market prices. The objectives and methods used by STRATEC 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 Section 'D. Opportunities and risks' of the Group Management Report.

The objective of financial risk management is to limit these risks primarily by means of its operating activities. In assessing individual risks, the Board of Management takes account of the volume of such risks arising across the Group as a whole. These activities 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 following risks could in principle arise for the company in connection with financial instruments:

Liquidity risks

For STRATEC, liquidity risks involve the risk of not being able to meet payment obligations due to insufficient cash. To safeguard the company's solvency, sufficient liquid funds and fixed-term credit lines are reserved via STRATEC SE on the basis of rolling liquidity planning which provides current information as to the expected development in liquidity on company and currency level.

STRATEC had cash of € 33,532k at the balance sheet date (previous year: € 22,668k). As of December 31, 2023, unutilized committed credit lines totaling € 12 million were available to STRATEC (previous year: € 17 million).

Default risks

The principal default risks faced by STRATEC are to be found in its operating activities. They involve the risk of contractual partners failing to meet their obligations, which at STRATEC relate in particular to the settlement of trade receivables. The risk volumes considered by the Board of Management for default risk management purposes includes all creditor items due from customers in connection with supplies and services. Default risk is countered by means of receivables management, such as trade credit insurance policies and strict monitoring measures. Remaining default risks are accounted for with suitable allowances for 'expected credit losses'.

Liquid funds are deposited solely on current accounts at financial service providers with high-quality ratings.

The maximum default risk is reflected by the carrying amounts of the financial assets reported in the consolidated balance sheet. However, these figures do not account for the hedging measures outlined above.

Foreign currency risks

On account of its international business activities, STRATEC is exposed to foreign currency risks resulting from the impact of exchange rate movements on business transactions and the foreign currency receivables and liabilities as of the balance sheet date (transaction risks). Furthermore, the translation of the financial statements of foreign subsidiaries into the group currency (€) also involves foreign currency risks (translation risks). These latter risks do not require separate analysis for IFRS 7 (Financial Instruments: Disclosures) purposes.

The principal foreign currency transactions performed by STRATEC relate to export transactions and the payment of development services in US dollars and intragroup loan relationships in US dollars. Translation risks arise due to the translation of the financial statements of foreign group companies from Swiss francs (CHF), US dollars (USD), Romanian leis (RON), Hungarian forints (HUF), and Indian rupees (INR) into the group reporting currency (€).

As in the previous year, to secure its foreign currency risks STRATEC deployed forward exchange transactions. With regard to the accounting treatment, reference is made to the information in Section 'B. Accounting policies applied – Financial Instruments'.

With regard to its reporting on the type and scope of risks resulting from financial instruments, to avoid redundancies STRATEC makes partial use of IFRS 7.B6 by providing the disclosures thereby required in its Group Management Report. Reference is made to the following sections of that report: Section 'C. Outlook' and Section 'D. Opportunities and risks: Risk reporting in respect of use of financial instruments'.

Sensitivity to exchange rate movements (transaction risk)
STRATEC had the following transaction risk exposure as of the balance sheet date:

Material foreign currency items translated into € 000s	12.31.2023					12.31.2022				
	GBP	CHF	USD	HUF	RON	GBP	CHF	USD	HUF	RON
Cash	0	4,895	6,977	3,557	991	46	4,381	3,818	781	35
Trade and other receivables	0	8,905	16,243	3,680	54	1	6,226	21,707	6,434	55
Receivables from associates	0	18,980	7,601	1,377	562	0	15,355	5,552	1,160	683
Financial assets	0	31	22	100	0	0	0	0	448	0
Forward exchange transactions	0	0	-10,774	0	0	0	0	-21,431	0	0
Trade payables	75	2,927	1,638	3,679	0	111	736	830	3,270	0
Liabilities to associates	0	25,224	2,399	10,335	2,155	0	21,388	665	1,673	2,502
Financial liabilities	0	0	0	6,352	0	0	0	784	7,388	0
Net risk exposure	**-75**	**4,660**	**16,032**	**-11,652**	**-548**	**-64**	**3,838**	**7,367**	**-3,508**	**-1,729**

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

Were the euro (or the respective functional currency of the individual group company) to have moved by +10%/-10% compared with the following currencies as of the balance sheet date, then this would have impacted as follows on consolidated net income before income taxes in the consolidated statement of comprehensive income:

Material foreign currency items translated into € 000s	2023					2022				
	GBP	CHF	USD	HUF	RON	GBP	CHF	USD	HUF	RON
Change in currency by +10% Change in consolidated net income (€ 000s)	7	-424	-1,452	1,059	50	6	-349	-681	319	157
Change in currency by -10% Change in consolidated net income (€ 000s)	-8	518	1,889	-1,295	-61	-7	426	861	-390	-192

In the 2023 financial year, income from currency translation totaling € 5,690k (previous year: € 13,413k) and expenses for currency translation totaling € 9,554k (previous year: € 14,494k) were recognized through profit or loss in other operating income and other operating expenses respectively.

Interest rate risks

Interest rate risks involve the risk of fluctuations in the value of a financial instrument or in future cash flows as a result of changes in market interest rates.

STRATEC is subject to interest rate risks in terms of its interest-bearing/interest-charging financial instruments.

Given that interest rates are currently still low, the liquid funds at STRATEC still generate interest income of immaterial significance and the resultant interest rate risk is also of subordinate significance. This item has therefore not been accounted for in the following analysis. However, any rise in interest rates would have a positive impact on earnings.

STRATEC reported the following interest-bearing assets and interest-charging liabilities as of the balance sheet date:

	12.31.2023 € 000s	12.31.2022 € 000s
Interest-bearing medium and long-term financial assets	15	21
• of which with floating interest rates	0	0
• of which with fixed interest rates	15	21
Interest-charging financial liabilities	125,040	73,623
• of which with floating interest rates	93,000	38,000
• of which with fixed interest rates	32,040	35,623

Sensitivity of fair values for fixed-interest financial instruments

Changes in market interest rates have no implications for the measurement of fixed-interest financial instruments at STRATEC as of the balance sheet date, as these items are measured at amortized cost using the effective interest method. The fair values based on market interest rates as of the balance sheet date have been presented in Section 'G. Financial instruments'.

Sensitivity of cash flows for floating-interest financial instruments

Changes in market interest rates have no implications for the measurement of floating-interest financial instruments at STRATEC as of the balance sheet date, as these items are measured at amortized cost using the effective interest method. Unlike fixed-interest financial liabilities, however, financial liabilities with floating interest rates involve the risk of fluctuations in future cash flows for payments of interest and principal due to changes in market interest rates. STRATEC had financial liabilities with a nominal volume of € 93,000k with floating interest rates at the balance sheet date as of December 31, 2023 (previous year: € 38,000k).

The following table presents the future interest and principal payments assumed for the remaining term of the floating-rate loan liability as of the balance sheet date. The figures are based on the market interest rate prevalent at this time.

€ 000s	Carrying amount 12.31.2023	Cashflows 2024		Cashflows 2025		Cashflows 2026		Cashflows 2027	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities with floating interest rates (1 to 12 months EURIBOR)									
Actual	93,000	3,821	39,000	2,847	0	2,847	0	164	54,000
+100 basis points	93,000	4,554	39,000	3,393	0	3,393	0	196	54,000
-100 basis points	93,000	3,089	39,000	2,301	0	2,301	0	133	54,000

The change in the cash flow from interest presented here simultaneously corresponds to the hypothetical impact on consolidated net income before taxes on income in the consolidated statement of comprehensive income.

Other price risks

The financial assets requiring measurement in Level 1 of the fair value hierarchy are subject in particular to price risks. Had fair values been 10% higher (lower) than their balance sheet date levels, then consolidated net income before taxes on income would have been € 68k (previous year: € 96k) higher (lower).

Capital management

The objectives of capital management at STRATEC are:

(a) To safeguard the company's continued existence to enable it to continue generating income for shareholders and benefits for other stakeholders, and
(b) To generate an appropriate return for shareholders by setting prices for products and services that are suitable to the market and the degree of risk involved.

STRATEC determines its level of capital in proportion to risk. To this end, the company manages its capital structure and makes adjustments to be able to react to changes in the macroeconomic framework and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, STRATEC may adjust the level of dividends paid to its shareholders, repay capital to its shareholders, issue new shares, or reduce debts by making repayments or selling assets.

The main key figures referred to by the management are the equity ratio and the dynamic gearing ratio (net financial liabilities as a proportion of EBITDA). The equity ratio amounted to 50.0% at December 31, 2023 (previous year: 56.6%). The current target corridor for this figure amounts to between 50 percent and 75 percent.

I. OTHER DISCLOSURES

Related party disclosures

Closely related companies and persons as defined in IAS 24 (Related Party Disclosures) are persons and companies in a position to exert influence on STRATEC SE and/or its subsidiaries or subject to control or significant influence by STRATEC SE or its subsidiaries. Such parties particularly include unconsolidated subsidiaries, directors and officers at STRATEC SE, and persons and companies closely related to such.

The receivables and liabilities due to and from unconsolidated subsidiaries as of the balance sheet date have been presented under the respective balance sheet items.

In the 2023 financial year, **STRATEC SE** purchased services of € 70k from **STRATEC Biomedical (Taicang) Co. Ltd.** (previous year: € 293k) and generated revenues of € 137k from services provided to **STRATEC Biomedical (Taicang) Co. Ltd** (previous year: € 0k).

In the 2023 financial year, **Mod-n-More Kft.** purchased services of € 64k from **STRATEC Biomedical (Taicang) Co. Ltd.** (previous year: € 136k).

Directors and officers

The **Board of Management of STRATEC SE** comprises the following members:

- **Marcus Wolfinger,** Remchingen, Germany
  (CEO)
  Graduate in Business Administration

- **Dr. Robert Siegle**, Birkenfeld, Germany
  (Director of Finance and Human Resources)
  Attorney-at-law

- **Dr. Claus Vielsack**, Birkenfeld, Germany
  (Director of Product Development)
  Graduate in Chemistry

- **Dr. Georg Bauer**, Salzburg, Austria
  (Director of Sales from January 1, 2023)
  Graduate in Biochemistry

The members of the Board of Management are authorized to solely represent the company.

By resolution of the Supervisory Board on November 24, 2022, Dr. Georg Bauer was appointed to the Board of Management of STRATEC SE for a three-year term as of January 1, 2023 and thus until December 31, 2025.

By resolution of the Supervisory Board on December 16, 2022, Marcus Wolfinger, Dr. Robert Siegle, and Dr. Claus Vielsack were each appointed to the Board of Management of STRATEC SE for a further five-year term in office and thus until November 10, 2028.

Marcus Wolfinger has been a member of the management of STRATEC Capital GmbH since November 2015 and a member of the management of STRATEC PS Holding GmbH since May 2016.

Dr. Robert Siegle has been a member of the management of STRATEC PS Holding GmbH since May 2016.

Dr. Claus Vielsack has been a member of the management of STRATEC PS Holding GmbH since May 2016.

The remuneration of members of the Board of Management consists of fixed basic remuneration and variable components dependent, among other factors, on the achievement of individual performance targets.

Furthermore, following the previous suspension of the program and subject to the restriction that no further stock options were granted to members of the Board of Management in the 2023 financial year, the members of the Board of Management participated in the stock option program since the 2018 financial year through to 2022. Among other conditions, the exercising of the options is dependent on the achievement of performance targets outlined in greater detail in Section 'C. Notes to the consolidated balance sheet (9) Shareholders' equity – Stock option programs'. Furthermore, members of the Board of Management receive stock appreciation rights (SARs).

The members of the Board of Management received total remuneration of € 4,325k for their activity on the Board of Management in the 2023 financial year (previous year: € 4,084k). As of December 31, 2023, the net balance of performance-related payments outstanding for members of the Board of Management amounted to € 2,132k (previous year: € 2,771k).

	2023 € 000s[1]	2022 € 000s[1]
Short-term benefits	2,108	1,863
Post-employment benefits[2]	364	296
Other long-term benefits[3]	350	426
Share-based remuneration[4]	1,503	1,499
Total	**4,325**	**4,084**

[1] The amounts disclosed refer to members of the Board of Management active in the respective reporting year and to their activities on the Board of Management.
[2] The amount disclosed refers to the service cost recognized in the 2023 and 2022 financial year.
[3] The amount disclosed refers to the mid-term incentive agreement for 2021 (2020), which covers 2021, 2022, and 2023 (2020, 2021, and 2022) and is due for payment in 2024 (2023).
[4] The amount disclosed corresponds to the fair value upon issue of the stock appreciation rights (SARs) granted in 2023 (2022) and calculated in accordance with IFRS 2 (Share-based payment) as well as the fair value upon issue of the stock options granted in 2023 (2022), although these were in some cases not yet vested as of the balance sheet date.

The **Supervisory Board of STRATEC SE** comprises the following individuals:

- **Prof. Dr. Georg Heni**, Freudenstadt, Germany
  Auditor, Tax Advisor, Graduate in Business Administration, Self-Employed
  (Member and Chair of Supervisory Board since May 20, 2022)
- **Dr.-Ing. Frank Hiller**, Feldafing, Germany
  Chair of Management Board of Big Dutchman Aktiengesellschaft, Vechta-Calveslage, Germany
  (Supervisory Board member since May 29, 2019; Deputy Chair of Supervisory Board since November 26, 2020)
- **Dr. Rolf Vornhagen**, Langen, Germany
  Biologist
  (Supervisory Board member since July 21, 2020)
- **Dr. med. Patricia Geller**, Heidelberg, Germany
  Member of the Management Board of Limbach Gruppe SE, Heidelberg, Germany
  (Supervisory Board member since June 10, 2022)

The Supervisory Board member Prof. Dr. Georg Heni holds the following further memberships of other supervisory boards and supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):

- Baader Bank AG, Unterschleißheim, Germany
- IWL AG, Ulm, Germany
- Wölfel Holding GmbH, Höchberg, Germany
- Theben AG, Haigerloch, Germany

The Supervisory Board members Dr.-Ing. Frank Hiller, Dr. Rolf Vornhagen, and Dr. med. Patricia Geller do not hold positions on any other supervisory boards or supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG).

The permanent **Audit Committee of STRATEC SE** established by the Supervisory Board comprises the following members:

- Dr. Rolf Vornhagen (Member and Chair since January 28, 2021)
- Prof. Dr. Georg Heni (Member and Deputy Chair since June 21, 2022)
- Dr.-Ing. Frank Hiller (Member since January 28, 2021)

The permanent **Remuneration Committee of STRATEC SE** established by the Supervisory Board comprises the following members:

- Prof. Dr. Georg Heni (Member and Chair since December 18, 2023)
- Dr. Frank Hiller (Member since December 18, 2023)
- Dr. Patricia Geller (Member since December 18, 2023)

The Supervisory Board members received total remuneration of € 163k in the 2023 financial year for their activities on the Supervisory Board, the Audit Committee, and the Remuneration Committee (previous year: € 158k). The specific structure of overall remuneration was as follows:

	2023 € 000s	2022 € 000s
Fixed remuneration	137	131
Meeting allowance	26	27
Total	**163**	**158**

In addition to this total remuneration, each member of the Supervisory Board also has his or her expenses reimbursed and benefits from a pecuniary damage liability insurance policy taken out at the company's expense at suitable terms customary to the market.

Contractual obligations not recognized in the balance sheet

The unrecognized contractual obligations mainly involve master agreements with suppliers.

The unrecognized contractual obligations mature as follows:

	2023 € 000s	2022 € 000s
Due within one year	115,916	181,683
Due in between one and five years	25,639	47,699
Due in more than five years	0	0
Total	**141,555**	**229,382**

As of the balance sheet date, unrecognized contractual obligations involving obligations for orders placed amounted to € 140,558k (previous year: € 228,882k).

Of unrecognized contractual obligations, as in the previous year € 0k relates to property, plant and equipment and € 997k to intangible assets (previous year: € 500k).

Contingent assets and liabilities

As in the previous year, STRATEC has no contingent assets or liabilities.

Disclosures pursuant to § 160 (1) No. 8 AktG at STRATEC SE

STRATEC SE received the following voting right notifications from shareholders who hold 3% of the voting rights or who exceeded, fell short of, or reached the 3% threshold:

Notifying party	Date on which threshold was met	Share of voting rights		Allocable voting right share of at least 3 %
		in %	absolute	
Herdor GmbH & Co. KG, Unterschleißheim, Germany	04.27.2014	25.40	2,990,000	Tanja van Dinter, Bettina Siegle and Ralf Leistner
Herdor Beteiligungs GmbH, Unterschleißheim, Germany	04.27.2014	25.40	2,990,000	Herdor GmbH & Co. KG, Tanja van Dinter, Bettina Siegle and Ralf Leistner
Hermann Leistner, Germany	04.27.2014	25.79	3,035,456	Herdor GmbH & Co. KG, Herdor Beteiligungs GmbH, Tanja van Dinter, Bettina Siegle and Ralf Leistner
Doris Leistner, Germany	04.27.2014	25.74	3,030,235	Herdor GmbH & Co. KG, Herdor Beteiligungs GmbH, Tanja van Dinter, Bettina Siegle and Ralf Leistner
Tanja van Dinter, Germany	04.27.2014	29.53	3,476,286	Herdor GmbH & Co. KG, Bettina Siegle and Ralf Leistner
Bettina Siegle, Germany	04.27.2014	29.68	3,493,954	Herdor GmbH & Co. KG, Tanja van Dinter and Ralf Leistner
Ralf Leistner, Germany	04.27.2014	29.73	3,499,343	Herdor GmbH & Co. KG, Tanja van Dinter and Bettina Siegle
Juno Investment Partners B.V., The Hague, Netherlands	05.20.2020	3.017	362,998	
Brown Capital Management, LLC, Baltimore, US	02.05.2021	5.01	605,802	
Threadneedle (Lux), Bertrange, Luxembourg	04.27.2023	2.95	358,606	
Ameriprise Financial, Inc., Wilmington, Delaware, US	05.12.2023	2.85	346,292	
Invesco Ltd., Hamilton, Bermuda	08.03.2023	5.004811 298322	608,477	AIM International Mutual Funds (Invesco International Mutual Funds)
AIM International Mutual Funds (Invesco International Mutual Funds), Wilmington, Delaware, US	08.11.2023	5.02	609,879	AIM International Mutual Funds (Invesco International Mutual Funds), Wilmington, Delaware, US

Information about voting right notifications can also be found in the Investors section of the company's website at www.stratec.com.

Events after the balance sheet date

No events of particular significance expected to materially impact on the company's earnings, financial, or net asset position have occurred since the balance sheet date.

Declaration in respect of the German Corporate Governance Code

The declaration in respect of the German Corporate Governance Code ('Declaration of Compliance') required by § 161 of the German Stock Corporation Act (AktG) has been submitted by the Board of Management and Supervisory Board of STRATEC SE and made permanently available to shareholders in the Investors section of the company's website (www.stratec.com).

Birkenfeld, March 26, 2024

STRATEC SE

The Board of Management

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

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 26, 2024

STRATEC SE

The Board of Management

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

INDEPENDENT AUDITORS' REPORT

TO STRATEC SE, BIRKENFELD

Report on the Audit of the Consolidated Financial Statements and the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of **STRATEC SE, Birkenfeld**, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of STRATEC SE, Birkenfeld, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the (Group) Declaration of Corporate Governance published on the website of the Company, which is referred to in section F. of the group management report, or the Non-Financial Statement of the Group in section G. of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ['Handelsgesetzbuch': German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion does not extend to the components of the management report whose content we, as described above, have not audited.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report' section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

1. Value of goodwill
2. Accounting treatment of development costs

Re 1) Impairment testing of goodwill

a) The risk for the consolidated financial statements

Goodwill of EUR 51.2 million is carried in the consolidated financial statements of STRATEC SE, Birkenfeld, under the line item 'Goodwill'. This corresponds to 11.0 % of the balance sheet total. Goodwill is subject to an impairment test as at 31 December of each respective financial year.

The valuation was performed using the discounted cash flow method. The findings of the impairment test are highly dependent on the estimates made by the executive directors of future cash flows, the operating margins and the discount rate applied and are therefore subject to substantial uncertainty. In light of this circumstance and the complexity of the valuation, this issue was considered to be a key audit matter.

The disclosures of the Company regarding goodwill are contained in Sections B. and C. of the notes to the consolidated financial statements.

b) Auditor's response and conclusions

We verified that the future cash flows used in the valuations are appropriate by comparing them to the latest budgets derived from the five-year planning drawn up by the executive directors and approved by the Supervisory Board and reconciling them with expectations for the specific industrial sector or general market expectations.

The reliability of the business planning was assessed using a retrospective comparison of the deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in financial year 2023. Where any significant deviations were identified we discussed these with the executive directors in terms of their relevance for the financial statements of the reporting year.

Based on the knowledge that relatively small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we also placed a focus of our audit on the parameters used to determine the discount rate and the weighted average cost of capital and verified the formula used in the calculation.

Due to the material significance of goodwill and the fact that the valuation of goodwill also depends on the macroeconomic environment, which lies outside the sphere of influence of the Company, we also performed sensitivity analyses of the cash generating units with lower coverage (carrying amount compared to net present value) and found that the goodwill carried in the books is suitably covered by discounted future cash surpluses and has been suitably discounted. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

Re 2) Accounting treatment of development costs

a) The risk for the consolidated financial statements
Where the development project is one of the Company's own development projects, the development expenditure incurred in connection with the project is expensed in the period in which it is incurred. This excludes research and development projects acquired in the course of business combinations and development expenditure that cumulatively meets the recognition of IAS 38.57. Capitalized development expenses recognized under intangible assets are subject to an impairment test at least once a year in accordance with IAS 36 until they are put into an operating condition. As soon as they are put into an operating condition, they are amortized, generally over 5 to 12 years.

If the project is a development cooperation with a contract or other contracts with customers, the first step is to identify the performance obligations and determine whether revenue has to be recognized at a point in time or over time for the respective performance obligations. For sales of analysis systems, service parts and consumables, revenue is generally recognized at a point in time. Revenue from other services is generally recognized over time, measuring progress towards complete satisfaction of the performance obligation. Revenue from development performance obligations is recognized over time or at a point in time, depending on the contract.

Revenue is recognized at the expected amount. Consideration components and sales deductions to be withheld for third parties are deducted from revenue. The consideration to be taken into account is adjusted for the effects of significant financing components, if the period between satisfaction of the performance obligation and payment is more than one year.

Costs of obtaining a contract are expensed immediately if the amortization period is less than one year. Costs to fulfill a contract are recognized as an asset if the costs generate or enhance resources that will be used in satisfying performance obligations and the costs are expected to be recovered. They are reported in inventories.

The pending transaction resulting upon conclusion of the contract is not recognized as an asset or a liability. When one of the contractual parties meets its obligation, a contract asset or a contract liability is recognized in the consolidated statement of financial position. A contract liability exists when the customer has already paid the consideration in full or in part before it is transferred to the customer. In cases where the performance obligation has been satisfied and the customer has not yet transferred the consideration, the existence of a conditional or an unconditional right is verified. A conditional right leads to recognition of a contract asset, while an unconditional right leads to recognition of trade receivables.

In the event that several performance obligations must be transferred to a customer, the contractually agreed consideration is allocated based on the stand-alone selling price at the time of concluding the contract. Stand-alone selling prices are not directly observable in the business model for development cooperations. The stand-alone selling prices are estimated using an appropriate method, generally the expected cost plus margin approach.

As at 31 December 2023, internally generated intangible assets of EUR 45,997k (prior year: EUR 40,125k) were recognized in association with own development projects and EUR 827k (prior year: EUR 1,579k) in association with development cooperations. Expenditures qualifying as research expenditure in the sense of IAS 38.54 are expensed in the period in which they are incurred. Due to the different individual contracts and the significance of internally generated intangible assets in the consolidated financial statements, this matter was of particular significance for our audit.

The disclosures of the Company on the accounting treatment of development expenditure on internal development projects and for development cooperations, and its impact on the consolidated financial statements, are included in sections B. and C of the notes to the consolidated financial statements.

b) Auditor's response and conclusions

In a first step we satisfied ourselves that the accounting policies required by IFRS described in a) above were applied systematically. This involved a critical appraisal of whether the recognition criteria in IAS 38.57 were met as well as of the applicability of the rules in IFRS 15 relating to recognition over time or at a point in time.

The recognition, presentation and measurement of own development projects and development cooperations were audited by means of assertion-based audit procedures using consciously selected samples as well by performing tests of controls. If new development cooperations were arranged in the financial year, the contractual documents were examined to determine whether the respective project was allocated on the basis of the methodology presented under a) above. In particular, an audit focus was placed on revenue recognition in the various development categories and the annual impairment testing of development expenditure capitalized under intangible assets. We also audited the transition to recognition, presentation and measurement in accordance with IFRS 15 using consciously selected samples. We were able to verify the assumptions and estimates made by the executive directors with regard to the recognition of development expenses as intangible assets, and determined that these are suitably documented and agree with our expectations.

Other Information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises:

- The non-financial group declaration included in section G. of the group management report,
- the (Group) Declaration of Corporate Governance published on the website of the Company, which is referred to in section F. of the group management report
- the report of the Supervisory Board,
- the remaining parts of the published annual report, with the exception of the consolidated financial statements, the audited components of the group management report and our respective auditor's report
- the confirmation pursuant to Sec. 297 (2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Sec. 315 (1) sentence 5 HGB regarding the group management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ['Aktiengesetz': German Stock Corporation Act] contained in the (Group) Declaration of Corporate Governance published on the Company's website. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the financial consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the elements of the group management report whose content was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated, financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable preparation of the consolidated financial statements that are free from material misstatement due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report of the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations and the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive director and the reasonableness of estimates made by the executive director and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, monitoring, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, on the procedures taken to remedy the actions that could jeopardize our independence or the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Audit Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the 'ESEF documents') contained in the attached file 'STRATEC_SE_KAuKLB_ESEF-2023-12-31.zip' (hereinafter also referred to as 'ESEF documents') and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ('ESEF format'). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the group management report for the financial year 1 January to 31 December 2023 contained in the 'Report on the audit of the consolidated financial statements and of the group management report' above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the 'Auditor's responsibilities for the assurance work on the ESEF documents' section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09/2022)).

Responsibility of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as the independent auditor by the annual general meeting on 17 May 2023. According to Sec. 318 (2) HGB, we qualify as the independent auditors of the consolidated financial statements, as no other auditor has been appointed. We were engaged by the Supervisory Board on 13 December 2023. We have been the independent auditor of the consolidated financial statements of STRATEC SE, Birkenfeld, without interruption since financial year 2015.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed with the Company Register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Mr. Philipp Lessner.

Stuttgart, 26 March 2024

RSM Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Oliver Striebel	Philipp Lessner
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

INDEPENDENT ASSURANCE PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON THE NON-FINANCIAL REPORTING OF A GROUP OF COMPANIES

TO THE STRATEC SE, BIRKENFELD

We have performed a limited assurance engagement on the consolidated non-financial statement of STRATEC SE; Birkenfeld; (the 'parent company') for the period from 1 January to 31 December 2023 (the 'consolidated non-financial statement') included in section 'G. Non-Financial Group Declaration' of the group management report.

Responsibility of the Executive Directors

The executive directors of the parent company are responsible for the preparation of the consolidated non-financial statement in accordance with §§ [Articles] 315 b and 315c in conjunction with 289c to 289e HGB ['Handelsgesetzbuch': German Commercial Code] and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the 'EU Taxonomy Regulation') and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section 'Reporting pursuant to EU Taxonomy Regulation' of the consolidated non-financial statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section 'Reporting pursuant to EU Taxonomy Regulation' of the consolidated non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Assurance of the Assurance Practitioner's Firm

We have complied with the independence and quality assurance requirements set out in the national and professional pronouncements, in particular the professional Code of German Public Auditors and Chartered Accountants (in Germany) and the IDW Standards on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1 (9/2022)).

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the consolidated non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the group's consolidated non-financial financial statement, other than the external sources of documentation or expert opinions mentioned in the consolidated non-financial financial statement, are not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section 'Reporting pursuant to EU Taxonomy Regulation' of the consolidated non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement.
- Inquiries of relevant employees involved in the preparation of the consolidated non-financial statement about the preparation process, about the internal control system related to this process and about disclosures in the consolidated non-financial statement
- Identification of likely risks of material misstatement in the consolidated non-financial statement
- Analytical procedures on selected disclosures in the consolidated non-financial statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the consolidated non-financial statement
- Evaluation of the process to identify taxonomy-aligned economic activities and the corresponding qualitative disclosures in the consolidated non-financial statement

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of the group for the period from 1. January to 31. December 2023 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors as disclosed in section 'Reporting pursuant to EU Taxonomy Regulation' of the consolidated non-financial statement.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the parent company's purposes and that the report is intended solely to inform the parent company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the parent company alone. We do not accept any responsibility to third parties.

Engagement terms and liability

The General Engagement Terms for German Public Auditors and Public Audit Firms dated 1 January 2017 apply to this engagement, also in relation to third parties. In addition, we refer to the liability provisions contained therein in paragraph 9 and to the exclusion of liability towards third parties. We do not assume any responsibility, liability or other obligations towards third parties.

Stuttgart, 26 March 2024

RSM Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Oliver Striebel	Björn Maier
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

03 **03.28.2024** Annual Financial Report 2023	**04** **04.26.2024** Quarterly Statement Q1|2024	**05** **05.17.2024** Virtual Annual General Meeting
08 **08.09.2024** Half-year Financial Report H1|2024	**10** **10.25.2024** Quarterly Statement 9M|2024	**11** **11.26.2024** German Equity Forum (Analyst conference)

Subject to amendment

CONTACT

STRATEC SE
Gewerbestr. 37
75217 Birkenfeld
Germany
Phone: +49 7082 7916-0
info@stratec.com
www.stratec.com

Head of Investor Relations, Sustainability & Corporate Communications
Jan Keppeler
Phone: +49 7082 7916-6515
j.keppeler@stratec.com

IMPRINT

Published by
STRATEC SE
Gewerbestr. 37
75217 Birkenfeld
Germany
Phone: +49 7082 7916-0
info@stratec.com
www.stratec.com

Board of Management
Marcus Wolfinger (Chairman),
Dr. Robert Siegle, Dr. Claus Vielsack and Dr. Georg Bauer

Chairman of the Supervisory Board
Prof. Dr. Georg Heni

Registration Court
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Notice

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

This annual report contains various disclosures 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 annual report on account of mathematical rounding up or down in the course of addition.

This annual 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.

STRATEC SE
Gewerbestr. 37
75217 Birkenfeld
Germany
Phone: +49 7082 7916-0
info@stratec.com
www.stratec.com