

MAKE THE
INVISIBLE

**VISI
BLE**

Annual Report 2020

MISSION STATE MENT

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

	2020	2019 ³	Change
Sales (in € thousand)	250,099	214,157	+16.8%
Gross R&D expenses (in € thousand)	43,370	40,197	+7.9%
Gross R&D expenses as % of sales	17.3	18.8	-150 bps
Adjusted EBITDA (in € thousand) ¹	51,978	38,670	+34.4%
Adjusted EBITDA as % of sales ¹	20.8	18.1	+270 bps
Adjusted EBIT (in € thousand) ¹	41,713	29,259	+42.6%
Adjusted EBIT as % of sales ¹	16.7	13.7	+300 bps
Adjusted consolidated net income (in € thousand) ^{1,4}	35,218	24,070	+46.3%
Adjusted basic earnings per share (in €) ^{1,4}	2.92	2.01	+45.3%
Basic earnings per share IFRS (in €) ⁴	2.36	1.19	+98.3%
Dividend per share (in €)	0.90 ²	0.84	+7.1%

¹ For comparison purposes, adjusted figures exclude amortization resulting from purchase price allocations in the context of acquisitions and the associated reorganization expenses.

² Subject to approval by the Annual General Meeting on May 20, 2021.

³ Retrospectively adjusted to account for the recognition of the Data Solutions business unit as a discontinued operation pursuant to IFRS 5.

⁴ Result from continuing operations.

bps = basis points

Balance sheet

	12. 31. 2020	12. 31. 2019	Change
Shareholders' equity (in € thousand)	172,545	159,007	+8.5%
Total assets (in € thousand)	331,904	299,414	+10.9%
Equity ratio (in %)	52.0	53.1	-110 bps

bps = basis points

Quarterly Overview 2020

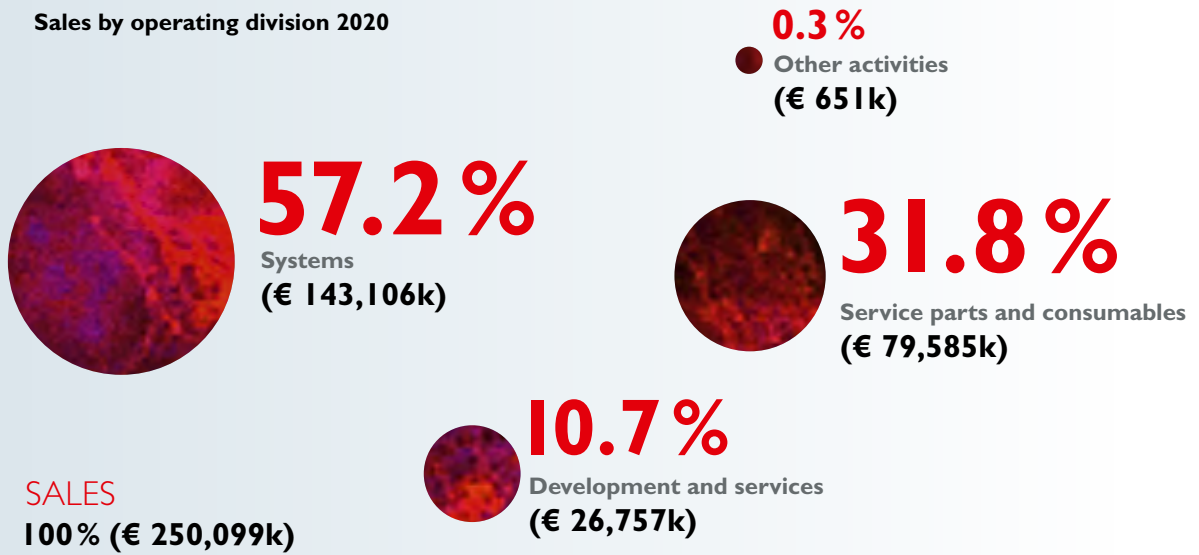
Sales and earnings

	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)	56,504	62,863	59,715	71,017
Adjusted EBIT (in € thousand) ¹	7,658	10,755	9,708	13,592
Adjusted EBIT as % of sales ¹	13.6	17.1	16.3	19.1
Adjusted consolidated net income (in € thousand) ^{1,2}	6,246	9,349	8,170	11,453
Adjusted basic earnings per share (in €) ^{1,2}	0.52	0.78	0.67	0.95
Basic earnings per share IFRS (in €) ²	0.37	0.64	0.54	0.81

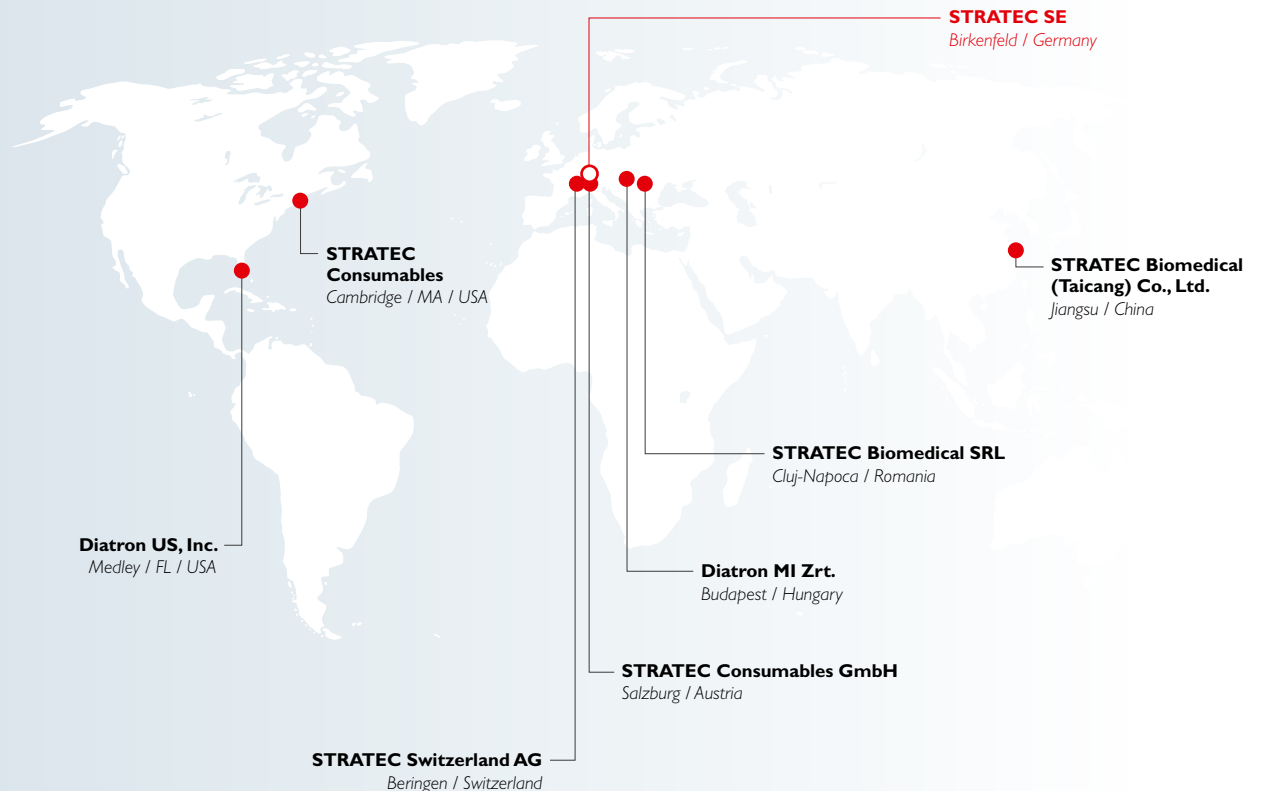
¹ For comparison purposes, adjusted figures exclude amortization resulting from purchase price allocations.

² Result from continuing operations.

Sales by operating division 2020



Locations of the STRATEC Group



LETTER FROM THE BOARD OF MANAGEMENT

Dear Shareholders, Partners and Friends of STRATEC,

For STRATEC as well, the 2020 financial year was dominated by the COVID-19 pandemic and the associated challenges. Particular focuses here were ensuring that the health of our employees was suitably protected while securing our supply chains and at the same time significantly expanding our capacities. By acting early to provide suitable test processes for the detection of coronavirus infections, many of our customers made a key contribution towards containing the pandemic. The automation solutions designed and manufactured by the STRATEC Group also played a decisive role. Thanks to the great commitment and responsible actions of our employees and suppliers, STRATEC was soon able to adapt its capacities to rapidly rising and urgently needed additional volumes. This in turn enabled us to report substantial growth in our sales (+16.8%) and adjusted EBIT (+42.6%) for the 2020 financial year. With these figures, we met and slightly exceeded the updated guidance provided in our 2020 Half-yearly Financial Report.

The pandemic will continue to present us with familiar and new challenges and impact our business activities in 2021. Global infection rates are still high, as is the associated demand for in-vitro diagnostics solutions. As a result, current order volumes and order forecasts from our customers lead us to expect a positive overall impact on demand in 2021 as well. Viewed in conjunction with our young product portfolio and our latest market launches, this gives us reason to expect further sales and earnings growth in the 2021 financial year.

The medium to long-term growth prospects for our company are just as positive as before. The pandemic once again highlighted the importance of in-vitro diagnostics and the contribution it makes to national healthcare systems. The significant increase in the number of analyzer systems designed by STRATEC that are now in the market due to the pandemic should also have a positive long-term impact on our service parts and consumables business. The trend towards our customers showing growing interest in outsourcing automation solutions to specialist providers such as STRATEC is also continuing and is reflected in our very well-stocked development pipeline.



Marcus Wolfinger (53)
Chairman of the
Board of Management



Dr. Robert Siegle (53)
Member of the Board of Management,
Finances and Human Resources



Dr. Claus Vielsack (53)
Member of the Board of Management,
Product Development

The STRATEC team grew yet further in 2020. At the end of 2020, the STRATEC Group had more than 1,300 employees, whose motivation, experience, creativity, and expertise form the foundation for our company's success.

Given our strong business performance and highly solid balance sheet structure, we will propose to our shareholders that the dividend should be further increased to a new record level of € 0.90 per share (previous year: € 0.84 per share). Subject to approval by the Annual General Meeting, this would mark the seventeenth consecutive increase in our dividend since payment of the first dividend in 2004.

The responsibility we bear towards our employees, customers, shareholders, and partners, who rely on the high quality of our products, will continue to determine our actions as a company. We would like to thank you very sincerely for your trust and your interest in our company. Together with you, we look forward to shaping STRATEC's ongoing future success.

Birkenfeld, March 2021

The Board of Management of STRATEC SE

Marcus Wolfinger

Dr. Robert Siegle

Dr. Claus Vielsack

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The COVID-19 pandemic presented humanity with great challenges in 2020 and still has the world firmly in its clutches. Due to the pandemic, 2020 was also a challenging financial year for STRATEC, one in which the company accorded absolute priority to protecting the health of its employees and safeguarding its ability to deliver its products. The Board of Management acted early and decisively to introduce suitable measures. These enabled STRATEC to rapidly adjust its capacities in line with the increased needs of its partners and to supply these with the analyzer systems urgently needed to combat the pandemic.

In the 2020 financial year, the Supervisory Board of STRATEC SE once again dealt closely with the company's situation and its prospects. It worked together with the Board of Management on a basis of trust, advised the Board of Management, and exercised its own supervisory function. 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 net asset, financial, and earnings position of the company and the Group, as well as those transactions requiring its approval in the Code of Procedure in force 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.

The individual members of the Board of Management were available to discuss specific topics with members of the Supervisory Board, also outside the framework of Supervisory Board meetings.

The members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary for them to fulfil their duties. The new member of the Supervisory Board, Dr. Vornhagen, also received a suitable introduction to assist him in meeting the requirements of his new position.

Supervisory Board meetings, formation of committees, meeting attendance, and key focuses of discussion

The Supervisory Board held nine meetings in the 2020 financial year. Furthermore, in three cases the Supervisory Board adopted resolutions by circulating and approving the respective written documents. The first two meetings, held in January and February 2020, took the form of conference calls. Due to the COVID-19 pandemic, all subsequent Supervisory Board meetings were held exclusively by way of telephone or video conference calls. The Supervisory Board did not form any committees in the year under report, but nevertheless established a permanent Audit Committee for the first time in January 2021. All meetings of the Supervisory Board were attended by all of its members and – unless the topics involved matters relating to the Board of Management or internal Supervisory Board matters – also by all members of the Board of Management with the exception of Dr. Claus Vielsack, who was unable to attend one of the meetings.

At its meetings on March 30, 2020, June 8, 2020, September 14, 2020, and December 11, 2020, the Supervisory Board focused on the risk report, topics relating to corporate social responsibility, the company's sales and earnings performance, its financial situation, the status of individual development projects and of the company's negotiations for material contracts. Further focuses included discussions concerning the business performance of subsidiaries, the company's organizational structure, the impact of new legislative requirements, and the long-term corporate strategy. Furthermore, the CEO provided the Supervisory Board with regular reports on the COVID-19 pandemic and its impact on STRATEC's business.

At its first meeting in the period under report, held on January 23, 2020, the Supervisory Board determined the target achievement and discretionary components for the bonus payments to be made to members of the Board of Management for the 2019 financial year in line with their individual supplementary agreements (medium-term component of compensation/MTI). In addition, new target agreements were reached for the individual members of the Board of Management for the 2020 financial year.

On March 10, 2020, the Supervisory Board approved the corporate governance declaration with the corporate governance report, which was then made permanently available to shareholders on the company's website. Furthermore, it addressed the non-financial group declaration submitted by the Board of Management, whose contents it reviewed and approved without objection. Moreover, the Report of the Supervisory Board was discussed.

At the Supervisory Board meeting on March 30, 2020, representatives of the auditor participated in the discussion of the annual and consolidated financial statements and explained the key audit findings. Alongside deliberations in respect of general focal topics, one key focus of this meeting was the report by the Board of Management on the company's situation in respect of the COVID-19 pandemic. The Board of Management commented in detail on the measures taken to protect employees, maintain the operating business, and secure supply chains and the company's delivery capability.

Following its own detailed review, at its meeting on April 1, 2020 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 2019 financial year. Furthermore, the Report of the Supervisory Board was approved for publication.

Following the decision taken by the management to postpone the company's Annual General Meeting due to the acute threat posed by the COVID-19 pandemic, on April 24, 2020 the Supervisory Board adopted a resolution by circulating and approving the respective documents in which it agreed to the Annual General Meeting being held on a purely virtual basis. In addition, the proposal submitted by the Board of Management in respect of the appropriation of profit was approved, as were the draft resolutions to be proposed to the Annual General Meeting.

On April 30, 2020, the Supervisory Board granted its approval, also by adopting the respective resolution in writing, for the proposal submitted by the Board of Management concerning the disposal of STRATEC Biomedical UK Ltd.

The Supervisory Board meeting on June 8, 2020 was held directly after the virtual Annual General Meeting. Alongside recurring topics, the meeting focused in particular on the answers provided by the Board of Management to the Supervisory Board's inquiries concerning a potential gradual easing in the pandemic-related protective measures within the company.

The meeting on September 14, 2020 began with new elections within the Supervisory Board. Further information about these can be found under 'Changes in the Board of Management and Supervisory Board'. At this meeting, the Supervisory Board also discussed corporate governance topics relating to the German Act on the Transposition of the Second Shareholder Rights Directive (ARUG II), which came into effect in January 2020, as well as to the extensively revised version of the German Corporate Governance Code which took effect in March 2020.

At its unscheduled meeting on October 7, 2020, the Supervisory Board dealt in great detail and exclusively with corporate governance topics. Specific matters addressed included the existing remuneration system for members of the Board of Management in preparation for the resolution in respect of the remuneration system for members of the Board of Management to be submitted for approval by the next Annual General Meeting.

The meeting on November 26, 2020 also began with new elections within the Supervisory Board. Further information about these can be found under 'Changes in the Board of Management and Supervisory Board'.

Moreover, at this meeting the Supervisory Board decided to adjust and amend the company's Articles of Association to account for the issue of new shares in connection with existing stock option plans.

Based on its previous discussions on various corporate governance topics and to ensure compliance with the German Corporate Governance Code, on November 27, 2020 the Supervisory Board adopted a written resolution amending the Supervisory Board's Code of Procedure and its diversity concept and also set targets for the share of women in the Supervisory Board and the Board of Management. In addition, it reviewed the efficiency of its own activities by conducting an internal self-assessment based on a structured catalog of questions. Here, the members of the Supervisory Board deemed their activities to be efficient overall. Finally, the Supervisory Board and Board of Management renewed the Declaration of Conformity pursuant to § 161 AktG. This was made permanently available to shareholders on the company's website, where the updated version of the Code of Procedure is also published.

At its final meeting in the period under report, held on December 11, 2020, the Supervisory Board approved the budget and the annual financing plan for the 2021 financial year. Furthermore, it discussed the draft version of a remuneration system for the Board of Management that is to be presented to and submitted for approval by the 2021 Annual General Meeting. In compiling the draft version, due account was taken of the new requirements of the Second Shareholder Rights Directive (ARUG II) and the new version of the German Corporate Governance Code. Furthermore, in its annual review of the remuneration for the Board of Management the Supervisory Board ascertained that this was appropriate, also on the basis of peer group comparison. Finally, the Supervisory Board discussed the evaluation of the internal self-assessment of the Supervisory Board conducted on the basis of a structured catalog of questions.

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 three of its members are to be viewed as independent.

Changes in Board of Management and Supervisory Board

Rainer Baule, Deputy Chair of the Supervisory Board and its financial expert, stood down from his position as of July 15, 2020. The Supervisory Board would like to thank him for his constructive contributions made on a basis of trust. By court appointment dated July 21, 2020, Dr. Rolf Vornhagen succeeded Rainer Baule on the Supervisory Board for the period through to the next Annual General Meeting. On September 14, 2020, the Supervisory Board held elections among its members and elected Dr. Frank Hiller as its Chair and Prof. Dr. Stefanie Remmele as its Deputy Chair. Dr. Rolf Vornhagen was appointed as the financial expert pursuant to § 100 (5) of the German Stock Corporation Act (AktG).

At its meeting on November 26, 2020, the Supervisory Board elected Prof. Dr. Stefanie Remmele as its new Chair and Dr. Frank Hiller as Deputy Chair after the latter had stood down directly before from his position as Supervisory Board Chair. Dr. Rolf Vornhagen was once again appointed as financial expert pursuant to § 100 (5) AktG. This renewed round of elections in the Supervisory Board was required because, given the recommendations made by the new version of the German Corporate Governance Code, Dr. Frank Hiller was no longer able to act as Chair due to his function as CEO of DEUTZ AG, Cologne.

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 held on June 8, 2020 elected Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as auditor and group auditor for the 2020 financial year. 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 the annual financial statements for 2019 and 2020. Linda Ruoss was responsible for the audit of the consolidated financial statements from 2015 to 2019, while Philipp Lessner was responsible for the 2020 consolidated financial statements.



Prof. Dr. Stefanie Remmele (42)
Chairwoman of the Supervisory Board



Dr. Frank Hiller (54)
Deputy Chairman of the
Supervisory Board



Dr. Rolf Vornhagen (67)
Member of the Supervisory Board

At its meeting on March 26, 2021, which was held as a conference call due to the COVID-19 pandemic, the Supervisory Board dealt in detail with the annual financial statements and management report, as well as with the consolidated financial statements and group management report, these together with the non-financial group declaration, of STRATEC SE for the 2020 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.

The annual financial statements and management report, the consolidated financial statements and group management report with the non-financial group declaration, the proposal submitted by the Board of Management in respect of the appropriation of profit, and the auditor's audit reports were available to the Supervisory Board for its own review. Representatives of the auditor attended the discussion of the annual and consolidated financial statements at the Supervisory Board meeting on March 26, 2021 and outlined 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 of STRATEC SE by the Supervisory Board did not result in any objections being raised. 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.

Furthermore, the Supervisory Board discussed the proposed appropriation of profit in detail with the Board of Management and approved this. Subject to approval by shareholders at this year's Annual General Meeting, the company currently plans to distribute a total dividend of € 10.9 million (€ 0.90 per share) to shareholders of STRATEC SE.

Thanks

The Supervisory Board would like to thank the members of the Board of Management and all employees of STRATEC SE and its subsidiaries for their efforts and their exceptional achievements in 2020, a financial year that was shaped by the COVID-19 pandemic.

Birkenfeld, March 2021

On behalf of the Supervisory Board

Prof. Dr. Stefanie Remmele
Chairwoman of the Supervisory Board





MAKE THE INVISIBLE **VISIBLE**

TRACKING DOWN INFECTIOUS DISEASES

Infectious diseases have plagued humanity since the outset. They were long the leading cause of death and, over the millennia, often cost more lives than all military conflicts that preceded them or were fought in parallel. It was only the medical advances made in the 20th century that enabled them to be contained. Even today, infectious diseases such as tuberculosis and AIDS are repeatedly in focus and are still a major cause of death. The battle to prevent the spread of infectious diseases is ongoing, particularly but not only in countries with inadequate hygiene and limited access to fresh drinking water.

One infamous infectious disease which led to a pandemic in the 14th century and cost more than 25 million lives in Europe alone was the plague. This was triggered by a bacterium. Outbreaks of the plague occur even in modern times, although it has been possible to limit its spread very effectively.

The Spanish Flu, which was triggered by an influenza virus, infected around 500 million people at the beginning of the 20th century and is estimated to have cost between 27 and 50 million lives. One striking aspect was the unusually large number of young people between 20 and 40 who died of the Spanish Flu, even though young children and the elderly were usually most vulnerable to the influenza virus. The most frequent specific cause of death was pneumonia triggered by the virus.

In the 19th century, the infectious disease tuberculosis was also one of the main causes of death worldwide and led to hundreds of thousands of deaths each year in Germany alone. Back then, the physician Robert Koch discovered that diseases such as these were caused by tiny organisms: bacteria. Until then, tuberculosis had been viewed as puzzling and hardly researched. In March 1882, Robert Koch managed to detect the agent in diseased tissue, to isolate it and to cultivate it in a pure culture. In recognition of his discovery of the tuberculosis bacilli, Robert Koch was awarded the Nobel Prize for Medicine in 1905. The results of his research have played a key role in containing epidemics and combating centuries-old diseases.

The scientific insights gained to date mean that many infectious diseases are no longer a cause of concern. However, new pathogens or modified versions of existing pathogens continue to emerge. Not only that, the hygiene standards needed to protect against infection are not in place in many areas of the world.

Manifold forms of transmission and symptoms

Infectious diseases in people are triggered by microorganisms such as bacteria, viruses, fungi, and parasites. Transmission may take numerous forms, such as by air, due to contact or smear infections, via animals, or through contaminated food or water. The duration and severity of the resultant diseases vary widely and depend on the type of infection, the specific nature of the pathogen, and the physical condition and immune response of the affected person.



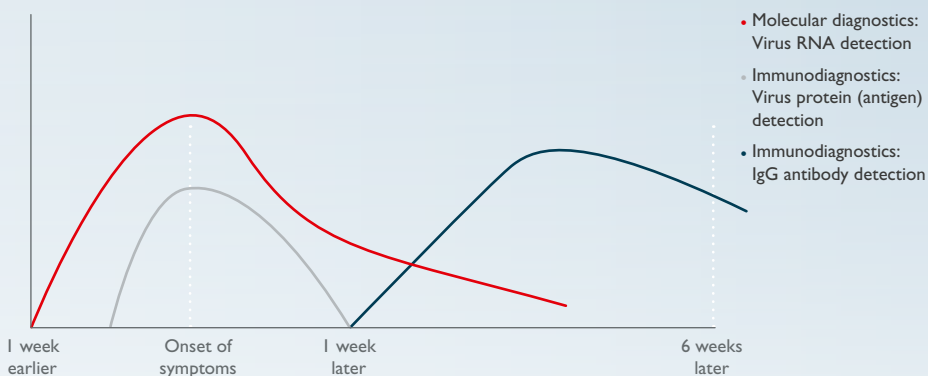
MIO

Plague costs 25 million lives in Europe in 14th century

Detecting the pathogen

Various methods are used to detect an infection. Molecular diagnostics processes directly detect the presence of the pathogen, i.e. its DNA or RNA. Antibody and antigen tests, by contrast, work with immunoassay processes. In an antibody test, the infection is not detected directly via the pathogen, but rather by the presence of antibodies formed in response (the body's immune response to the infection). Antigen tests, on the other hand, focus on specific virus proteins. One factor that is always important when deciding which method to use is the time at which the diagnosis is performed. At the beginning of an acute infection, the pathogens start to settle and multiply in the body. As a result, the number of pathogens in the body begins to rise. In viral infections, the number of pathogens is also referred to as the virus load. After several days, known as the incubation period, the virus load usually reaches its peak. Molecular diagnostics processes, which directly detect the presence of the pathogen, are able to detect the infection at a very early stage. By contrast, depending on the type of infection involved it can take several days or even weeks for the body's immune response to be strong enough, i.e. for sufficient numbers of antibodies to have formed, for the infection to be detected in an antibody test. However, antibodies are often detectable over a longer period, often when the patient has long recovered.

Coronavirus: Detecting infections as quickly as possible to combat pandemics.



AN INFECTION WITH MANY FACES

LYME DISEASE

Lyme disease (Lyme borreliosis) is an infectious disease that occurs in the northern hemisphere. In Europe, it is by far the most common disease transmitted by ticks. Lyme disease is caused by a *Borrelia*-type bacterium which the ticks carry. Person-to-person transmission is not possible. Lyme disease can take very different courses and affects the skin, the nervous system, joints, and more rarely also the heart. Various symptoms may arise individually or in combination. Unlike in the following case study, however, many infections do not give rise to any symptoms.

Paul has complained for several days now about headaches, tiredness, and aching muscles. His mother Jana recalls that he was bitten by a tick several weeks ago. Back then, she remembered to check very closely whether an expanding rash formed around the puncture site, i.e. whether the skin turned red. That had not happened, so Paul's mother concluded that the tick bite would not have any further consequences. Now, however, she takes Paul to the physician to find out what infection might be behind his symptoms.

Due to the recent tick bite, the physician suspects that Paul is infected with Lyme disease. As an infection of this kind sometimes only leads to symptoms a while later, the physician decides to perform an immunological test. This type of Lyme disease test detects the presence of specific antibodies against the disease in the patient's blood sample. The symptoms of Lyme disease are similar to those of several other diseases. This means that a serological test, i.e. the detection of antibodies, is crucial for diagnosis. Infections with Lyme disease often remain undetected for longer periods and only make themselves felt months or years later in so-called late manifestations such as arthritis, late Lyme neuroborreliosis, or chronic dermatitis.

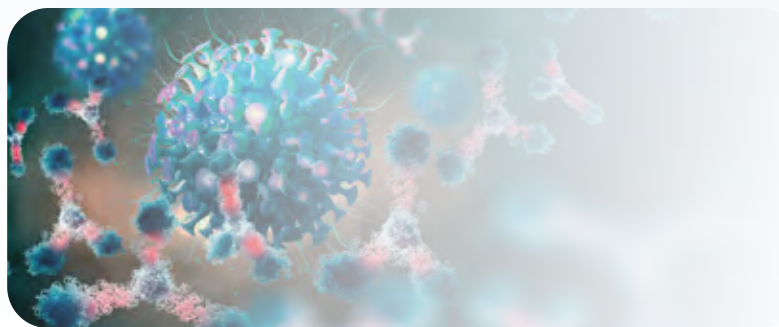




How does an antibody test work?

If a person becomes infected with a virus, the body generally reacts by forming specific proteins, known as antibodies. These antibodies fight the 'intruder', i.e. the virus, by attaching themselves to it, thus rendering it harmless and marking it for destruction by immune cells. In immunodiagnosics, these are tracked down and 'caught' in the sample in order to establish the presence of an infection.

Once the sample has been loaded into the appliance, the analyzer system automatically performs all steps involved in the diagnostic process. The first steps purify the materials. This often involves using a centrifuge to separate heavy and light blood components from each other. In the next step, the reagent is added to the sample. Reagents are substances that, when added to certain other substances, trigger a reaction that is specific and measurable. They therefore serve to identify a specific substance. There are many different kinds of immunoassays that work with a variety of detection methods. Measurements may be based, for example, on color or light reactions.



Immunodiagnosics tests: an important tool in diagnostics

STRATEC cooperates with numerous leading companies in the field of immunodiagnosics. In a development cooperation (including the relevant manufacturing contract) with one of its largest customers, for example, STRATEC has designed a chemiluminescence analyzer system which performs all steps from purification through to the reaction on a fully automated basis. In this special case, the system can perform up to 180 tests an hour. To date, more than 8,700 analyzer systems of this type have been placed in laboratories around the world. This is also the appliance on which Lyme disease tests are performed.

Once Paul's blood sample has been taken, it is sent to a nearby laboratory for testing. In the analyzer system, the sample now automatically passes through all the processes outlined above. At the end, the physician receives a result, which he then discusses with Paul and his mother at a further appointment several days later.

The analysis results in the detection of antibodies against the Lyme disease pathogen in Paul's blood. Taking due account of the symptoms Paul has described, the physician concludes that he has Lyme disease and prescribes antibiotics. Thanks to the immunological test, Paul can start a targeted course of treatment.

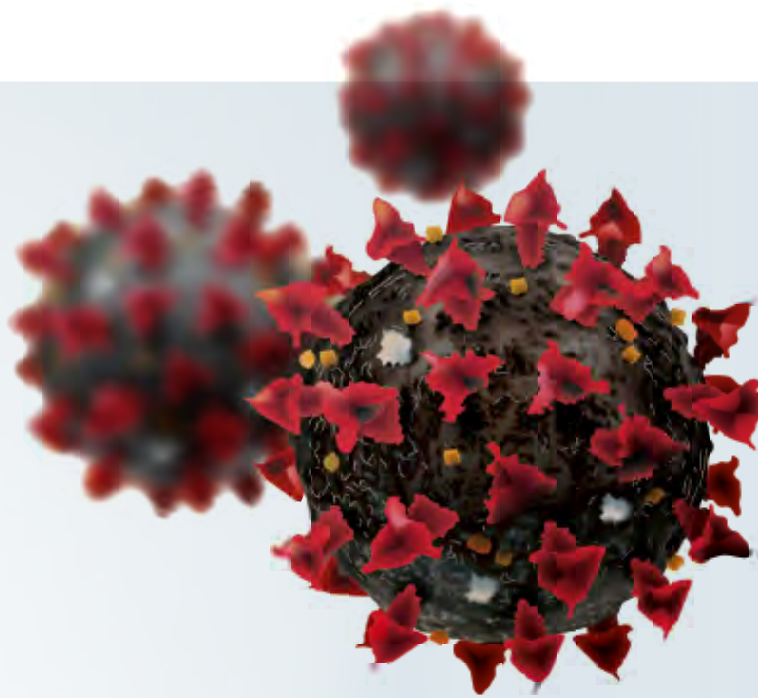
HIGHLY SENSITIVE METHOD TO DETECT PATHOGENS

MOLECULAR DIAGNOSTICS

How does molecular diagnostics work?

When molecular diagnostics is referred to, what is usually meant is the detection of pathogens in the form of small parts of their genomes. However, it is also possible to investigate small sections of the body's genetic material, for example if cancer is suspected. One method often used in molecular diagnostics is the Polymerase Chain Reaction (PCR). This is an amplification procedure in which specific DNA segments are copied and multiplied outside an organism, i.e. on an in-vitro basis.

That involves various steps. In the first step, two strands of genetic information are separated by being heated. This process is referred to as denaturation. Once separated, the two individual strands are now accessible for so-called primers which, in the second step, known as annealing, then mark the points to be detected as soon as the sample has cooled. Primers are small DNA probes that are structured in such a way that, where possible, they only attach themselves to one specific point of the genetic material. Once this marking is completed, the third and final step, known as elongation, can begin. In this step, the polymerase begins the copying process. The polymerase is an enzyme which copies genetic material for new cells in organisms, such as during the cell division process (mitosis). It is now attached to the marked point and begins the copying process as soon as the operating temperature is reached. It does this by aligning the individual components of the genetic material in the right order. The next cycle then begins by reheating and separating the double strands. Repeating the cycle many times over leads to exponential replication. The specific rate of replication simultaneously acts as a signal amplifier for the fluorescent dyes used for detection in this specific type of PCR. The best-known method is the so-called qPCR (quantitative) or rtPCR (real-time), which measures the light signals. These in turn increase in line with the number of copies. Depending on the number of replication cycles it takes for the signals to reach a specified intensity, it is even possible to make statements as to the number of pathogens in the source material. That also explains the great sensitivity of molecular diagnostics tests, which are able to detect the presence of even the smallest volumes of pathogens.



Sample collection and processing if a viral infection is suspected

If the patient's symptoms give reason to suspect a coronavirus infection, the physician starts by taking a smear from the mucous membrane in the nose or throat. The sample is then sent for analysis to a diagnostics laboratory. Here, the samples are centrally recorded, allocated to the requested tests and then processed as appropriate. In Germany, a molecular diagnostics test is recommended for detection if an infection with SARS-CoV-2 is suspected. Depending on availability, the tests are performed in fully automated 'sample in – result out' systems or the individual work steps, such as isolating the genetic material from the sample and the subsequent qPCR, are performed separately. In line with the type of test, the test results are already available around 2.5 to 3 hours later. Following evaluation and approval, they can then be communicated.



Diagnostic tests as key measure

STRATEC works together with several market-leading companies in the field of molecular diagnostics. The systems thereby developed perform molecular diagnostics tests on a fully automated basis. This means that the whole process, from extraction to replication to detection, takes place automatically. The user merely has to add the sample and the reagent. These days, automation is standard in laboratories and ensures test reliability and workflow efficiency.

The novel coronavirus SARS-CoV-2 triggers the infectious disease COVID-19, which can take a severe course, particularly among older patients and those with preexisting conditions.

Several of STRATEC's partners were among the first companies to develop molecular diagnostics tests to detect the SARS-CoV-2 virus. These received emergency approval from the FDA, the US health authority, in mid-March 2020 already. The tests facilitate the detection of several clear genetic sequences that are specific to the SARS-CoV-2 virus. The rapid availability of these tests was an enormous help to the authorities as they attempted to gain a swift overview of the spread of infections and take suitable measures to contain the pandemic. It is currently estimated that around 20% to 30% of the genetic coronavirus tests performed in US laboratories are processed using systems developed by STRATEC.

Alongside this approach, there are also tests which detect antigens, i.e. the presence of viral protein. This method is often used for rapid tests which are referred to as such because the result is already available after a few minutes. Compared with molecular diagnostic tests, however, this method more often produces incorrect results. In diagnostics, this is often referred to as low sensitivity (share of correct positive results) or specificity (share of correct negative results).





Trend: Syndromic panel testing

Alongside the relatively rapid availability of results, a further benefit of molecular diagnostics in the form of the rtPCR is its ability to simultaneously detect several different pathogens or various dangerous subtypes of a pathogen. The multiplexing process, i.e. the detection of several gene segments in one reaction, is often used in this context. The precision of test results can be enhanced, for example, by simultaneously detecting several different gene segments of a given pathogen. However, it is also possible to detect several different pathogens in a single reaction. This possibility has given rise to a trend known as panel or syndromic testing.

The symptoms shown by patients who visit the physician are often very unspecific. High temperatures, coughs, headaches etc. do not in themselves give specific reason to suspect any one individual pathogen. To address this, ever more tests are offered that are capable of detecting several pathogens that are most likely to trigger one kind of symptom. Particularly during the COVID-19 pandemic, numerous tests were launched onto the market at the beginning of the annual influenza season that are simultaneously able to detect SARS-CoV-2, Influenza A/B, and RSV (Respiratory Syncytial Virus). However, panels capable of identifying 20 and more gene sequences are already available. The most common areas of application for these are infections of the respiratory tract (respiratory), the gastrointestinal tract (GI), or screenings for potentially dangerous types of human papillomavirus (HPV) among women.

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2020

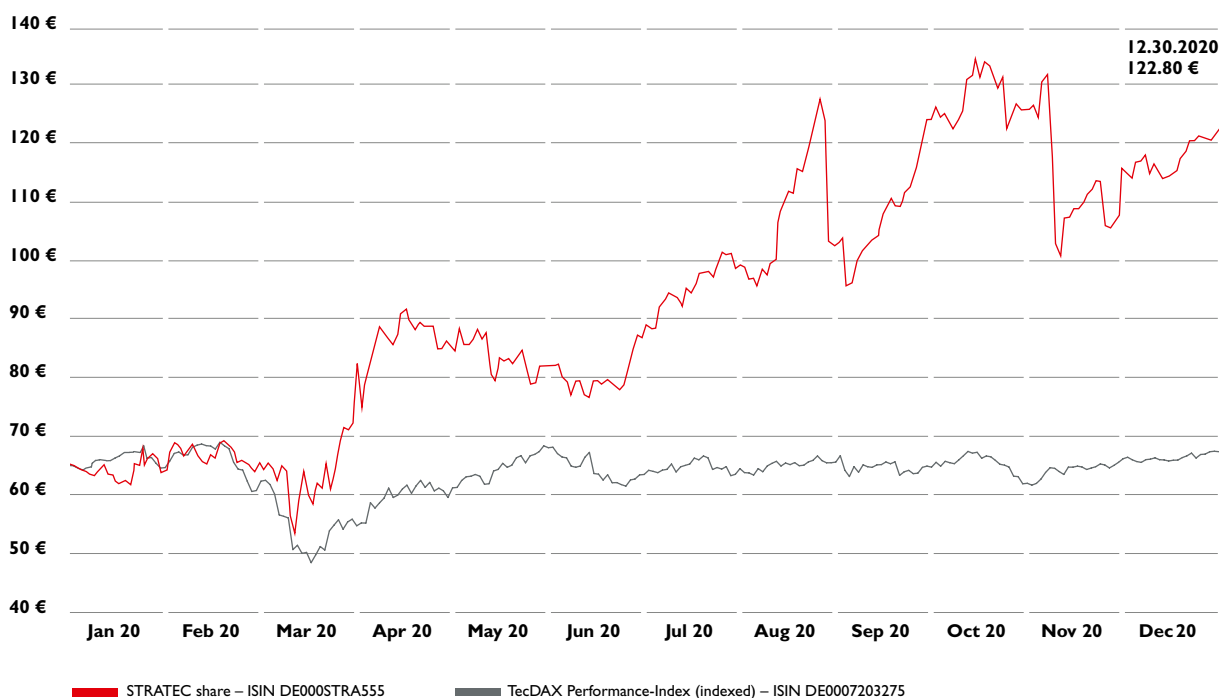
STRATEC'S SHARE

2020 on the stock markets – a turbulent year with extreme price fluctuations

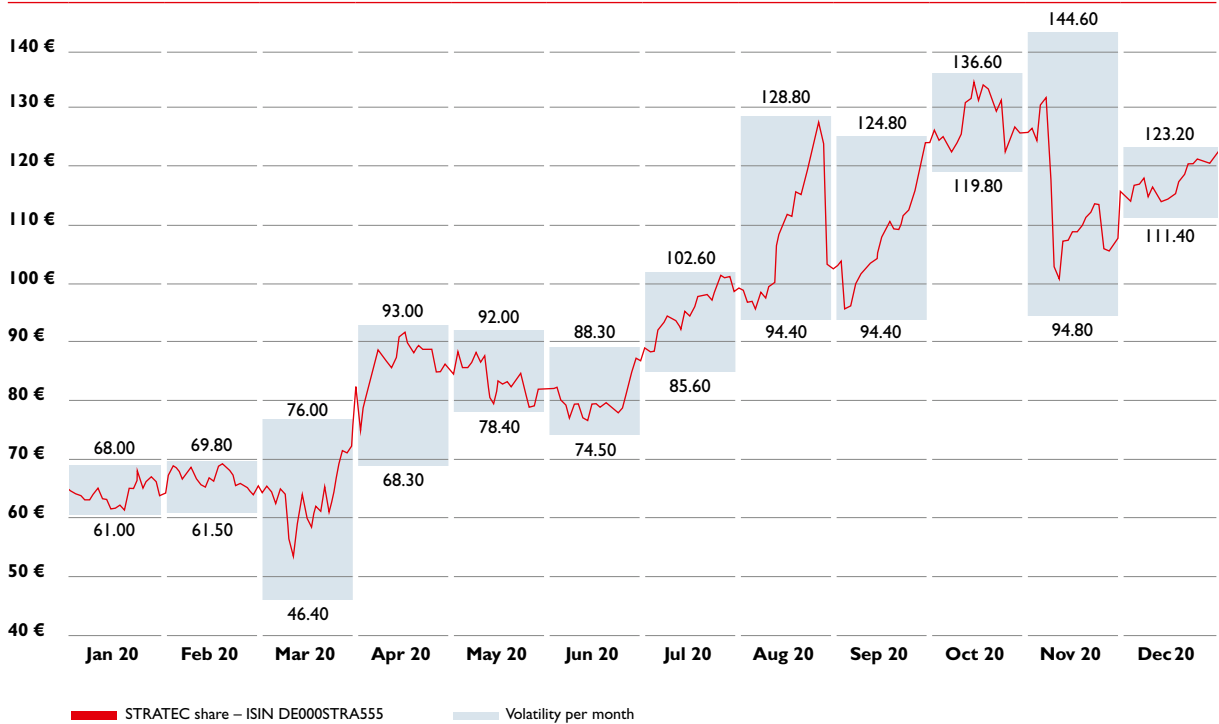
Events on global stock markets in 2020 may well go down in history. Rarely have the markets witnessed such a significant downturn in prices and then recovered all the lost ground and added further gains, significantly so in some cases. The price slump was triggered by an exogenous shock due to the worldwide spread of coronavirus. As the year advanced, the unprecedented economic aid packages, emergency loans, base rate cuts, and bond purchasing programs introduced by governments and central banks worldwide to counter the economic effects of the COVID-19 pandemic led stock market prices to recover sharply. Having reached its all-time high at 13,800 points in mid- February, for example, the DAX plummeted by around 40%, and that in just one month, to levels last seen in the fourth quarter of 2014. Following its lows in March, the index posted

a strong recovery and by December even exceeded the all-time high from February, finishing the year just slightly down on this level. Measured in terms of year-end prices in 2019, the DAX gained 3.5%, the MDAX 8.8% and the SDAX 18%, while the TecDAX rose by 6.6%. As an innovative and technological market leader for automation and instrumentation solutions in the field of in-vitro diagnostics, STRATEC is benefiting from increased demand for the analyzer systems urgently needed to combat the pandemic. Against this backdrop, STRATEC's share price gained 101.3% and thus more than doubled in the year under report.

STRATEC's share price performance in 2020 (€)



STRATEC's share – annual highs and lows in 2020 (in €)



Listing, stock market turn-over, 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 the 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 € 561.0 million changed hands on the aforementioned marketplaces (excluding Tradegate) in 2020 (previous year: € 81.9 million). The Xetra and Frankfurt marketplaces alone accounted for 89.4% of these volumes (previous year: 88.8%).

The company's shares have also witnessed 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 shares were accepted into the SDAX index as of April 30, 2020. The SDAX is a select index of the German Stock Exchange which comprises 70 small cap companies.

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

	2020	2019	2018	2017	2016
Year-end price previous year (€)	61.00	50.30	64.84	45.79	61.00
Annual low (€)	46.40	49.30	43.55	44.52	41.30
Annual high (€)	144.60	77.60	80.30	70.33	62.85
Year-end price (€)	122.80	61.00	50.30	64.84	45.79
Performance (%)	+101.3	+21.3	-22.4	+41.6	-24.9
Market capitalization (€ million)	1,486.2	733.8	602.1	773.0	543.1
Trading volumes (€ million)	561.0	81.9	148.8	187.6	120.7
Average daily trading volume (€)	2,217,521	326,410	593,010	744,490	473,151
Average daily trading volume (number of shares)	22,615	5,124	9,252	13,504	9,775

Virtual Annual General Meeting approves further dividend increase

On June 8, 2020, STRATEC's Board of Management and Supervisory Board welcomed the company's shareholders to the Annual General Meeting, which was held on a virtual basis for the first time due to the COVID-19 pandemic.

All of the agenda items submitted for resolution were approved by shareholders with substantial majorities. A total of 81.8% of the company's share capital was represented at the virtual Annual General Meeting.

The dividend was increased for the sixteenth consecutive year: At € 10.1 million, corresponding to € 0.84 per share, the total distribution reached a new record level. In 2019, the company distributed a total of € 9.8 million, or € 0.82 per share, to its shareholders. Furthermore, shareholders approved the actions of the Board of Management and the Supervisory Board and elected Ebner Stolz GmbH & Co. KG, Stuttgart, as auditors for the 2020 financial year. The Annual General Meeting also once again approved authorized and conditional capital, as well as the authorization to acquire and dispose of treasury stock.

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

The next Annual General Meeting is scheduled to take place on May 20, 2021 and, due to the COVID-19 pandemic, will once again be held on a virtual basis.

Seventeenth consecutive dividend increase proposed

STRATEC pursues a continuity-based dividend policy which aims to enable shareholders to participate appropriately and sustainably in the company's performance. Consistent with this approach, based on current planning STRATEC's Board of Management and Supervisory Board will propose a dividend payment of € 0.90 per share for approval by the Annual General Meeting on May 20, 2021. This corresponds to a total distribution of € 10.9 million and a dividend yield of 0.7% based on the closing price of € 122.80 for STRATEC's share on December 30, 2020.

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 40.55%. A further 0.03% of the shares are held by the company itself, while 59.42% 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 3.017%
- Allianz Global Investors GmbH, Frankfurt am Main, Germany, with 4.98%
- Ameriprise Financial, Inc., Wilmington, Delaware, US, with 6.31%.

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

	2020	2019	2018	2017	2016
Number of shares issued (million)	12.1	12.0	12.0	11.9	11.9
Number of shares with dividend entitlement (million)	12.1	12.0	12.0	11.9	11.9
Cash dividend per share (€)	0.90 ¹	0.84	0.82	0.80	0.77
Total distribution (€ million)	10.9 ¹	10.1	9.8	9.5	9.1
Dividend yield (%)	0.7 ¹	1.4	1.6	1.2	1.7

¹ Subject to approval by the Annual General Meeting

Further information about STRATEC's share

ISIN	DE000STRA555	Select index	SDAX since April 30, 2020
WKN	STRA55	Share type and class	No-par registered ordinary shares
Ticker	SBS	Share capital (€)	12,102,945
Reuters Instrument Code	SBSG.DE	Share capital (number of shares)	12,102,945
Bloomberg Ticker	SBS:GR	Initial listing	August 25, 1998
Segment	Prime Standard	Marketplaces	Xetra; Frankfurt and further regional stock exchanges in Germany
Market	Regulated Market	Designated sponsors	HSBC Trinkaus & Burkhardt AG (until 11.30.2020) Pareto Securities AS (since 12.01.2020) Bankhaus Lampe KG (until 12.31.2020)

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 the company's current situation and its business performance. At present, a total of seven institutions regularly cover STRATEC in extensive studies and brief analyses: Berenberg Bank, Commerzbank, Deutsche Bank, Kepler Cheuvreux, Landesbank Baden-Württemberg, Metzler Capital Markets, 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

03.31.2021	Annual Financial Report 2020
05.07.2021	Quarterly Statement Q1 2021
05.20.2021	Virtual Annual General Meeting
08.06.2021	Half-yearly Financial Report H1 2021
11.11.2021	Quarterly Statement 9M 2021
11.23.2021	German Equity Forum (Analyst conference)

Subject to amendment

GROUP MANAGEMENT REPORT

for the 2020 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 and enable all parties involved to generate growth rates ahead of the industry average by offering a well-calibrated mix of cost efficiency, expertise, and innovation.

The core competence of the STRATEC Group 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.

By continually developing new technologies and making targeted company acquisitions, the STRATEC Group has consistently extended its product range in recent years and thus aligned itself ever more closely to the needs of its customers and partners – generally global leaders in the fields of diagnostics and research. That is why in addition to pure instrumentation the STRATEC Group covers virtually the entire value chain for complex analyzer system solutions. The value chain ranges from compiling initial system specifications to approval processes through to serial production, including the development of complex consumables. It also includes connectivity and remote service solutions over and above the instrument software.

Given the breadth of its product range and the innovative strength of its R&D employees, STRATEC is able to react swiftly to any changes in the market. STRATEC continues to observe an ongoing trend towards consolidation in laboratory structures in its most important markets, for example. The increasing focus on small numbers of large central laboratories will not only increase demand for high throughput systems but also create a need to assess time-critical parameters on a close-to-patient basis. Due to its ever broader product portfolio, STRATEC is now very well positioned to benefit from the growth opportunities presented by this polarization in the market.

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 also play an important role both at STRATEC and at 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 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 situation of competition to arise with its partners.

3. Expanding and securing long-term customer relationships:

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 systems 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 in this respect. To access this potential even more closely, in 2016 STRATEC supplemented its in-house activities by acquiring what is now STRATEC Consumables GmbH. This company is a manufacturer of smart consumables and has 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 nearly 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 missing any growth opportunities with existing customers. Among others, one instrument enabling STRATEC to achieve this goal is the newly developed KleeYa platform 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, such as the acquisition in 2016 of what is now the Diatron business unit.

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 location in Anif (Austria) manufactures polymer-based smart consumables in a controlled ISO Class 7 production environment. 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 at the Swiss location in Beringen were expanded in a multistage process in 2016 and 2017. As a result of these measures, STRATEC now already has sufficient capacities in its production departments to guarantee the highly efficient production of existing and future system 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 necessary regulations and standards. Overall, STRATEC is represented with its solutions and qualified contact partners at its subsidiaries at seven locations on three continents. To do justice to the rising standards resulting from its further growth and not least on account of the COVID-19 pandemic, the company adopted and implemented further optimization measures in 2020 as well. Among others, these particularly included measures to extend capacity and build up redundant and parallel production lines for those systems which are being drawn on to contain the pandemic.

In view of its development capacities, which are currently well utilized, STRATEC expects to see further expansion in its workforce in the years ahead. To account for this growth, in the 2018 financial year the company began work on converting and substantially expanding the buildings at its Birkenfeld location. The first round of construction was completed and the new space occupied on schedule in mid-2019. The second stage of construction was completed in the second half of 2020. With the completion of this extensive construction work, the company now has significantly more space for research and development, prototype manufacturing, warehousing, and administration.

Having implemented a uniform new ERP system across the Group in 2018 and 2019, in the 2020 financial year STRATEC reached numerous milestones relating to the exploitation of future efficiency enhancement potential.

Supply Chain

To enhance flexibility, reduce capital intensity, and optimize its cost structures on a long-term basis, the STRATEC Group generally works with a very low level of vertical integration and often outsources upstream production activities to highly specialized contractual suppliers. Final assembly and testing generally takes place at the STRATEC Group's production 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 the STRATEC Group.

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.

STRATEC is committed to and certified under the following standards:

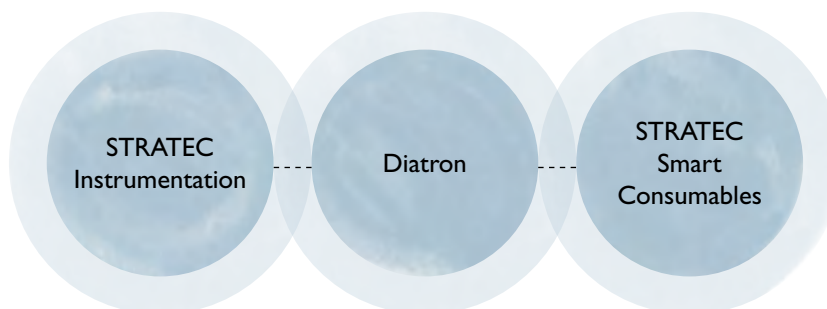
- EN ISO 9001
- EN ISO 13485
- TCP/Taiwan GMP
- FDA QSR Compliant Development and Manufacturing Processes
- FDA Registered Establishment
- CSA/UL/NEMKO Registered

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

Following the sale of the Data Solutions business unit in May 2020, in terms of its organizational structure the STRATEC Group aligns and optimizes its operations in three business units.

The primary objective here is to be able to react to customers' requirements in an efficient and coordinated manner and to offer the Group's solutions and products from across the respective business units. Not only that, by fostering group-wide communications and ensuring flat hierarchies, STRATEC aims to be able to react swiftly and across all of its locations to any developments in the market or changes in the regulatory framework. The company's strategic alignment, with its organizational structure focusing on three business units, can be presented as follows:



STRATEC Instrumentation

The instruments designed and manufactured by STRATEC and marketed by its partners can be found worldwide.

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, consumables and quality management, as well as on preparing system approval. New market requirements, such as connectivity or smart 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. As soon as 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 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.

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.

Within the Instrumentation segment, a basic distinction is made between two approaches towards developing systems and 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 innovative 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 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 systems 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.

Diatron

The Diatron business unit designs and manufactures analyzer systems for use in human and to a minor extent veterinary diagnostics, as well as complementary products such as consumables and services. Diatron's customers include prestigious diagnostics and life science companies with global operations. The system solutions for human diagnostics which Diatron predominantly manufactures in Hungary are used in the fields of hematology and clinical chemistry. Diatron mainly distributes its solutions as an OEM provider and via distributors, of which a small share is directly marketed under the Diatron brand. Its platform-based development approach and its market access based on OEM partnerships are similar to the approach taken in the Instrumentation business unit.

Diatron's OEM portfolio consists in particular of analyzer systems, system components, consumables and tests in the low throughput segment. Throughput is the term used to describe the frequency of tests which can be performed in a given period, typically a single laboratory shift. By contrast, the Instrumentation business unit generally focuses on medium to high throughput ranges. The extension in the value chain in the field of decentralized laboratory solutions – typically small to medium-sized hospitals, group practices, and laboratories – therefore represents a far-reaching addition to the expertise and product portfolio at the Instrumentation business unit.

STRATEC Smart Consumables

The STRATEC Smart Consumables business unit designs and manufactures polymer-based 'smart' consumables. These includes 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 is making it possible to 'outsource' various test process steps in a targeted manner to the consumable. 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.

The Smart Consumables business unit 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 business unit 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.

Management of the STRATEC Group

Given its size and the dovetailing of its business fields, the STRATEC Group is managed by reference to a matrix organizational structure. The business fields are grouped in business units across locations and together reflect STRATEC's value chain.

The business units receive targets set by the Group's Board of Management, on which basis they are managed and also report in the course of the financial year. These targets are chiefly of a quantitative nature and relate to sales and profitability. In addition, legal units and divisions are provided with targets that include qualitative, quantitative, and strategic elements. These are based on factors such as risk management, employee management, and customer relationships, as well as M&A activities.

As well as traditional management figures such as sales, EBIT, EBITDA, liquidity, key development, production, marketing figures, and product quality, STRATEC is increasingly focusing on sustainability-related topics such as environmental and social aspects, not least to do justice to our 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 sales growth in excess of average growth rates in the in-vitro diagnostics industry while simultaneously improving the company's profitability, safeguarding its 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 individual location managers and project directors to the respective heads of department or the Board of Management.

Central support and administration functions are pooled at corporate headquarters and work closely together with employees in the relevant specialist departments at the subsidiaries.

Furthermore, the regular exchange of information in conference calls and meetings with the management of subsidiaries ensures that all matters relating to the Group's current business performance are discussed. These measures also include regular visits on location.

A further management instrument is the variable remuneration paid to local managers at the subsidiaries, the heads of business units, 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

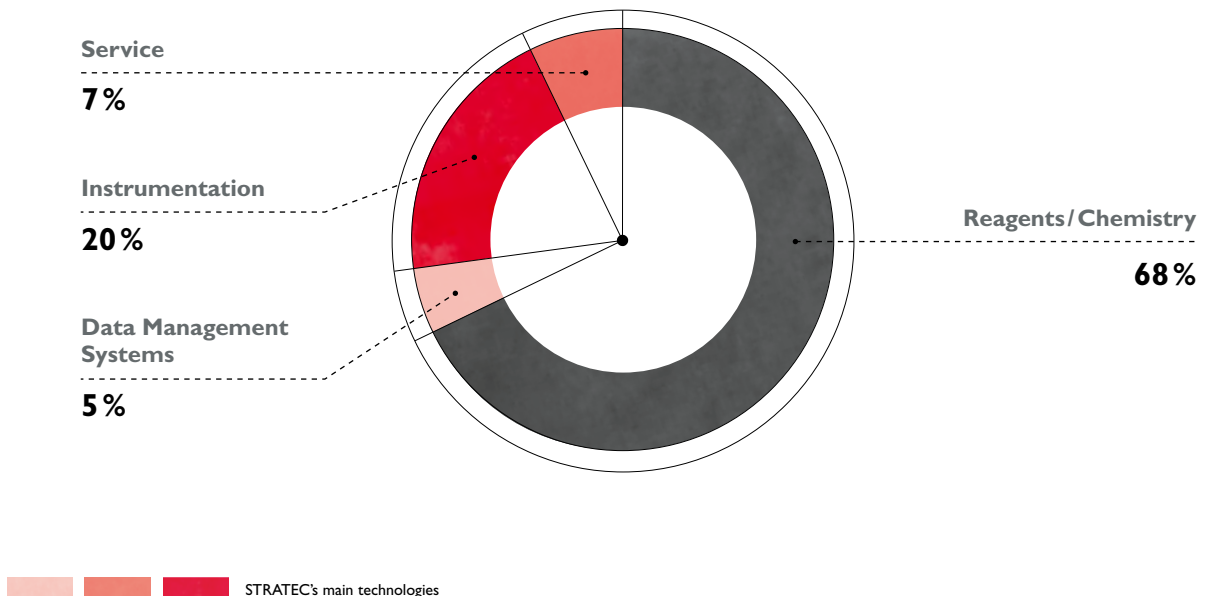
IVD instrumentation market

The overall market for in-vitro diagnostics solutions currently has a volume of almost USD 85 billion. It showed strong above-average growth in 2020 due to high demand for in-vitro diagnostics tests on account of the COVID-19 pandemic. Instrumentation solutions have also significantly increased their share of the overall market. This is due in particular to the fact that, given the availability of additional budgets, a higher share of systems were sold by STRATEC's customers rather than, as previously, being placed in laboratories on the basis of rental or leasing agreements. The predominant share of market volumes is nevertheless still generated by selling test reagents, while instrumentation solutions currently account for around 20% of the overall market. The global market for instrumentation solutions in the field of in-vitro diagnostics (IVD) therefore has sales volumes of around USD 17 billion. It is worth noting that, based on estimates, fewer than half of instrumentation solutions are currently developed by outsourcing partners such as STRATEC (IVD OEM market). The remaining share of system solutions continues to be designed by the largest diagnostics companies themselves (IVD in-house market). 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.

The instrumentation market relevant to the STRATEC Group has estimated annual sales volumes of more than USD 2.0 billion for in-vitro diagnostics (IVD) alone. This figure is derived from relevant throughput segments and areas of application. The application technologies and market segments relevant to STRATEC particularly include the immunoassay, molecular diagnostics, immunohematology, clinical chemistry, microfluidic, and hematology applications. Alongside these areas, there are also interesting niche markets, both within and outside IVD, in which STRATEC is performing targeted projects or concluding development cooperations with established or innovative partners. Alongside these areas, there are also interesting niche markets, both within and outside IVD, in which STRATEC is performing targeted projects or concluding development cooperations with established or innovative partners.

IVD market by product category



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 instrument 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.

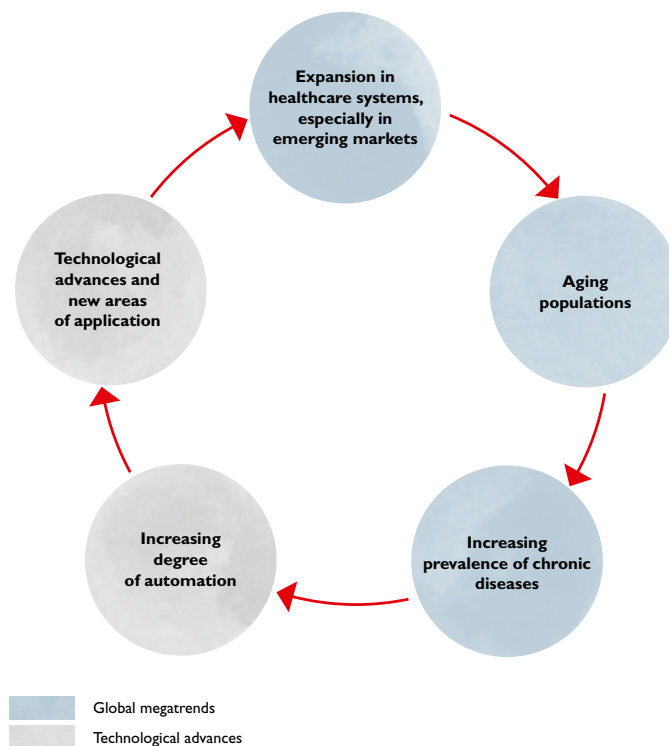
Outsourcing

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 development 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. The COVID-19 pandemic in particular has once again underlined the great importance of in-vitro diagnostics for healthcare systems around the world. Key growth drivers particularly include global megatrends and ongoing technological advances:



Further growth in the volume of investments channeled into expanding national healthcare systems is leading to an increase in the number of people worldwide with access to healthcare services. Higher numbers of patients are resulting in 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 or 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

The STRATEC Group's long story of sustainable success is based on its development of innovative technologies that satisfy the requirements of strictly regulated markets and those of its partners in terms of safety, reliability and user-friendliness. For the development of complex systems, consumables, and laboratory software, 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.

At a research and prototype laboratory at the Anif location, STRATEC is working in cooperation with the University of Salzburg to link state-of-the-art plastic and coating technology with biotechnological processes. This involves manufacturing and testing biochip prototypes intended for inclusion in customer products at a later date.

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.

As already outlined in Section '2. Group Structure – Instrumentation', 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 observes 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 the times and costs involved in our partners' market launches of these kinds of systems.

- **Development of (smart) consumables**

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 653 employees were allocable to research and development and development support at the balance sheet date on December 31, 2020 (previous year: 674 employees). This corresponds to around 50.0% of the total workforce.

B. BUSINESS REPORT

Macroeconomic and sector-specific framework

Macroeconomic framework

The COVID-19 pandemic and the associated restrictions and containment measures had a clearly negative impact on global economic growth in 2020. The Economic Outlook published by the OECD in December 2020 therefore forecast a 4.2% reduction in global GDP for 2020. With the exception of China, this downturn affected virtually all major economies. For the US, the OECD forecast a 3.7% reduction in GDP in 2020. Euro area GDP is expected to have contracted by 7.5% in 2020, with Germany reporting a reduction of around 5.5%. By contrast, China's GDP showed slight growth of 1.8%, a figure which nevertheless represents a marked slowdown compared with the previous year's figure (GDP growth of 6.1% in 2019).

According to the OECD, the outlook for future growth has improved thanks to the development of highly effective vaccines, but is nevertheless still subject to great uncertainties. Further waves of infection and resultant restrictions and measures to contain the number of infections remain likely. Assuming that future waves of infection can be contained and that far-reaching vaccine supplies can be ensured by the end 2021, the OECD has currently forecast global GDP growth of 4.2% for 2021. Here, the OECD has forecast growth of 3.2% for the US and of 3.6% for the euro area, as well as a recovery in growth to 8.0% for China.

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 nevertheless plays a major role in STRATEC's entrepreneurial activity and is therefore extensively factored into the company's assessments and planning.

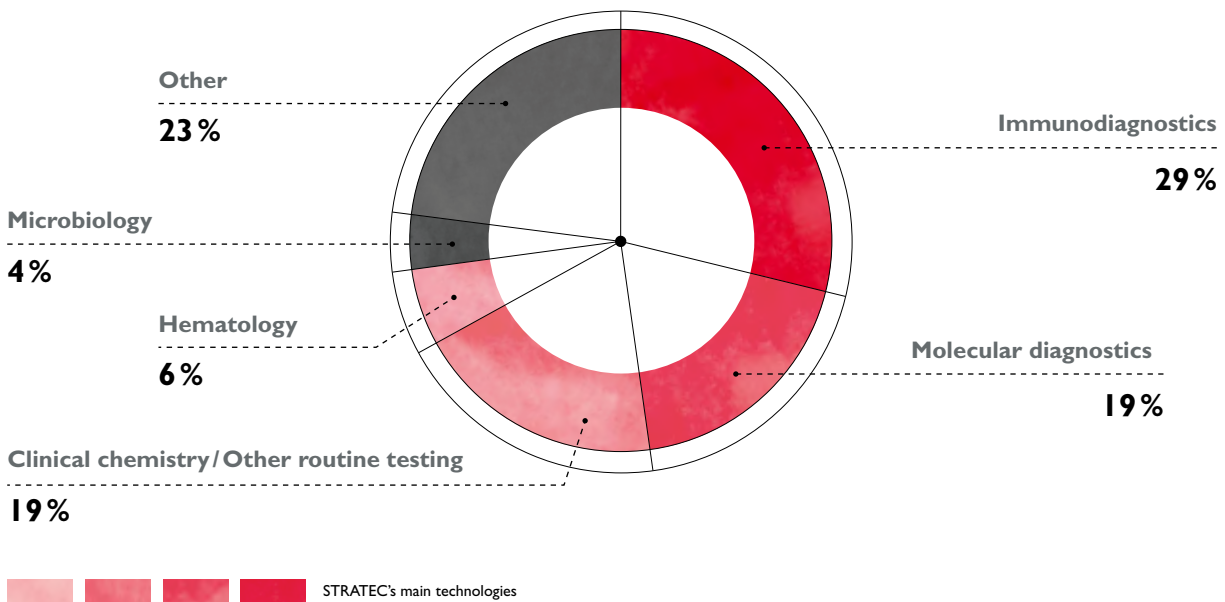
Taken alone, the UK is an important market for STRATEC's customers. Although the implications arising in the wake of Brexit are difficult to assess, they are nevertheless viewed as being of subordinate significance for the STRATEC Group as a whole. The company only has a very low volume of supplier relationships in the UK. Potential supply difficulties due to import restrictions have been countered with stocking measures. STRATEC does not expect the sales figures of its partners in the UK end customer market to suffer to any significant extent from Brexit-related implications.

Sector-specific framework

Based on various estimates, the in-vitro diagnostics (IVD) markets will continue to show very healthy rates of sustainable growth. Due among other factors to rising demand for molecular diagnostics tests to detect coronavirus infections, the market showed particularly strong growth in 2020. According to various estimates, the global IVD market currently has a volume of almost USD 85 billion, as against USD 70 billion in 2019. Consistently ageing 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. Over and above that, the research being performed on innovative technologies, such as specific biomarkers, will create new opportunities for future market growth.

The various segments 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. STRATEC offers products and solutions in numerous key areas of the IVD market.

IVD market by technologies



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 recently 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 comparable range of products and

services from compiling specifications, through development, approval, and production of the respective instruments and solutions. The competitive situation therefore remains very limited and, alongside in-house development departments, is restricted to a handful of specialist companies. With the companies acquired in recent years, STRATEC has further extended the range of products and services it can offer to customers and accessed new market segments. This has further improved the company's competitive situation.

Overall, the markets served by STRATEC's customers are viewed as growth markets for the years ahead as well. This growth will be driven in particular by the following factors:

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

Veterinary diagnostics

As well as human diagnostics systems, the Diatron business unit also offers systems for use in veterinary diagnostics.

Turnover in the global veterinary diagnostics market currently amounts to almost USD 3.0 billion. Average annual growth (CAGR) of around 9% is expected in the years from 2020 to 2027. Veterinary diagnostics has taken over numerous technologies and methods from human diagnostics. A range of key standard diagnostics applications in the fields of immunodiagnos- tics, 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 ac- counting for by far the larger share of the market. The global life sciences instrumentation market currently has a volume of around USD 60 billion. By 2025, it is expected to have a volume of around USD 80 billion.

The Smart Consumables business unit in particular has numer- ous customers in the field of life sciences. Furthermore, the field of translational research, which involves translating the results of basic research into clinical applications, is also increasingly signif- icant to STRATEC.

Business performance

The STRATEC Group generated significant sales growth in the 2020 financial year, increasing its consolidated sales year-on-year by 16.8% to € 250.1 million (previous year: € 214.2 million). On a constant-currency basis, this corresponds to organic sales growth of 18.4%. This substantial sales growth was driven by strong business with Systems and with Service Parts and Consumables. These areas benefited in particular from increased demand for in-vitro diagnostics products as a result of the COVID-19 pandemic. Sales with Development and Services, by contrast, developed in line with the budget and, due to the previous year's exceptionally high basis for comparison, showed a significant reduction.

The adjusted EBIT margin improved by 300 basis points from 13.7% in the previous year to 16.7% in the year under report.

The targets originally stated in the outlook in the 2019 Annual Report were those of constant-currency sales growth in a high single-digit percentage range and an adjusted EBIT margin of around 15%. To account for factors including the potential impact of the COVID-19 pandemic, these targets were updated by ad-hoc announcement published on May 4, 2020 and once again in the Half-yearly Financial Report in August 2020. The adjusted guidance published in the 2020 Half-yearly Financial Report, namely constant-currency sales growth of between 14.0% and 18.0% and an adjusted EBIT margin of around 15.5% to 16.5% were met and slightly exceeded respectively.

In the 2020 financial year, the company extended its already well-stocked development pipeline with further projects for partners. Moreover, STRATEC is holding numerous promising negotiations concerning additional development cooperations with existing and new partners. Furthermore, a number of important development milestones were met.

STRATEC's liquidity and financing position was at all times secured. The company has a long-term master loan agreement with a total volume of up to € 70 million.

The workforce of the STRATEC Group grew to 1,319 employees as of December 31, 2020, up 1.3% from 1,302 at the previous year's balance sheet date. Adjusted to account for the disposal of the Data Solutions business unit in May 2020, the organic workforce grew by 4.1%.

Position

Earnings position

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

	2020	2019 ¹	Change
Sales	250,099	214,157	+16.8%
Adjusted EBITDA	51,978	38,670	+34.4%
Adjusted EBITDA margin	20.8%	18.1%	+270 bps
Adjusted EBIT	41,713	29,259	+42.6%
Adjusted EBIT margin	16.7%	13.7%	+300 bps
Adjusted consolidated net income from continuing operations	35,218	24,070	+46.3%

¹ Figures retrospectively adjusted due to disposal of Data Solutions business unit, which is reported pursuant to IFRS 5 as a discontinued operation.

bps = basis points

Sales

STRATEC increased its consolidated sales by 16.8% to € 250.1 million in the 2020 financial year (previous year: € 214.2 million). On a constant-currency basis, this corresponds to organic sales growth of 18.4%. Among other factors, the high additional demand for in-vitro diagnostics products to contain the COVID-19 pandemic led to substantial sales growth with Systems and with Service Parts and Consumables. By contrast, Development and Services sales showed a significant reduction which was consistent with the budget and is to be viewed in connection with the exceptionally high basis of comparison in the previous year.

STRATEC divides its sales into four operating divisions.

Sales in the **Systems** operating division rose year-on-year by 39.8% (constant-currency: +42.0%) from € 102.3 million to € 143.1 million. Sales here were positively influenced in particular by the high volume of additional demand for molecular diagnostics and immunoassay systems created by the COVID-19 pandemic.

Given the significant increase in the number of systems on the market and their high capacity utilization rates, sales in the **Service Parts and Consumables** operating division grew by 18.0% (constant-currency: +19.7%) to € 79.6 million in the 2020 financial year, compared with € 67.5 million in the previous year.

Sales in the **Development and Services** operating division, by contrast, decreased by 38.9% (constant-currency: -38.6%), and thus in line with the budget, to € 26.8 million (previous year: € 43.8 million). The sales performance here was adversely affected in particular by the timing of sales recognition in accordance with IFRS 15 requirements and the associated high basis of comparison in the previous year.

Sales in the Other Activities division rose from € 0.6 million in the previous year to € 0.7 million in 2020 (+15.4%; constant-currency: +17.1%).

Consolidated sales by operating division (€ 000s)

	2020	2019 ¹	Change
Systems	143,106	102,339	+39.8%
Service Parts and Consumables	79,585	67,468	+18.0%
Development and Services	26,757	43,786	-38.9%
Other Activities	651	564	+15.4%
Consolidated sales	250,099	214,157	+16.8%

¹ Figures retrospectively adjusted due to disposal of Data Solutions business unit, which is reported pursuant to IFRS 5 as a discontinued operation.

Development in share of sales by operating division

	2020	2019 ¹	2018
Sales in € million	250,099	214,157	187,820
Systems share of sales in %	57.2%	47.8%	48.5%
Service Parts and Consumables share of sales in %	31.8%	31.5%	33.2%
Development and Services share of sales in %	10.7%	20.4%	15.9%
Other Activities share of sales in %	0.3%	0.3%	2.4%
Analyzer systems supplied (total number)	10,163	8,274	7,024

¹ Figures retrospectively adjusted due to disposal of Data Solutions business unit, which is reported pursuant to IFRS 5 as a discontinued operation.

Gross profit and gross margin

Due to higher sales volumes and increased profitability, gross profit rose by 35.5% to € 69.0 million in 2020, compared with € 50.9 million in the previous year. As a result, the gross margin increased from 23.8% in the previous year to 27.6% in 2020.

Research and development expenses

Gross development expenses amounted to € 43.4 million in the 2020 financial year, compared with € 40.2 million in the previous year. Of this total, € 35.7 million were turned into sales or capitalized (previous year: € 31.9 million), while € 7.7 million were expensed (previous year: € 8.3 million).

Sales-related expenses

Sales-related expenses decreased from € 9.5 million in the previous year to € 8.8 million in the 2020 financial year. This reduction was due among other factors to STRATEC participating in a lower number of trade fairs on account of the COVID-19 pandemic, as well as to a slight decrease in other marketing expenses.

General administration expenses

General administration expenses rose by 13.2% to € 18.9 million, up from € 16.7 million in the previous year, with this being due among other factors to stock appreciation rights.

Other operating income and expenses

The net balance of other operating income and expenses fell from € 0.7 million in the previous year to € 42k in the 2020 financial year.

Earnings performance

Adjusted EBIT showed a significant increase in the 2020 financial year, rising by 42.6% to € 41.7 million (previous year: € 29.3 million). As a result, the adjusted EBIT margin improved by 300 basis points to 16.7%, up from 13.7% in the previous year. Here, benefits of scale and an improved sales and product mix had a positive impact on the margin, while measurement items relating to stock appreciation rights reduced earnings by around € 5.2 million.

Adjusted consolidated net income from continuing operations increased from € 24.1 million in the previous year to € 35.2 million in the 2020 financial year. Adjusted EPS from continuing operations amounted to € 2.92, as against € 2.01 in the previous year.

Development in EBIT and EBIT margin (€ 000s)

	2020	2019 ¹	Change
Adjusted EBIT	41,713	29,259	+42.6%
Adjusted EBIT margin	16.7%	13.7%	+300 bps

¹ Figures retrospectively adjusted due to disposal of Data Solutions business unit, which is reported pursuant to IFRS 5 as a discontinued operation.

bps = basis points

Segments

The business activities of the STRATEC Group are divided into three reporting segments.

In its **Instrumentation** segment, STRATEC pools its business with designing and manufacturing fully automated analyzer systems, including service parts and consumables, for its clinical diagnostics and biotechnology customers.

The **Diatron** segment comprises the business with systems, system components, consumables and tests in the low throughput segment, and here especially for hematology and clinical chemistry applications.

The **Smart Consumables** segment includes the business with developing and manufacturing smart consumables in the fields of diagnostics, life sciences, and medical technology

Instrumentation segment

Sales in the Instrumentation segment grew by 14.3% (constant-currency: +16.4%) from € 154.4 million in the previous year to € 176.5 million in the 2020 financial year. This sales performance was shaped by significant growth with Systems and with Service Parts and Consumables. By contrast, sales with Development and Services decreased in line with the budget. Adjusted EBIT showed a sharp rise of 27.7% to € 28.3 million, up from € 22.2 million in the previous year. This corresponds to an increase in the adjusted EBIT margin of 170 basis points to 16.0%, up from 14.3% in the previous year. This positive development in the margin was driven by benefits of scale, as well as by an improved sales and product mix. Measurement items relating to stock appreciation rights, on the other hand, held back the segment margin performance.

Diatron segment

The Diatron segment increased its sales by 31.7% (constant-currency: +32.0%) to € 56.5 million in the 2020 financial year (previous year: € 42.9 million). Alongside a high volume of additional demand due to the COVID-19 pandemic, this segment also reported strong sales growth with veterinary diagnostics products. Thanks to benefits of scale and a strong product mix, the adjusted EBIT margin rose significantly from 19.5% in the previous year to 25.9% in the 2020 financial year.

Smart Consumables segment

The Smart Consumables segment increased its sales slightly from € 16.8 million in the previous year to € 17.1 million in the 2020 financial year (+1.6%; constant-currency: +2.5%). At € -1.2 million, adjusted EBIT was at the same level as in the previous year. However, this segment generated a positive earnings contribution once again in the fourth quarter of 2020. Overall, segment profitability was adversely affected by the ongoing high level of advance expenses for numerous development projects and the high current share of low-margin development sales.

Overview of developments in reporting segments (€ 000s)

	2020	2019	Change
Instrumentation			
Sales	176,517	154,442	+14.3%
EBITDA	35,221	25,766	+36.7%
EBIT	28,277	19,430	+45.5%
Adjusted EBIT	28,277	22,151	+27.7%
Adjusted EBIT margin	16.0%	14.3%	+170 bps
Diatron			
Sales	56,479	42,880	+31.7%
EBITDA	15,934	9,478	+68.1%
EBIT	8,734	2,051	+325.8%
Adjusted EBIT	14,619	8,353	+75.0%
Adjusted EBIT margin	25.9%	19.5%	+640 bps
Smart Consumables			
Sales	17,103	16,835	+1.6%
EBITDA	823	352	+133.1%
EBIT	-3,334	-4,293	n/a
Adjusted EBIT	-1,183	-1,245	n/a
Adjusted EBIT margin	-6.9%	-7.4%	+50 bps

bps = basis points

Reconciliation of adjusted EBIT and consolidated net income

In the interests of comparability, key earnings figures have been adjusted to exclude amortization resulting from purchase price allocations in the context of acquisitions, associated integration expenses, and other non-recurring items. 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)

	2020	2019
Adjusted EBIT	41,713	29,259
Adjustments:		
PPA amortization	-8,036	-8,997
Transaction-related expenses and associated restructuring expenses	0	-3,074
EBIT	33,677	17,188

Reconciliation of adjusted consolidated income (€ 000s)

	2020	2019
Adjusted consolidated net income at continuing operations	35,218	24,070
Adjusted earnings per share at continuing operations in € (basic)	2.92	2.01
Adjustments:		
PPA amortization	-8,036	-8,997
Transaction-related expenses and associated restructuring expenses	0	-3,074
Taxes	1,253	2,263
Consolidated net income at continuing operations	28,435	14,262
Earnings per share at continuing operations in € (basic)	2.36	1.19

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. The cash flow statement records the changes in individual line items in the income statement and the balance sheet.

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

	2020	2019	Change
Cash flow from operating activities	31,849	21,262	+49.8%
Cash flow from investing activities	-21,845	-27,719	n/a
Cash flow from financing activities	5,223	5,454	-4.2%
Cash-effective change in cash and cash equivalents	15,227	-1,003	n/a

The **inflow of funds from operating activities** rose by 49.8% from € 21.3 million in the previous year to € 31.8 million in the 2020 financial year. This growth was mainly due to the increase in consolidated net income, a higher share of depreciation and amortization, and a lower amount of income taxes paid. By contrast, the increase in net working capital adversely affected the development in the cash flow from operating activities.

The **outflow of funds from investing activities** amounted to € 21.8 million in the 2020 financial year, as against € 27.7 million in the previous year. Due to the construction work to extend building capacity at the Birkenfeld location, investments in property, plant and equipment remained high at € 14.6 million (previous year: € 16.1 million). Investments in intangible assets came to € 11.1 million (previous year: € 10.7 million).

The **inflow of funds from financing activities** totaled € 5.2 million (previous year: € 5.5 million) and comprised net new financial liabilities of € 12.5 million, the payment of a dividend of € 10.1 million to shareholders, and an inflow of funds of € 2.8 million due to the issuing of shares in connection with employee stock option programs.

The **cash-effective change in cash and cash equivalents** amounted to € 15.2 million in total in the 2020 financial year (previous year: € -1.0 million).

On a constant-currency basis, the total of all inflows and outflows of funds in the year under report led to **cash and cash equivalents at the end of the period** of € 37.6 million, compared with € 22.7 million in the previous year.

STRATEC has credit lines of up to € 70 million with a term through to 2022. These offer the company flexibility to offset potential fluctuations in liquidity. In connection with the new building at the Birkenfeld location, the company took up two fixed-interest loans with a total volume of € 15 million in the 2020 financial year. Alongside these, STRATEC also draws on project-specific grants. In the 2020 financial year, new grants of € 5 million were paid out to the company, while grants of € 10 million were committed and subsequently disbursed in the first quarter of 2021, and thus after the balance sheet date.

Investment and depreciation policies

In the 2020 financial year, STRATEC invested € 14.6 million in property, plant and equipment (previous year: € 16.1 million) and € 11.0 million in intangible assets (previous year: € 10.7 million). The investments in property, plant and equipment particularly involved the construction work to significantly extend buildings at the Birkenfeld location, which was completed at the end of 2020. The investments 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 10.2% in 2020 (previous year: 12.1%) and was thus within the target range of 10% to 12% communicated in the previous year's outlook. The investments of € 25.6 million made in property, plant and equipment and in intangible assets exceeded the depreciation and amortization of € 16.5 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. 2020	12.31. 2019	Change
Cash and cash equivalents	Cash holdings and credit balances at banks	37,561	22,708	+65.4%
Net working capital	Current assets /. cash and cash equivalents /. current debt	83,054	70,751	+17.4%
Operating cash flow per share	Operating cash flow / number of shares (basic)	2.64	1.77	+49.2%
Capex ratio	(Investments in property, plant and equipment and in intangible assets) / consolidated sales	10.2%	12.1%	-190 bps

bps = basis points

Asset position

Total assets amounted to € 331.9 million as of December 31, 2020 and thus grew by 10.9% compared with the previous year's figure of € 299.4 million. This expansion in total assets was driven in particular by increases in property, plant and equipment, inventories, and cash and cash equivalents. The increase in property, plant and equipment was mainly due to the positive net balance of investments amounting to € 14.6 million (previous year: € 16.1 million) and depreciation and amortization of € 6.1 million (previous year: € 6.1 million). Among other items, the investments in property, plant and equipment relate to the construction work to extend buildings at the Birkenfeld location, which was completed at the end of 2020. The increase in inventories, on the other hand, resulted from higher system output and increased stocking requirements to secure the company's delivery capacity in view of the COVID-19 pandemic.

Structure of consolidated balance sheet: assets

(€ 000s)

	2020	2019	Change
Intangible assets	88,613	97,092	-8.7%
Non-current assets (excluding intangible assets)	87,010	73,191	+18.9%
Current assets	156,281	129,131	+21.0%
Consolidated total assets	331,904	299,414	+10.9%

Given the positive development in consolidated net income and net of the dividend distribution in the year under report (€ 10.1 million), shareholders' equity increased by 8.5% from € 159.0 million at the previous year's balance sheet date to € 172.5 million as of December 31, 2020.

At 52.0%, the equity ratio remained at a solid level (previous year: 53.1%).

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

	2020	2019	Change
Shareholders' equity	172,545	159,007	+8.5%
Non-current debt	123,693	104,736	+18.1%
Current debt	35,666	35,671	-0.0%
Consolidated equity and debt	331,904	299,414	+10.9%

Non-current debt rose by € 18.9 million to € 123.7 million in the 2020 financial year (previous year: € 104.8 million). This increase was due among other factors to the higher volume of investments in 2020, as well as to the financing of the temporary increase in stocking requirements.

At € 35.7 million, current debt remained at the previous year's level. Here, a reduction in trade payables was offset by an increase in financial liabilities.

Key figures on assets position (€ 000s)

	2020	2019	Change
Total assets	331,904	299,414	+10.9%
Shareholders' equity	172,545	159,007	+8.5%
Equity ratio in %	52.0	53.1	-110 bps
Financial liabilities	120,238	99,962	+20.3%
Financial liabilities as % of total assets	36.2	33.4	+280 bps
Debt/equity ratio in %	92.4	88.3	+410 bps

bps = basis points

Non-financial performance indicators

Employees and their interests

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.

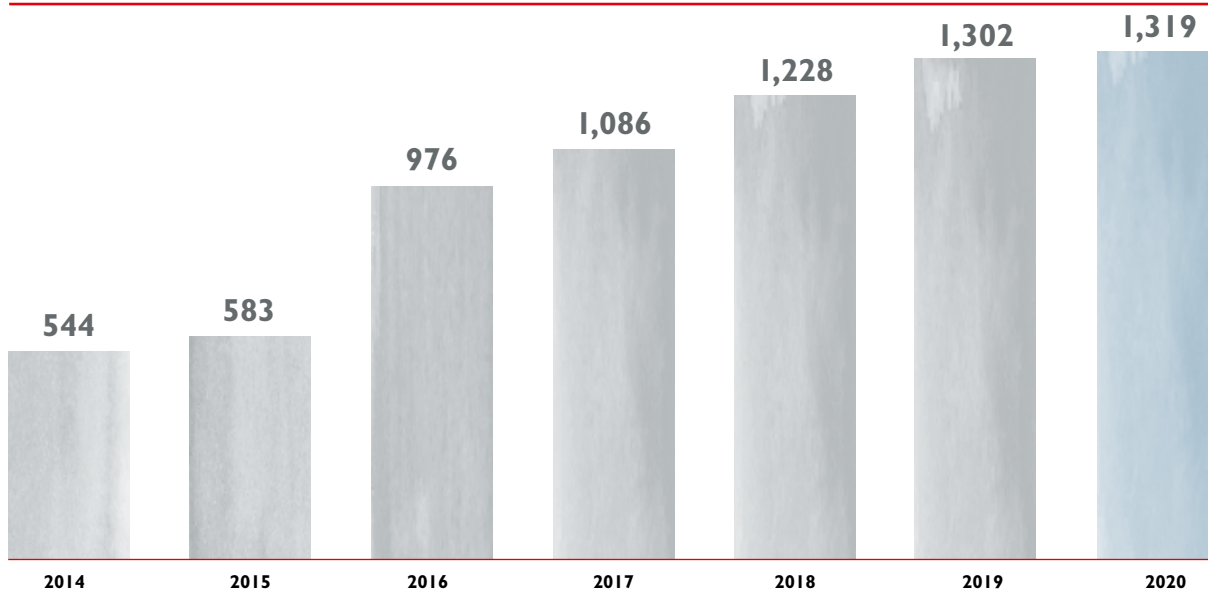
This awareness that their internally developed solutions are contributing to further advances in global diagnostics is a further motivation for STRATEC's team.

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

























The workforce of the STRATEC Group showed a further slight increase in 2020. As of December 31, 2020, STRATEC had a total of 1,319 employees, equivalent to an increase of 1.3% on the previous year. Adjusted to exclude the disposal of the Data Solutions business unit, this corresponds to an organic increase of 4.1% in the workforce. Fluctuations within the financial year were offset by deploying temporary employees.

Number of employees



Development in employee totals

Employees at balance sheet date

Total employees	1,319			+1.3 %
	1,302			
Permanent employees	1,223			+0.0 %
	1,223			
Temporary employees	96			+21.5 %
	79			
Employees in Germany	515			+2.8 %
	501			
Employees abroad	804			+0.4 %
	801			
Trainees and interns	45			-4.3 %
	47			
Employees working in R&D and development support	653			-3.1 %
	674			
Share of female employees	29.6 %			+140 bps
	28.2 %			

 2020  2019

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 653 of our employees, corresponding to around 50% of all staff, work in research and development. 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 € 77.0 million in the 2020 financial year (previous year: € 67.1 million).

C. OUTLOOK

The COVID-19 pandemic has once again underlined the great importance of in-vitro diagnostics solutions within global health-care systems. Global megatrends, such as ageing populations or the increasing prevalence of chronic and infectious diseases, will create additional growth in demand for in-vitro diagnostics products. Not only that, major technological advances and increasing sensitivities mean that ever more areas of application are becoming available for in-vitro diagnostics processes. In light of these factors, the long-term growth prospects for the markets targeted by STRATEC's customers are still assessed positively.

Furthermore, STRATEC is benefiting from the growing interest in and willingness shown by customers to outsource the design and manufacture of automation solutions to specialist partners. This is reflected on the one hand in the large number of market launches seen in recent years and in the company's well-stocked development pipeline.

Given the current developments in the pandemic, in the first half of 2021 STRATEC is witnessing further growth in the demand for many of its product lines. In view of this, and together with the customer forecasts already received for the second half of 2021 and internally adjusted to account for risks, STRATEC expects to generate constant-currency sales growth in at least a mid single-digit percentage range in the 2021 financial year. For its adjusted EBIT margin, STRATEC is forecasting a figure of around 17.0% to 18.0% for the 2021 financial year (2020: 16.7%).

Against the backdrop of the COVID-19 pandemic, STRATEC is continuing to observe increased volatility in terms of its customers' order behavior. Overall, the company has most recently witnessed increased order forecasts for the second half of 2021. Due to the additional forecasting uncertainty on account of the pandemic, however, these increases have not been incorporated into the above financial guidance.

Following the completion of the construction measures to convert and extend the buildings at its Birkenfeld location in 2020, STRATEC expects its capex ratio to decrease in 2021. For 2021, the company has budgeted investments in property, plant and equipment and intangible assets at around 6.0% to 8.0% of sales (previous year: 10.2%).

Pending approval by shareholders at this year's Annual General Meeting, a total dividend distribution of € 10.9 million (previous year: € 10.1 million) is foreseen for shareholders in STRATEC SE. This corresponds to a dividend of € 0.90 per share (previous year: € 0.84).

Depending on its ability to recruit adequate numbers of suitably qualified employees, STRATEC plans to further expand its workforce in the years ahead and thus do justice to continuing high demand for development services.

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 and approval processes. As a result of this, numerous processes and procedures are reflected at the companies involved and actively lived in the respective corporate cultures. 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 and opportunities which STRATEC monitors with anticipatory and supervisory measures and structures.

Within its opportunity and risk management activities, the STRATEC Group assesses and continually monitors both opportunities and risks.

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 long-standing experience and in-depth quality management to further expand its competitive advantages.

As the business models of the individual segments, which focus almost exclusively on the OEM business, are highly similar and the resultant opportunities and risks are largely identical or even overlap, no distinction has been made between the individual business units 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, in the medium term geopolitical, infrastructure and demographic developments should also help ensure that ever more people around the world have access to greater numbers of diagnostics tests. The resultant ongoing rise in test volumes should 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 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. It is soon apparent 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 face great opportunities to benefit from 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 the discontinuation by customers of 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 further foundations for functional and marketable development. Successfully combining all these qualities in a complex and 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 therefore 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 working with complex consumables.

Risks

Given its business model, which 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 and product lifecycle thus often amounts to more than 25 years.

The company is nevertheless exposed to 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. Where possible, such risks are covered 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.

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 damages at STRATEC SE in event of risk materializing

Degree of implication	Definition of damages
Low	€ 0 million – € 1.0 million
Medium	> € 1.0 million – € 8.5 million
High	> € 8.5 million – € 30 million
Very high	> € 30 million

Overview of risks and their implications

	Probability of occurrence	Potential implications	
		short-term (up to 1 year)	medium-term (1–3 years)
Key customer project loss risks	Unlikely	Medium	Very high
Project risks	Possible	Medium	Medium
Production risks	Unlikely	Medium	Low
Patent infringement risks	Unlikely	Medium	Medium
Supplier risks	Possible	Medium	Low
Competitive risks	Possible	Low	Medium
Currency risks	Likely	Medium	Medium
Liquidity risks	Unlikely	Medium	Medium
Interest rate risks	Likely	Low	Medium
Credit default risks	Unlikely	Medium	Low
Product liability risks	Unlikely	Medium	High
Personnel risks	Possible	Medium	Medium
IT risks	Possible	Medium	Medium

Individual risks are addressed in detail in the following section:

Dependency on key customers / risk of key customer project loss

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 the event of volatilities in sales of analyzer systems resulting, for example, from customers reducing their stocks – lead to fluctuations in STRATEC's performance. The termination of one or several projects by a customer may also lead to a loss of planned sales that cannot be offset, or only in part. The STRATEC Group will continue to work with existing and new partners in the field of new technologies in order to generate sustainable growth in this area as well and further minimize any 'cluster risks'.

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. STRATEC is thus exposed to the risk of a partner cancelling a project once it has started, or of approval not being granted for a product, and thus of losing the planned short and medium-term sales. Furthermore, project delays may arise that lead, among other consequences, to a postponement in sales. 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 to succeed. Finally, active project management by experienced project managers additionally serves to minimize project risks.

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 loss of personnel, damage to production equipment or infrastructure due to external factors, or a lack of production material resulting from supply bottlenecks. Certain risks are mitigated by emergency plans, which provide for stocking measures or the relocation of production activities to other sites. In particular, those risks which could impact on production as a result of the COVID-19 pandemic are being countered as far as possible with emergency plans. In this respect, potential restrictions or downtime in production due to employees being sick or in quarantine or due to a lack of materials can only be controlled to a limited extent.

Patent infringement risks

The STRATEC Group draws on internal and external supervision to ensure that no third-party industrial property rights are violated. Furthermore, the company has protected its own expertise directly or indirectly with numerous international patents and industrial property right registrations.

Supplier and procurement risks

The STRATEC Group has reacted to the increase in development expenses, particularly for higher complexity and higher throughput systems, by introducing strict project controlling procedures coupled with an effective target cost management system. 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. This risk is knowingly entered into in a controlled manner, but is nevertheless minimized with an individual catalog of measures tailored to the respective situations, such as close supplier supervision, maintaining inventory stocks, and forward-looking logistics planning together with clear contract structures and regular supplier audits. The precautionary measures implemented due to the COVID-19 pandemic also included emergency stockpiling wherever possible. STRATEC cannot influence the length of time for which key modules and materials can continue to be supplied. In the worst case, supply shortages may result in production downtime.

Commodity price risks are of subordinate significance overall.

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 arduous. 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.

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 loan agreement with a term running through to June 2022 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 new building at the Birkenfeld location, which was partly financed with these loans, was almost completed in the 2020 financial year.

Based on its current liquidity planning, its available reserves, and its expected operating cash flows, the company currently does not expect any shortage of liquidity. Given STRATEC's current financial position, the risk of any liquidity default is assessed as very low.

Foreign currency risks

In recent years, STRATEC has concluded an increasing number of development and supply contracts in US dollars. Part of the US dollar revenues was therefore hedged in the 2020 financial year. As of the balance sheet date on December 31, 2020, the company had forward exchange transactions with maturities of USD 37.8 million in the 2021 financial year. Given volatility and uncertainty as to future developments in the currency markets, and in order to minimize risks within the company's risk management, a major share of foreign-currency sales will continue to be hedged with futures transactions. Sales and costs in currencies other than the US dollar and euro only play a subordinate role.

Interest rate risks

STRATEC is exposed to interest rate risks on account of the debt capital it has taken up. The company closely monitors developments on the international financial markets in order to hedge its interest rates at an appropriate point in time. In connection with the prorated financing of the new building at the Birkenfeld location, the company took up fixed-interest loans with terms ending in 2029 and 2030. The potential implications of interest rate risks are currently classified as low.

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 as far as possible by taking up trade credit or receivables default insurance and by screening customers before signing contracts. The company therefore assesses the resultant risk as low.

Product liability 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 of the existing insurance cover being insufficient for potential liability claims nevertheless cannot be excluded.

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 determined to a significant extent by its employees' 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

STRATEC is exposed to various IT and data storage risks due to the interfaces within the Group and with the outside world and not least as a result of cyberattacks. The company is increasingly countering these risks by investing in further qualified staff, in hardware and software, authorization concepts, and a range of training and prevention measures.

Other risks

The managers responsible for the early warning risk identification system have identified the following points as potential challenges which should be averted to avoid risks materializing:

- Implications resulting from displacement of market shares of current and potential STRATEC customers
- Risk that customers will be unable to place the expected numbers of units on the market and that this may result in potential write-downs of capitalized development expenses
- Postponement of market launches by STRATEC customers in various geographical markets
- Supply capacity risks for components relevant for regulatory approval or for highly complex proprietary components.

Overall assessment of risk situation at the STRATEC Group

The risk management system and ongoing reporting mean that STRATEC's Board of Management has an overview of risks consistent with the respective areas and their relevance to the business. These risks have only changed to an immaterial extent compared with the previous year.

STRATEC has introduced numerous measures to minimize risks resulting from the COVID-19 pandemic. These measures included securing the company's production and supply capability, as well as ensuring that all its employees are suitably protected. The implications in terms of customers' order behavior had a predominantly positive impact on STRATEC's sales performance. From a current perspective, the medium-term impact on demand is also expected to remain positive, as expansion in medical infrastructures is currently observable in numerous national healthcare systems. The company nevertheless remains exposed to increased risks due to potential interruptions in its supply and production chain.

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

RISK MANAGEMENT SYSTEM

INTERNAL CONTROL SYSTEM

STRATEC has established an internal control system 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

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
- Internal instructions

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 a risk handbook 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:

- Stock Corporation Act
- Risk Handbook
- Internal instructions

Internal control system

STRATEC has an internal control system (IKS) which contains audit processes also in respect of 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 IKS system 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 IKS encompasses the following measures:

- Execution of internal and external audits on the basis of checklists
- Detection of regulatory omissions and infringements based on a structured, risk-oriented approach
- 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 secures 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 no internal control system, regardless of its specific structure, 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 is also responsible for ensuring that 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 included 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 Corporate 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 have been 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 the 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 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 to be identified and clarified at an early stage. The compliance officer reports the findings of these discussions with managers 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 identify and assess potential tax risks in good time, 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.

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 main risk categories thereby analyzed are general operating risks, market risks, and project risks. These include, for example, risks in connection with investments, logistics risks, IT risks, personnel risks, financial risks, sales market risks, and legal risks. The managers responsible for risks compile reports on their respective areas of responsibility at fixed intervals. These are qualified and quantified on the basis of a systematic approach. The resultant reports are assessed by a Risk Committee comprising members of operating divisions and of the Finance department, audited, and evaluated by the Board of Management. 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. Alongside structured reporting and the collection of key financial figures at weekly, monthly and quarterly intervals, the development, production, marketing and sales departments are also required to immediately report any material events.

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 2. Risks – Foreign 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 managers responsible for cash management review the expediency of currency hedging transactions at regular intervals. The risks resulting from exchange rate movements, and thus the volumes of corresponding hedging transactions concluded, are expected to increase further. Financial derivatives are generally deployed in cases where it is necessary to hedge risks in the operating business or currency holding risks. The conclusion of such transactions is governed by very strict standards laid down in the Code of Procedure for the Board of Management and was agreed with the Supervisory Board. In the 2020 financial year, currency hedges were concluded within the STRATEC Group.

Interest rate risks are countered on the basis of the internal requirements of the risk management system. Depending on the internal risk assessment, these also involve covering such risks by means of derivative financial instruments. Derivative financial instruments to optimize interest rates may be deployed in cases where financing needs render such measures opportune and where they relate to a general transaction. STRATEC did not conclude any interest rate derivatives in the 2020 financial year.

E. REMUNERATION REPORT

The Remuneration Report of STRATEC SE sets out the basis for determining the remuneration of the Board of Management and Supervisory Board, including its amount and structure. The Remuneration Report is based on the requirements of § 314 (1) No. 6a) Sentences 5 to 8 and No. 6b) and § 315a (2) of the German Commercial Code (HGB).

Basic features of the remuneration system for the Board of Management

The Supervisory Board lays down the remuneration of individual members of the Board of Management, as well as determining and regularly reviewing the remuneration system. In determining remuneration, the Supervisory Board takes particular account both of the duties and performance of the individual member, as well as of the economic situation and future development of STRATEC. The remuneration system for the Board of Management, which still corresponds to the system approved by a majority of shareholders at the Annual General Meeting on June 6, 2013, comprises fixed remuneration for each financial year, variable remuneration for each financial year, variable remuneration based on the financial year and the two following years, and long-term share-based remuneration.

Fixed remuneration for each financial year

This component comprises a basic amount paid out as a monthly salary, as well as ancillary benefits, such as the use of a suitable car, insurance benefits, and individual contractual arrangements concerning retirement, invalidity and surviving dependant pensions. Furthermore, the private use of bonus miles and other benefits gained in a professional context is also expressly permitted to an appropriate extent.

Variable remuneration for each financial year (short-term incentive)

This component includes target achievement and extended components. The target achievement component is measured in terms of a given percentage of consolidated earnings before interest, taxes, depreciation and amortization (consolidated EBITDA) in accordance with International Financial Reporting Standards (IFRS) and net of a fixed basic amount. The extended component is determined by the Supervisory Board to honor any outstanding performance on the part of the Board of Management (appreciation bonus). The target achievement component is paid out following the Annual General Meeting of STRATEC SE for the 2020 financial year. Members of the Board of Management are entitled to a mutually agreed monthly prepayment of this component. Payment of the extended component is made directly after the Supervisory Board resolution approving the granting of such.

Variable remuneration based on the financial year and the two following years (mid-term remuneration arrangement or mid-term incentive)

This component consists in equal shares of a linked component, an individual component, and a supplementary component. The linked component consists of two sub-components. The targets determined for the linked components are based on percentage increases in consolidated sales and consolidated EBITDA. In this respect, 100% target achievement requires average annual growth of 12.5% over the period covered by the mid-term incentive. The individual components are based on both individual and collective targets agreed between the Supervisory Board and the individual member of the Board of Management. In particular, these also include targets based on non-financial performance indicators. Target achievement for the mid-term incentive (MTI) scheme is further based in terms of its timing on achievement of the targets set for the current financial year and the two following years and on a target bonus, i.e. the amount to be paid out in the event of 100% target achievement for all components. The mid-term incentive is paid out following the Annual General Meeting of STRATEC SE for the next year but one, i.e. the mid-term incentive granted for 2018 (and 2019 and 2020 respectively) is paid out in 2021 (and 2022 and 2023 respectively). However, prepayments based on the respective achievement of individual and interim targets may be made, subject to agreement between the Board of Management and the Supervisory Board, at the end of each financial year. To date, no use has been made of this prepayment option.

Long-term share-based remuneration (long-term incentive)

This remuneration is based at a ratio of 75% to 25% both on contractual agreements in which payments are based on the long-term share price performance without any physical or real stocks actually being supplied (stock appreciation rights – SARs) and on stock options.

Detailed disclosures concerning the structure of stock option programs can be found in Section 'C. Consolidated Balance Sheet (9) Shareholders' equity – Stock option programs'.

The stock appreciation rights (SARs) have the following basic structure:

The rights refer to a payment to be made by the company to the member of the Board of Management, 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 pre-defined period.

The SARs should have a minimum term of five years calculated from the issue date, although initial payment of the value of the SARs may be requested at the earliest after a 'minimum waiting period' of two years. Any such payment prior to the expiry of the term of the rights (premature payment request) leads to a corresponding reduction in the terms of the rights. Should the term expire on a date within 30 stock market trading days prior to publication of figures for the quarterly or annual financial statements, the term is extended through to the first stock market trading day after the expiry of this timeframe.

Any premature payment request must be addressed to the Supervisory Board Chair in writing and may not be issued within the aforementioned timeframe. Other than this, premature payment requests may also not be submitted when the requirements of insider trading law or predefined compliance requirements do not permit dealings with shares in STRATEC SE at the given point in time.

Unless otherwise laid down by the Supervisory Board, 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 (exercise hurdle). Should the term of the rights not correspond to a full year, the share price increase must be determined on a time-apportioned basis.

The amount of payment claim following expiry of the minimum waiting period or at the end of the term – assuming that the exercise hurdle is met – is calculated, unless otherwise stipulated by the Supervisory Board, as the difference between the reference price determined at the beginning of the term multiplied by the number of rights less the reference price determined at the end of the (abridged) term also multiplied by the number of rights.

The payment itself is made with the next salary payment to the member of the Board of Management, and at the latest within two weeks of the end of the (abridged) term. For payment amounts of more than € 100,000.00, STRATEC SE may request that the payment be made in two equal installments after six and twelve months respectively, with an obligation to pay interest should this option be drawn on.

Remuneration for activity at affiliate companies

Members of the Board of Management assuming supervisory board, managing director, or similar positions at affiliate companies generally do not receive separate remuneration from the respective company for doing so. Any such remuneration nevertheless paid by the affiliate companies is imputed to the aforementioned amounts.

Caps

Variable remuneration components are subject to requirements limiting them both individually and in combination in terms of their value and the degree of target achievement. Remuneration based on the target components within the 'short-term incentive', 'mid-term incentive', and 'long-term incentive' schemes, for example, is limited to a maximum of twice basic salary plus certain ancillary benefits and pension commitments. Furthermore, the Supervisory Board also has the powers granted by law to limit remuneration.

Individual remuneration of Board of Management reported in accordance with the German Commercial Code (HGB)

The individual members of the Board of Management received the remuneration set out below for their activities on the Board of Management in the 2020 financial year.

Individual compensation of Board of Management (€ 000s)

	Marcus Wolfinger		Dr. Robert Siegle		Dr. Claus Vielsack		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-performance-related components								
• Basic amount	272	272	239	239	210	210	721	721
• Other ¹	21	23	12	11	12	12	45	46
Performance-related components								
• MTI remuneration claim ²	158	158	130	130	100	100	388	388
• Other performance-related components	414	295	315	229	262	191	991	715
Total	865	748	696	609	584	513	2,145	1,870
Components with a long-term incentive nature								
• Stock options ³	96	83	48	42	48	42	192	167
• Stock appreciation rights (SARs) ⁴	263	276	132	138	132	138	527	552

¹ The 'Other' disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits (excluding contributions made to retirement pensions, healthcare, nursing care, and D&O insurance).

² The amount disclosed refers to the mid-term incentive agreement for 2018 (2017), which covers 2018, 2019, and 2020 (2017, 2018, and 2019) and is due for payment in 2021 (2020).

³ The amount disclosed corresponds to the fair value upon issue of the stock options granted which was calculated in accordance with IFRS 2 (Share-based Payment) although these were in some cases not yet vested as of the balance sheet date.

⁴ The amount disclosed corresponds to the fair value upon issue of the stock appreciation rights (SARs) granted, which was calculated in accordance with IFRS 2 (Share-based Payment).

In the 2020 financial year, Marcus Wolfinger was granted 5,000 stock options (previous year: 5,000) at an average exercise price of € 62.40 (previous year: € 57.82), Dr. Robert Siegle 2,500 stock options (previous year: 2,500) at an average exercise price of € 62.40 (previous year: € 57.82), and Dr. Claus Vielsack 2,500 stock options (previous year: 2,500) at an average exercise price of € 62.40 (previous year: € 57.82).

In the 2020 financial year, Marcus Wolfinger exercised 20,000 stock options (previous year: 20,000) at an average exercise price of € 31.87 (previous year: € 28.09), Dr. Robert Siegle exercised 10,000 stock options (previous year: 15,000) at an average exercise price of € 31.87 (previous year: € 28.09), and Dr. Claus Vielsack exercised 10,000 stock options (previous year: none) at an average exercise price of € 31.87.

As of December 31, 2020, Marcus Wolfinger had 15,000 stock options outstanding (previous year: 30,000) at an average exercise price of € 58.91 (previous year: € 40.30) and a weighted remaining contract term of 64.6 months (previous year: 34.2). As of December 31, 2020, Dr. Robert Siegle had 7,500 stock options outstanding (previous year: 15,000) at an average exercise price of € 58.91 (previous year: € 40.30) and a weighted remaining contract term of 64.6 months (previous year: 34.2). Similarly, as of December 31, 2020 Dr. Claus Vielsack had 7,500 stock options (previous year: 15,000) outstanding at an average exercise price of € 58.91 (previous year: € 40.30) and a weighted remaining contract term of 64.6 months (previous year: 34.2).

As of December 31, 2020, no stock options were exercisable for Marcus Wolfinger, Dr. Robert Siegle, or Dr. Claus Vielsack. As of December 31, 2019 Marcus Wolfinger had 20,000 stock options which were exercisable at an average exercise price of € 31.87, while Dr. Robert Siegle had 10,000 stock options exercisable at an average exercise price of € 31.87, and Dr. Claus Vielsack had 10,000 stock options exercisable at an average exercise price of € 31.87.

The stock appreciation rights (SARs) of individual members of the Board of Management showed the following specific developments in the 2020 financial year:

Stock appreciation rights (SARs) of Board of Management

Disclosures in totals, €, or months	Reference price ¹ €	Fair Value ² €	Total at 01.01. No.	Added Disposed No.	Total at 12.31. No.	Of which exercisable No.	Fair value 12.31. € 000s	Remaining term ³ 12.31. Months
Marcus Wolfinger								
SARs T I 2018 dated 10.25.2018	57.60	69.78	15,000	-15,000	0	n/a	n/a	n/a
SARs T I 2019 dated 01.15.2019	57.82	18.43	15,000	0	15,000	0	1,061	36.5
SARs T I 2020 dated 01.23.2020	64.80	17.55	0	15,000	15,000	0	1,000	48.8
Dr. Robert Siegle								
SARs T I 2018 dated 10.25.2018	57.60	69.78	7,500	-7,500	0	n/a	n/a	n/a
SARs T I 2019 dated 01.15.2019	57.82	18.43	7,500	0	7,500	0	530	36.5
SARs T I 2020 dated 01.23.2020	64.80	17.55	0	7,500	7,500	0	500	48.8
Dr. Claus Vielsack								
SARs T I 2018 dated 10.25.2018	57.60	69.78	7,500	-7,500	0	n/a	n/a	n/a
SARs T I 2019 dated 01.15.2019	57.82	18.43	7,500	0	7,500	0	530	36.5
SARs T I 2020 dated 01.23.2020	64.80	17.55	0	7,500	7,500	0	500	48.8
Total/average	61.31	17.99	60,000	30,000 -30,000	60,000	0	4,121	43.2

¹ The amount disclosed corresponds to the XETRA closing price of the reference share at the issue date.

² The amount disclosed corresponds to the fair value **upon issue or payment** of each stock appreciation right (SAR), calculated in accordance with IFRS 2 (Share-based Payment).

³ The amount disclosed corresponds to the remaining terms of the stock appreciation rights (SARs) based on their overall terms.

No stock appreciation rights were forfeited or lapsed in the 2020 financial year.

The following amounts were recognized as expenses for stock appreciation rights (SARs) in the 2020 financial year: € 2,576k for Marcus Wolfinger (previous year: € 483k), € 1,288k for Dr. Robert Siegle (previous year: € 242k), and € 1,287k for Dr. Claus Vielsack (previous year: € 242k).

Regulations governing regular termination of activity on Board of Management

The following regulations were in place as of the balance sheet date for members of the Board of Management upon the regular termination of their activity:

Pension provision

Members of the Board of Management receive pension provision from STRATEC SE when they have reached pensionable age, i.e. between the age of 60 and the age of 67, and have concluded their activity as members of the Board of Management. Members have the option of receiving a one-off lump sum or lifelong pension payments. Pension claims remain valid, without reduction if specific conditions are met, in cases where members terminate their employment with the company before reaching pensionable age. STRATEC SE finances the pension claims both directly and indirectly. Alongside the aforementioned benefits, the company has also agreed lifelong surviving dependants' provision with Marcus Wolfinger. In the 2020 financial year, the company recognized expenses of € 137k for Marcus Wolfinger (previous year: € 114k), € 124k for Dr. Robert Siegle (previous year: € 104k), and € 49k for Dr. Claus Vielsack (previous year: € 40k) in connection with the benefits thereby committed. The present values of the capital claims acquired in connection with the benefits thereby committed as of December 31, 2020 amounted to € 1,439k for Marcus Wolfinger (previous year: € 1,174k), € 1,008k for Dr. Robert Siegle (previous year: € 805k), and € 327k for Dr. Claus Vielsack (previous year: € 247k). The actual benefits may turn out higher or lower than presented here.

Retrospective prohibition on competition

For the duration of the 24-month retrospective prohibition on competition, each member of the Board of Management receives remuneration amounting to 75% of his most recent contractually agreed total remuneration for the first twelve months and 50% of the same amount for the subsequent twelve months. The amounts payable in connection with the prohibition on competition are disbursed on a monthly basis. STRATEC SE may waive compliance with the retrospective prohibition on competition on a conditional basis. The nominal amounts of remuneration payable for the retrospective prohibition on competition are € 1,017k for Marcus Wolfinger (previous year: € 896k), € 749k for Dr. Robert Siegle (previous year: € 656k), and € 607k for Dr. Claus Vielsack (previous year: € 537k). It can be assumed that actual remuneration payments for the retrospective prohibition on competition will differ from the amounts presented here. This is due in particular to the currently indeterminable nature of the respective dates and amounts of remuneration involved.

Stock appreciation rights (SARs)

The stock appreciation rights (SARs) granted to members of the Board of Management remain fully valid, including the right to request premature payment, through to the end of their term.

Regulations governing premature termination of activity on Board of Management

The following regulations were in place as of the balance sheet date for members of the Board of Management upon the premature termination of their activity:

Severance payments

Contracts with members of the Board of Management are concluded for fixed terms. In the event of the contract being terminated prematurely, on the basis of mutual agreement, and without compelling reason justifying immediate termination, severance payments amounting to a maximum of two full-year remuneration packages based on the most recent full remuneration package for the previous financial year are payable. Should the contract be terminated due to change of control pursuant to § 315a (1) No. 9 of the German Commercial Code (HGB), the member of the Board of Management receives unchanged remuneration in accordance with the relevant requirements of the German Corporate Governance Code.

Retrospective prohibition on competition

For the duration of the retrospective prohibition on competition corresponding application is made of the provisions governing the retrospective prohibition on competition upon the regular termination of activity on the Board of Management.

Permanent inability to work and fatality

Should a member of the Board of Management become permanently unable to work during the term of the employment contract, this contract is terminated three months after the end of the month in which the permanent inability to work is ascertained. Remuneration is based on the provisions governing regular termination of activity on the Board of Management. Should a member of the Board of Management die during the term of the employment contract, then his surviving dependants are entitled to continued payment of the fixed remuneration, including variable remuneration but excluding the appreciation bonus, for the month in which the member died and the following six months, nevertheless limited to the expiry of the employment contract irrespective of the death of the respective member.

Stock appreciation rights (SARs)

Should the employment contract with a member of the Board of Management be terminated prematurely, the stock appreciation rights (SARs) granted to the respective member of the Board of Management as of the date of his departure are settled on the basis of the average XETRA closing price in the 30 stock market trading days preceding the date of departure and in accordance with the conditions applicable to the rights at the end of their term. Any existing exercise hurdles in the form of specified percentage or absolute share price increases are calculated on a time-apportioned basis.

Basic features of the remuneration system for the Supervisory Board

The remuneration of the Supervisory Board is governed by § 13 of the Articles of Association of STRATEC SE and takes due account of the responsibility and scope of activity of Supervisory Board members, as well as of the economic position and performance of the company.

Each member of the Supervisory Board receives fixed remuneration of € 25,000.00 for each financial year. The Supervisory Board Chair receives twice and the Deputy Chair receives one and a half times this amount of fixed remuneration. Supervisory Board members only belonging to the Supervisory Board for part of a given financial year receive one twelfth of the fixed remuneration for each month of activity commenced.

Furthermore, each member of the Supervisory Board receives a meeting allowance of € 750.00 for each meeting of the Supervisory Board attended in person. Where several meetings are held on the same day, the meeting allowance is paid only once. The meeting allowance is limited to a maximum of six meetings each financial year.

Fixed remuneration and the meeting allowance are due for payment upon the conclusion of the respective financial year.

Furthermore, the company reimburses each member of the Supervisory Board for the necessary, appropriate volume of expenses incurred for him or her to perform his or her duties, as well as for any sales tax attributable to remuneration or the reimbursement of expenses.

Members of the Supervisory Board may be included in a pecuniary loss liability insurance policy concluded by the company at its own expense, at an appropriate amount, and in its interest. The company assumes the resultant premiums.

Individual Supervisory Board remuneration

The individual members of the Supervisory Board received the following remuneration for their Supervisory Board activities in the 2020 financial year.

Individual compensation of Supervisory Board (€ 000s)

	Prof. Dr. Stefanie Remmele ¹		Dr. Frank Hiller ²		Dr. Rolf Vornhagen ³		Rainer Baule ⁴		Fred K. Brückner ⁵		Gesamt	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fixed remuneration												
Meeting allowance	31	25	48	33	15	0	22	38	0	21	116	117
	5	4	5	2	2	0	4	4	0	1	16	11
Total	36	29	53	35	17	0	26	42	0	22	132	128

¹ Supervisory Board member since June 18, 2014

² Supervisory Board Chair since November 26, 2020, previously Deputy Chair of Supervisory Board since September 14, 2020

³ Supervisory Board member since May 29, 2019

⁴ Deputy Chair of Supervisory Board since November 26, 2020, previously Supervisory Board Chair since May 29, 2019

⁵ Supervisory Board member since July 21, 2020

⁶ Supervisory Board member until July 15, 2020, most recently as Deputy Chair of Supervisory Board

⁷ Supervisory Board member until May 29, 2019, most recently as Supervisory Board Chair

F. TAKEOVER-RELEVANT DISCLOSURES¹

Composition of share capital

The company's share capital amounted to € 12,102,945 as of December 31, 2020 and was divided into 12,102,945 individual registered shares. This total includes 3,579 treasury stock shares as of December 31, 2020. 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 submit their name, address and date of birth if they are natural persons and their company names, commercial address and legal domicile if they are legal entities, as well as the number of shares they hold and their electronic mail address, should they have one, in both cases. Shareholders are 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 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, 2020 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, and June 8, 2020 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, 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, 2020:

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 € 1,658,300 in total as of December 31, 2020:

Conditional Capital VI/2013 (amounting to up to € 48,300) 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 € 810,000) 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 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 contribution 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.

G. (GROUP) CORPORATE GOVERNANCE DECLARATION

STRATEC has published the (Group) Corporate Governance Declaration 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).

H. NON-FINANCIAL GROUP DECLARATION

Introduction

This Non-Financial Group Declaration has been compiled in accordance with the relevant requirements of the German Commercial Code (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. Unless otherwise indicated, the data provided in this Non-Financial Group Declaration refers to all companies included in the scope of consolidation. The period under report is the 2020 financial year. STRATEC has based its CSR reporting on the Global Reporting Initiative (GRI) standards in the 'Core' application level.

Corporate Social Responsibility

Since its foundation 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. At STRATEC, the sustainability topics identified in a materiality analysis cover

three dimensions that account for the core elements of the company's corporate social responsibility (CSR):

- 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.

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 more than 1,300 employees, STRATEC is aware of its social and ecological responsibilities.

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, regulatory authorities, associations, research institutions, 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.

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 has not reported any environmentally relevant incidents in the past years. 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 or controlled sources. At STRATEC, this category includes emissions in connection with building heating 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 is committed to the climate target in the Paris Climate Accord, namely to limit global warming to significantly less than 2 °C. Consistent with this commitment, the company's climate target is based on the internationally recognized requirements of the Science-Based Targets Initiative. Excluding offsetting measures, STRATEC thus aims to reduce its absolute greenhouse gas emissions (Scopes 1 and 2) by 30% by 2030 compared with 2019.

One key component of the company's efforts to achieve this emissions target involves procuring electricity from renewable sources. The company has generated green electricity with photovoltaics systems in place at its Birkenfeld location (DE) since 2011 already and at its Beringen location (CH) since 2016. In Birkenfeld, a photovoltaics system with a nominal capacity of 130 kilowatt peak (kWp) has been installed, while at the Beringen location green electricity is supplied by a photovoltaics system with a nominal capacity of 95 kWp. Together, the two systems generated a total of 231,185 kWh of green electricity in the 2020 financial year. Of this, the proportion of own use amounted to slightly more than 30% in the 2020 financial year. Moreover, in the 2020 financial year the Group converted nearly all of its electricity supply to CO₂-neutral green electricity from additional alternative energy sources (wind power and hydroelectricity).

Not only that, since 2020 STRATEC has offset all of its unavoidable Scope 1 and 2 emissions by supporting certified climate protection projects. In selecting the climate projects to support, the company strictly ensures that these meet high, certified standards for climate protection projects, such as the Gold Standard or the Verified Carbon Standard (VCS) and the Climate, Community and Biodiversity Standards (CCBS).

Alongside the procurement of green electricity, another aspect that plays a key role in the STRATEC Group's efforts to reduce its CO₂ emissions in absolute terms is that of building energy efficiency. In planning the new building and extensions at the company's headquarters in Birkenfeld, for example, STRATEC opted for optimized exterior insulation and energy-efficient light systems. Furthermore, windows with enhanced heat insulation and a central air-conditioning system with a supply air heat exchanger have been installed. Moreover, a regular energy audit pursuant to DIN EN 16247-1 was successfully performed at the company's headquarters in Birkenfeld in 2019. This was in-

tended to further improve the energy efficiency of existing buildings and reduce energy consumption. The energy audit is performed at four-year intervals, with the next audit therefore scheduled for the 2023 financial year.

In addition, a project to gradually electrify the company vehicle pool is currently underway. A suitable concept and corresponding targets are due to be compiled by the end of 2021.

Energy consumption^{1,2}

	2020	2019	Change
Gas consumption (MWh)	2,863.7	2,245.4	+27.5%
per 1,000 employees	2,179.4	1,789.2	+21.8%
Heating oil (liters)	0	37,423.0	-100.0%
per 1,000 employees	0	29,819.1	-100.0%
Electricity consumption (MWh)	5,081.5	5,067.4	+0.3%
per 1,000 employees	3,867.2	4,037.8	-4.2%

¹ Data partly based on estimates, as not all data was yet available for some subsidiaries at the reporting date due to the respective invoicing periods

² Previous year's figures retrospectively adjusted in some cases due to additional inclusion of green electricity sources

The energy consumed by the STRATEC Group in connection with electricity amounted to 5,081.5 MWh in the financial year under report and was at around the same level as in the previous year despite the increase in production volumes and employee totals. Due to the significant expansion in space at the Birkenfeld location, the volume of energy consumed for building heating is only comparable to a limited extent with the previous year's figure. In particular, prior to the completion of their interior fittings the buildings were heated in the previous year not only with gas, but also on a temporary basis with heating oil.

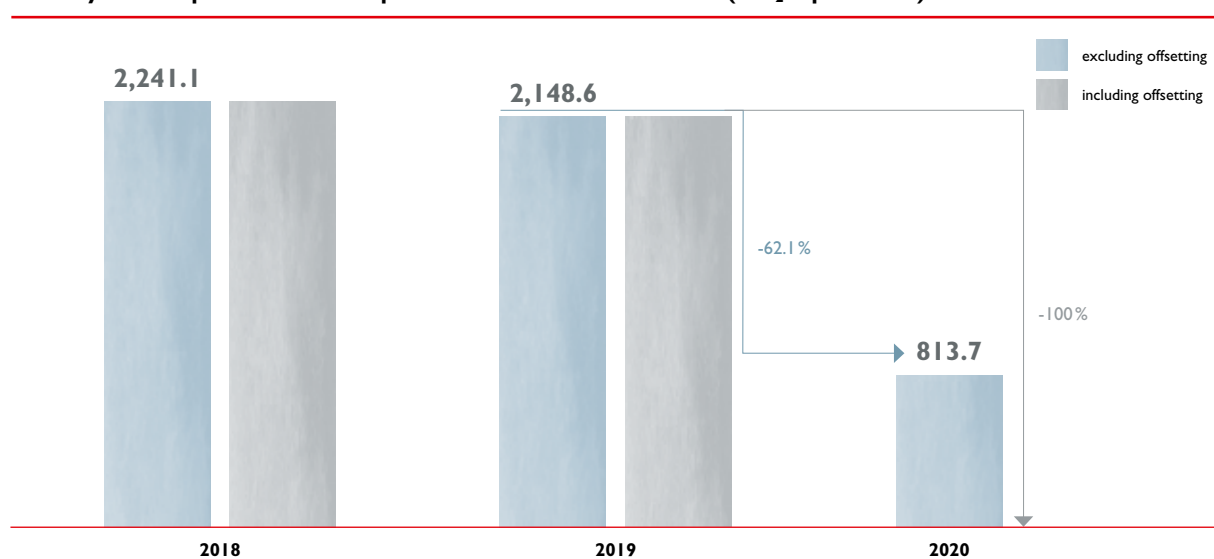
Scope 1 and scope 2 emissions in tonnes (CO₂ Equivalents)^{1,2}

	2020	2019	Change
Scope 1			
Gas and heating oil consumption	578.9	569.8	+1.6%
• of which offset	578.9	–	–
• per 1,000 employees (excluding offsetting)	440.5	454.0	-3.0%
Vehicle pool	214.2	290.7	-26.3%
• of which offset	214.2	–	–
• per 1,000 employees (excluding offsetting)	163.0	231.6	-29.6%
Scope 2			
Electricity consumption	20.6	1,288.1	-98.4%
• of which offset	20.6	–	–
• per 1,000 employees (excluding offsetting)	15.7	1,026.4	-98.5%
Total Scope 1 and 2	813.7	2,148.6	-62.1%
• of which offset	813.7	–	–
• per 1,000 employees (excluding offsetting)	619.3	1,712.0	-63.8%

¹ Data partly based on estimates, as not all data was yet available for some subsidiaries at the reporting date due to the respective invoicing periods

Thanks in particular to the conversion to electricity from renewable energies (photovoltaics, wind power, and hydroelectricity) at nearly all of the Group, the STRATEC Group was able to reduce its total Scope 1 and Scope 2 emissions excluding offsetting measures by 62.1% to 813.7 tonnes of CO₂ equivalents in the 2020 financial year (previous year: 2,148.6 tonnes of CO₂ equivalents). The sale of the Data Solutions business unit in May 2020 and the fact that less use was made of the vehicle pool due to the COVID-19 pandemic also had the effect of reducing greenhouse gas emissions. The remaining volume of Scope 1 and Scope 2 emissions, amounting to 813.7 tonnes of CO₂ equivalents, was fully offset with certified climate protection projects for the first time in the 2020 financial year.

Three-year comparison: total scope 1 and 2 emissions in tonnes (CO₂ equivalents)



Scope 3 emissions in tonnes (CO₂-equivalents)¹

	2020	2019	Change
Purchased goods ²	2,865.7	1,417.0	+102.2%
• of which offset	573.1	–	–
• per € 1,000,000 sales (excluding offsetting)	11.5	6.6	+74.2%
Upstream logistics	481.9	346.3	+39.2%
• of which offset	96.4	–	–
• per € 1,000,000 sales (excluding offsetting)	1.9	1.6	+18.8%
Upstream energy chain	272.2	553.6	-50.8%
• of which offset	54.4	–	–
• per 1,000 employees (excluding offsetting)	207.2	441.1	-53.0%
Employee work travel	301.7	449.7	-32.9%
• of which offset	60.3	–	–
• per 1,000 employees (excluding offsetting)	229.6	358.3	-35.9%
Business flights ³	214.5	961.9	-77.7%
• of which offset	42.9	–	–
• per 1,000 employees (excluding offsetting)	163.2	766.5	-78.7%
Waste volumes	5.1	4.2	+21.4%
• of which offset	1.0	–	–
• per 1,000 employees (excluding offsetting)	3.9	3.3	+16.0%
Total Scope 3	4,141.1	3,732.7	+10.9%
• of which offset	828.2	–	–
• per € 1,000,000 sales (excluding offsetting)	16.6	17.4	-4.6%
• per 1,000 employees (excluding offsetting)	3,151.5	2,974.3	+6.0%

¹ When recording data and calculating Scope 3 emissions, reference was made to estimates and assumptions. In calculating Scope 3 emissions, the external service provider commissioned for this purpose referred, among other sources, to numerous internationally recognized databases, such as UBA, Ecoinvent 3.6, GEMIS 4.95, and International Energy Agency Data Services.

² The figure stated accounts for circuit boards, printed circuit boards, injection-molded parts, metal or electrical modules (motors, pumps, valves), and plastic granulates from the top 5 respective suppliers. The figure stated does not include items such as welded constructions and casings.

³ The figure stated includes flight statistics for the headquarters in Birkenfeld and the locations in Budapest and Anif.

The STRATEC Group's Scope 3 emissions rose by 10.9% to 4,141.1 tonnes of CO₂ equivalents in the 2020 financial year. This increase was caused in particular by higher volumes of purchased goods due to significantly higher production volumes in the year under report. Increased stocking to secure the company's supply capacity given the COVID-19 pandemic led to an increase in the volume of purchased goods and associated emissions. In the 2020 financial year, 828.2 tonnes of CO₂ equivalents, or around 20% of Scope 3 emissions, were offset by 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 has therefore introduced the 4R method to minimize environmental pollution or avoid this altogether:

- REDUCTION
- REUSE
- RECYCLING
- REPLACE

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 renewed use following receipt of a delivery.

Waste volumes in year-on-year comparison in tonnes¹

	2020	2019	Change
Waste volumes	220.3	181.4	+21.4%
per 1,000 employees	167.7	144.5	+16.1%
per € 1,000,000 sales	0.88	0.85	+3.5%

¹ Data partly based on estimates, as not all data was yet available for some subsidiaries at the reporting date due to the respective invoicing periods

Group-wide waste volumes rose year-on-year by 21.4% to 220.3 tonnes in the 2020 financial year. This increase was due in particular to the significant growth in production volumes in the year under report, as well as to the associated increase in purchasing volumes at suppliers.

Water and wastewater

STRATEC's production sites (Birkenfeld, Beringen, Anif, Budapest) are all located in regions that according to the Aqueduct Water Risk Atlas of the World Resources Institute do not constitute risk areas. 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 fell year-on-year by 12.9% to 14,931 m³ in the 2020 financial year (previous year: 17,134 m³). Among other factors, this substantial reduction was due to employees increasingly working from home during the COVID-19 pandemic, as well as to the sale of the Data Solutions business unit in May 2020.

Water consumption (fresh water) in cubic meters¹

	2020	2019	Change
Water consumption	14,931	17,134	-12.9%
per 1,000 employees	11,363	13,653	-16.8%

¹ Data partly based on estimates, as not all data was yet available for some subsidiaries at the reporting date due to the respective invoicing periods

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 generally only 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 is making 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. The tools we draw on to evaluate the success of various measures and identify potential improvements include performing surveys to assess our employees' satisfaction in terms of their workplace, workload, future prospects, and internal communications. An employee satisfaction survey, for example, was carried out again at the Budapest location in the 2020 financial year.

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. 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. Diverse cooperations with universities also serve to arouse students' interest in STRATEC as a potential employer at an early stage. One example worth mentioning here is the close cooperation with Pforzheim University, where STRATEC co-finances an endowed professorship for medical technology. STRATEC also supports a number of student competitions in robotics, especially in the field of software development, on local and international level.

With 160 new hires, the STRATEC Group successfully attracted a large number of highly qualified employees once again in the 2020 financial year. Women accounted for 31.2% of the newly hired employees in 2020. A further criterion referred to by STRATEC to assess the attractiveness of its working environment is the personnel turnover rate. Excluding employees whose temporary contracts expired and those entering retirement, this key figure amounted to 4.9% in 2020, as against 7.9% in the previous year.

New hires

	2020	2019
Total new hires	160	250
of which women	50	91
of which men	110	159
of which employees aged below 30	56	116
of which employees aged between 30 and 50	96	125
of which employees aged 50 and older	8	9

Personnel turnover rate

	2020	2019
Personnel turnover rate ¹	4.9%	7.9%

¹ Excluding employees whose temporary contracts expired 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 regular training on personnel management.

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.

In the 2020 financial year, STRATEC once again created various new employee programs while also further developing existing programs. One particular current focus, for example, involves designing a new talent management and next-generation management program on a uniform basis across the Group. This is scheduled to be rolled out to the subsidiaries in 2021.

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 and a company healthcare management officer. 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, such as voluntary annual eye checks, various sports programs, advice on healthy nutrition, exercise during the lunchbreak, and ways to relax and cope with stress. Not only that, medical checks tailored to employees' specific workplaces are also offered, as are special vaccinations for employees.

One factor of overriding importance in 2020 was to make sure that our employees were protected during the COVID-19 pandemic. STRATEC introduced suitable measures at a very early stage of developments to reduce as far as possible the infection risks faced by employees in connection with their work activities. Among others, these included introducing separate production shifts, strict travel restrictions, extending flexible working hours regulations, and comprehensive use of mobile work.

Work-related accidents

	2020	2019
Total work-related accidents	20	17
per 1,000 employees	15.2	13.6
of which accidents leading to absence on day after	7	4
per 1,000 employees	5.3	3.2
Lost time injury frequency (LTIF) rate ¹	2.8	1.6
of which severe work-related accidents ²	0	0

¹ Number of work-related accidents leading to absence on day after per million working hours

² Work-related accidents with consequences from which the employee has not fully recovered within six months

The total number of work-related accidents leading to absence on the day after the accident per 1,000 employees rose year-on-year from 3.2 to 5.3 in 2020, but still remains at a low level. The resultant accident frequency rate amounts to 2.8 per million working hours. No severe work-related accidents were reported in the 2020 financial year or the previous year. To maintain a low number accidents in future as well, individual accidents are analyzed and suitable measures taken to minimize the risk of such accidents recurring.

Sickness quota

	2020	2019
Sickness quota in %	3.5	4.4

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, fell year-on-year by 90 basis points to 3.5% in the 2020 financial year. The development in the sickness quota is particularly dependent on seasonal factors, such as the intensity, frequency, and duration of any influenza outbreaks.

Working hour regulations, family and work

STRATEC 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. During the COVID-19 pandemic, extended regulations were 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 2020 financial year, a total of 21 female and 21 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% by December 31, 2024. As of December 31, 2020, women made up 25% of managers in the first management tier (including planned positions). In the 2020 financial year, the only position newly filled in the first management tier was assigned to a female manager. For the second management tier below the Board of Management, the company has set a target of 20% to be achieved by December 31, 2024.

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. The rollout of further diversity and inclusion training for the human resources departments at subsidiaries, which was originally scheduled for 2020, has been postponed to 2021 due to the COVID-19 pandemic.

Percentage of female employees

	2020	2019
Female employees in %	29.6	28.2

The female share of the STRATEC Group's total workforce rose from 28.2% in the previous year to 29.6% in the 2020 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, STRATEC is aware of its social responsibility on both global and local levels. STRATEC therefore supports both regional and global charities, healthcare and education organizations, conservation organizations, and associations. In 2020, STRATEC supported these kinds of organizations with a total of € 122,289. Organizations worth mentioning here include: Ärzte ohne Grenzen e.V., Plan International, Erde der Kinder e.V., Kinderhospiz Sterneninsel e.V., Deutsches Rotes Kreuz e.V., Deutsche Krebshilfe, Daruieste Viata (modernization of oncology centers in Rumania), DKMS, Familienherberge Lebensweg, Pforzheim University, and Verein Down-Syndrom Salzburg.

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.

Not only that, the company maintains an open and constructive dialog with a wide variety of stakeholders in the fields of politics, business, science, and society at all of our locations. This dialog is intended to improve the competitiveness of the individual regions and to inform local populations about activities and developments which affect them. To this end, and also with the aim of reducing transport-related CO₂ emissions, STRATEC is also pursuing the objective of increasingly working with suppliers in its respective regions.

Donations and benefit payments in €

	2020	2019
Donations/benefit payments	122,289	110,673

Corporate compliance and measures to combat corruption and bribery

Any incidence of corruption, bribery or other illegal actions within the STRATEC Group may have severe implications for the company's reputation and for 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 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 and on information boards
- 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-einsehbar.

STRATEC expects all of its employees 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, soon after they join the company all new employees are trained in person by the Global Compliance Officer or the local compliance officer with regard to the Corporate Compliance Policy. Training is provided to all full-time and part-time employees, as well as to all interns, trainees, and freelance employees at all locations. Furthermore, managers are obliged to provide compliance-related training to their employees once a year. To detect and remedy any omissions on the part of the managers at an early stage, the provision of this training is monitored and documented.

STRATEC's compliance system is subject to permanent enhancement and optimization. To this end, the Compliance Officer is provided with regular training by an external service provider. Furthermore, one-to-one meetings are held at regular intervals between all managers and the relevant compliance officer. These talks are intended to identify any potential risks at an early stage, continually raise awareness of compliance among the management teams, and address any current topics. This enables STRATEC's management teams to detect specific risks, avoid risks by analyzing situations and developing suitable strategies, comply with operational imperatives, and take any necessary measures. The compliance officer reports the findings of his or her talks with managers directly to the Board of Management. The Board of Management discharges its reporting duties towards the Supervisory Board.

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.

Respecting human rights

STRATEC is committed to the Human Rights' Charter of the United Nations and the guidelines 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.

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 companies with international operations. Compliance with the Code of Conduct is also reviewed in the context of regular audits. Furthermore, sanction list, watch list and blacklist screenings are performed whenever contracts are initiated with new business partners.

No breaches of human rights were identified within the STRATEC Group or its supply chain in the 2020 financial year or the preceding financial years.

Birkenfeld, March 26, 2021

STRATEC SE

The Board of Management



Marcus Wolfinger



Dr. Robert Siegle



Dr. Claus Vielsack

CONSOLIDATED FINANCIAL STATEMENTS

for the 2020 Financial Year of STRATEC SE

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CONSOLIDATED BALANCE SHEET

as of December 31, 2020

Assets

€ 000s	Note	12.31.2020	12.31.2019
Non-current assets			
Goodwill	(01)	37,860	40,674
Other intangible assets	(01)	50,753	56,418
Right-of-use assets	(02)	10,099	8,583
Property, plant and equipment	(03)	55,370	47,338
Non-current financial assets	(07)	581	447
Non-current contract assets	(05)	19,498	15,616
Deferred taxes	(11)	1,462	1,207
		175,623	170,283
Current assets			
Inventories	(04)	68,025	55,978
Trade receivables	(06)	34,782	34,121
Current financial assets	(07)	2,812	1,319
Current other receivables and assets	(08)	8,247	6,124
Current contract assets	(05)	3,144	4,780
Income tax receivables	(11)	1,710	4,101
Cash and cash equivalents	(27)	37,561	22,708
		156,281	129,131
Total assets		331,904	299,414

Shareholders' equity and debt

€ 000s	Note	12.31.2020	12.31.2019
Shareholders' equity	(09)		
Share capital		12,103	12,030
Capital reserve		29,866	26,457
Revenue reserves		136,052	120,978
Treasury stock		-65	-89
Other equity		-5,411	-369
		172,545	159,007
Non-current debt			
Non-current financial liabilities	(12)	106,324	90,378
Non-current other liabilities	(14)	0	481
Non-current contract liabilities	(15)	4,373	1,869
Provisions for pensions	(10)	5,620	5,077
Deferred taxes	(11)	7,376	6,931
		123,693	104,736
Current debt			
Current financial liabilities	(12)	13,914	9,584
Trade payables	(13)	8,485	12,266
Current other liabilities	(14)	6,985	6,016
Current contract liabilities	(15)	1,902	4,407
Provisions	(16)	1,606	1,138
Income tax liabilities	(11)	2,774	2,260
		35,666	35,671
Total shareholders' equity and debt		331,904	299,414

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Period from January 1 to December 31, 2020

€ 000s	Note	2020	2019
Sales	(17)	250,099	214,157
Cost of sales	(18)	-181,110	-163,257
Gross profit		68,989	50,900
Research and development expenses	(19)	-7,670	-8,251
Sales-related expenses	(20)	-8,808	-9,464
General administration expenses	(21)	-18,876	-16,672
Other operating income and expenses	(22)	42	675
Earnings before interest and taxes (EBIT)		33,677	17,188
Net financial expenses	(23)	-656	-706
Earnings before taxes (EBT)		33,021	16,482
Taxes on income	(11)	-4,586	-2,220
Earnings from continuing operations		28,435	14,262
Earnings from discontinued operations	(24)	-3,260	178
Consolidated net income		25,175	14,440
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		-458	-969
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences from translation of foreign operations		-4,584	741
Other comprehensive income (OCI)		-5,042	-228
Comprehensive income		20,133	14,212
Basic earnings per share in €	(25)	2.09	1.20
from continuing operations		2.36	1.19
from discontinued operations		-0.27	0.01
No. of shares used as basis (undiluted)		12,061,730	11,991,531
Diluted earnings per share in €	(25)	2.07	1.20
from continuing operations		2.34	1.18
from discontinued operations		-0.27	0.01
No. of shares used as basis (diluted)		12,152,665	12,061,926

CONSOLIDATED CASH FLOW STATEMENT

for the 2020 Financial Year

€ 000s	Note	2020	2019
I. Operations			
Consolidated net income (after taxes)		25,175	14,440
Depreciation and amortization		22,590	18,744
Current income tax expenses	(11)	4,885	3,641
Income taxes paid less income taxes received		-1,613	-7,475
Financial income	(23)	-45	-29
Financial expenses	(23)	1,130	1,028
Interest paid		-1,091	-1,088
Interest received		29	94
Other non-cash expenses		3,669	5,342
Other non-cash income		-5,259	-2,639
Change in net pension provisions through profit or loss	(10)	515	1,174
Change in deferred taxes through profit or loss	(11)	333	-1,442
Profit (-)/loss (+) on disposals of non-current assets		2	-13
Increase (-)/decrease (+) in inventories, trade receivables and other assets		-22,521	-7,874
Increase (+)/decrease (-) in trade payables and other liabilities		4,050	-2,641
Cash flow from operating activities		31,849	21,262
II. Investments			
Incoming payments from disposals of non-current assets			
• Intangible assets		0	8
• Property, plant and equipment		49	13
• Financial assets		837	33
Outgoing payments for investments in non-current assets			
• Intangible assets		-11,010	-10,699
• Property, plant and equipment		-14,571	-16,147
• Financial assets		-5	-33
Incoming payments from sale of companies previously consolidated, less cash funds thereby ceded		2,855	-894
Cash flow from investing activities		-21,845	-27,719
III. Financing			
Incoming funds from taking up of financial liabilities		32,000	23,000
Outgoing payments for repayment of financial liabilities	(12)	-19,480	-9,746
Incoming payments from issue of shares for employee stock option programs		2,804	2,011
Dividend payments		-10,101	-9,811
Cash flow from financing activities		5,223	5,454
IV. Cash-effective change in cash and cash equivalents (net balance of I–III)		15,227	-1,003
Cash and cash equivalents at start of period		22,708	24,095
Impact of exchange rate movements		-374	-384
Cash and cash equivalents at end of period	(27)	37,561	22,708

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2020 Financial Year

€ 000s	Note	Share capital	Capital reserve
December 31, 2018	(09)	11,969	24,119
Equity transactions with owners			
• Dividend payment			
• Issue of subscription shares from stock option programs, less costs of capital issue after taxes		61	1,950
Allocations due to stock option programs			388
Comprehensive income			
December 31, 2019	(09)	12,030	26,457
Equity transactions with owners			
• Dividend payment			
• Issue of subscription shares from stock option programs, less costs of capital issue after taxes		73	2,731
Allocations due to stock option programs			593
Allocations due to employee participation program			85
Comprehensive income			
December 31, 2020	(09)	12,103	29,866

Other equity

	Revenue reserves	Treasury stock	Pension plans	Currency translation		Group equity
					IFRS 5	
	116,347	-89	-887	1,573	-827	152,205
	-9,811					-9,811
						2,011
						388
	14,440		-969	-86	827	14,212
	120,978	-89	-1,856	1,487	0	159,007
	-10,101					-10,101
						2,804
						593
		24				109
	25,175		-458	-4,584		20,133
	136,052	-65	-2,314	-3,097	0	172,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2020 Financial Year of STRATEC SE

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A. GENERAL DISCLOSURES

General information

STRATEC SE designs and manufactures fully automated 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 35-37, 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, 2021.

Basis of preparation

The consolidated financial statements compiled by STRATEC SE as the topmost parent company as of December 31, 2020 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 an unconditional 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 2020 financial year:

Standard	Title	Effective date ¹	EU endorsement
New and amended standards and interpretations			
IAS 1 and IAS 8	Amendments: Definition of Material	01.01.2020	11.29.2019
IFRS 3	Amendments: Definition of a Business	01.01.2020	04.21.2020
IFRS 9, IAS 39 and IFRS 7	Amendments: Interest Rate Benchmark Reform	01.01.2020	01.15.2020
Framework	Amendments: References to the IFRS Conceptual Framework	01.01.2020	11.29.2019

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

The application of these standards and interpretations in the 2020 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 implications for these consolidated financial statements.

Voluntary amendments of accounting policies

Due to the continued integration of further processes and modules into the standard ERP system used across the Group since the 2019 financial year and the resultant improvements in STRATEC's internal reporting, since the 2020 financial year it has been possible to break down sales from contracts with customers into the respective type of goods or services both more reliably and in greater detail. Furthermore, the presentation of proportionate cost of sales has been amended. The figures reported in the comparative period have been amended accordingly.

Overall, the amended allocation of sales had the following impact on the figures for the individual business units in the comparative period:

Segments	Instrumentation € 000s	Diatron € 000s	Smart Consumables € 000s	Total € 000s
Type of goods or services				
Analyzer systems	1,318	345	0	1,663
Service parts and consumables	224	-484	991	731
Development and services	-1,554	934	-991	-1,611
Other	12	-795	0	-783
Total	0	0	0	0

Overall, the amended presentation of proportionate cost of sales had the following impact, following adjustment to account for the discontinued operation, on the relevant figures for the comparative period:

	2019 € 000s
Cost of sales	-3,287
Research and development expenses	3,146
Sales-related expenses	-185
General administration expenses	326
Total	0

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			
IFRS 16	Amendments: COVID-19-Related Rent Concessions	06.01.2020	10.09.2020
IFRS 4	Amendments: Deferral of IFRS 9	01.01.2021	12.15.2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments: Interest Rate Benchmark Reform (Phase 2)	01.01.2021	01.13.2021
IFRS 3	Amendments: Reference to the Conceptual Framework	01.01.2022	Outstanding
IAS 16	Amendments: Proceeds before Intended Use	01.01.2022	Outstanding
IAS 37	Amendments: Onerous Contracts: Cost of Fulfilling a Contract	01.01.2022	Outstanding
Diverse	Annual Improvements to IFRS, 2018-2020 Cycle	01.01.2022	Outstanding
IFRS 17	Insurance Contracts	01.01.2023	Outstanding
IAS 1	Amendments: Classification of Liabilities as Current or Non-current	01.01.2023	Outstanding
IAS 1, IFRS Practice Statement 2	Amendments: Presentation of Financial Statements; Making Materiality Judgements	01.01.2023	Outstanding
IAS 8	Amendments: Accounting Policies, Changes in Accounting Estimates and Errors	01.01.2023	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.

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).

Shareholdings whose implications, both individually and aggregate, 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 '(24) Earnings from discontinued operations'. The relevant items are not presented separately in the consolidated cash flow statement.

In addition to STRATEC SE the consolidated financial statements as of December 31, 2020 and as of December 31, 2019 include the following subsidiaries by way of full consolidation:

Company	Domicile	Shareholding %	
		12.31.2020	12.31.2019
Germany			
STRATEC Capital GmbH	Birkenfeld, Germany	100%	100%
STRATEC PS Holding GmbH	Birkenfeld, Germany	100%	100%
STRATEC Molecular GmbH ¹	Berlin, Germany	0%	0%
European Union			
STRATEC Biomedical UK, Ltd. ²	Burton upon Trent, UK	0%	100%
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 Biomedical 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%

¹ STRATEC Molecular GmbH was deconsolidated as of March 31, 2019.

² STRATEC Biomedical UK, Ltd. was deconsolidated as of May 4, 2020.

Due to their immaterial significance, the following subsidiaries have not been included in the consolidated financial statements by way of full consolidation:

Company, domicile	Share capital	Share-holding %	Annual earnings ¹
Sanguin International Inc., Southington, US²	USD 1,000	0%	n/a (2019: USD -21,677)
STRATEC Biomedical (Taicang) Co. Ltd., Taicang, China	CNY 814,940	100%	638,421 CNY (2019: CNY 165,234)

¹ The earnings figures reported are based on the annual financial statements prepared in accordance with national accounting requirements as of December 31, 2020 and December 31, 2019.

² All shares in Sanguin International Inc., Southington, US, were also sold upon the disposal of STRATEC Biomedical UK, Ltd.

Discontinued operations

By contract signed on May 4, 2020, all shares held in **STRATEC Biomedical UK, Ltd., Burton upon Trent, UK**, all shares held in Sanguin International Inc., Southington, US, and all loans granted by STRATEC SE to STRATEC Biomedical UK, Ltd. were sold. Due to the loss of control resulting from this transaction, STRATEC Biomedical UK, Ltd. was deconsolidated as of May 4, 2020. The disposal was completed on schedule with the payment on December 30, 2020 of the conditional consideration still outstanding. STRATEC Biomedical UK, Ltd. was allocated to the 'Other Activities' segment. The shares held in Sanguin International Inc. were recognized under financial assets.

The disposal of the shares in STRATEC Biomedical UK, Ltd. impacted as follows on the asset, financial, and earnings position:

	Figures upon deconsolidation € 000s
Agreed sale price for the shares	3,403
Purchase price retention	-827
Payments expected from purchase price retention	662
Likely consideration	3,238
Right-of-use assets	1,194
Property, plant and equipment	108
Inventories	1,297
Trade receivables	810
Financial assets	64
Other receivables and assets	142
Contract assets	1,955
Tax claims	18
Cash and cash equivalents	649
Currency items recognized in OCI	-1,278
Financial liabilities	2,256
Trade payables	506
Other liabilities	825
Contract liabilities	967
Net assets	2,961
Costs of disposal	-21
Difference between actual payment and likely consideration	266
Deconsolidation result	522

By contract signed on February 28, 2019, all shares held in **STRATEC Molecular GmbH, Berlin, Germany**, and all loans granted by STRATEC SE to STRATEC Molecular GmbH were sold. The closing of the contract took place on schedule on March 31, 2019. Furthermore, in connection with the sale the control and profit transfer agreement concluded between STRATEC SE and STRATEC Molecular GmbH in the 2013 financial year was also rescinded as of March 31, 2019. Due to the loss of control resulting from this transaction, STRATEC Molecular GmbH was deconsolidated as of March 31, 2019. STRATEC Molecular GmbH was allocated to the 'Smart Consumables' segment.

The disposal of the shares in STRATEC Molecular GmbH impacted as follows on the asset, financial, and earnings position:

Figures upon deconsolidation	
€ 000s	
Sale price less costs to sell	-23
Cash and cash equivalents thereby ceded	-871
Net outflow of funds	-894
Inventories	384
Trade receivables	130
Other receivables and assets (including deferred taxes)	20
Cash and cash equivalents	871
Currency items recognized in OCI	-827
Financial liabilities	59
Trade payables	15
Other liabilities	577
Provisions	25
Net assets	-1,556
Deconsolidation result	-1,579

The earnings from discontinued operations are presented in a separate line item in the consolidated statement of comprehensive income: '(24) Earnings from discontinued operations'. **The comparative figures for the previous year have been correspondingly adjusted in the consolidated statement of comprehensive income and the relevant sections of the notes.**

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:

I €/	Reporting date rate		Average rate	
	2020	2019	2020	2019
GBP UK	0.899	0.851	0.890	0.878
USD US	1.227	1.123	1.142	1.120
CHF Switzerland	1.080	1.085	1.071	1.112
RON Romania	4.868	4.783	4.838	4.745
HUF Hungary	363.890	330.530	351.250	325.300

Upon the deconsolidation date for STRATEC Biomedical UK, Ltd, the Euro / GBP exchange rate stood at 0.869 (spot rate) and 0.865 (average rate).

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 2020	Useful lives in years 2019
Acquired technologies	7–15	7–15
Internally generated intangible assets		
• Proprietary development projects	5*	5*
• Development cooperations		
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

* 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. The period and method of amortization applied to the intangible assets resulting from development cooperations within the OEM partnering business model is based on the methodology presented under '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 2020	Useful lives in years 2019
Buildings	25–33	25–33
Outdoor facilities	10–30	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	1–20	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 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 at present value for basically all leases in its balance sheet. Exemptions apply for low-value leases (for which expenses of € 1k were recognized in the 2020 financial year; previous year: € 3k), short-term leases (for which expenses of € 70k were recognized in the 2020 financial year; previous year: € 175k) 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 and 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 2020	Useful lives in years 2019
Land and buildings	2–10	1–10
Vehicles	2–4	1–4
Other plant and office equipment	5–6	5–6

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:

	2020 T€	2019 T€
Due to extension and termination options	330	361
Due to variable lease payments	2,776	1,377
Due to low-value assets	1	1
Total	3,107	1,739

Future outflows of funds which STRATEC has entered into in its capacity as lessee, but which had not begun as of the balance sheet date, amounted to € 126k (previous year: € 1,614k).

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 of December 31, 2020, STRATEC did not have any leases in which the company acted as **lessor**. With regard to the rental income generated from letting out parts of buildings owned by STRATEC, which is immaterial in terms of its amount, reference is made to our comments on 'Investment property' in this section.

Investment property

Investment property includes land and buildings held to generate rental income (€ 0k; previous year: € 32k) or for capital appreciation, rather than for proprietary performance of services, administration purposes, or sales within customary business activities. In the previous year, STRATEC let out parts of the real estate recognized in property, plant and equipment to third parties external to the Group. Given the immaterial scope of these surfaces, they were not recognized in a separate item. The company did not have any such letting arrangements in the 2020 financial year.

Borrowing costs

Where a significant period of time is required to manufacture a respective asset (so-called qualifying asset), the borrowing costs incurred through to completion are capitalized as a component of cost where the requirements of IAS 23 (Borrowing Costs) are met. At STRATEC, qualifying assets may relate in particular to intangible assets and property, plant and equipment. Borrowing costs of € 263k were capitalized in the 2020 financial year (previous year: € 98k). The financing rate used to determine borrowing costs eligible for capitalization amounted to 1.3% (previous year: 1.2%).

Subsidies and grants

Government grants intended to promote investment and directly allocable to the respective investments have been deducted from the amount capitalized for the object of investment. Non-repayable grants received as project subsidies for research and development projects are linked to the respective expenses and are initially recognized as liabilities and subsequently offset through profit or loss in the consolidated statement of comprehensive income in the financial year in which the associated expenses are incurred.

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 this is not possible, the recoverable amount has been determined on the basis of a group of assets representing a cash generating unit.

Apart from the removal of the 'workflow software' cash generating unit due to the disposal of STRATEC Biomedical UK, Ltd., the cash generating units determined for **goodwill** impairment testing are unchanged on the previous year's balance sheet date. The cash generating units thereby defined are 'laboratory automation', 'manufacturing parts & services', 'Diatron', and 'smart consumables'.

The recoverable amount for the cash generating units as of December 31, 2020 (previous year: December 31, 2019) 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. As in the previous year, the detailed budget period covers three years. 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 %
Laboratory automation	
2020	6.40
2019	8.05
Manufacturing, parts & services	
2020	5.61
2019	7.08
Diatron	
2020	5.87
2019	8.41
Smart Consumables	
2020	5.91
2019	6.33

Of the **goodwill** recognized in the amount of € 37,860k (previous year: € 40,674k), € 569k (previous year: € 682k) results from the acquisition of STRATEC Biomedical UK, Ltd. in the 2006 financial year; € 1,467k (previous year: € 1,467k) from the acquisition of STRATEC Molecular GmbH in the 2009 financial year; € 2,525k (previous year: € 2,759k) from the acquisition of STRATEC Biomedical USA, Inc. in the 2010 financial year; € 24,691k (previous year: € 27,158k) from the acquisition of the Diatron Group, and € 8,608k (previous year: € 8,608k) from the acquisition of STRATEC Consumables GmbH in the 2016 financial year. The changes compared with the previous year are due to currency translation differences of € 99k and to the reclassification pursuant to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) of the goodwill attributable to STRATEC Biomedical UK, Ltd. For impairment testing purposes, the goodwill has been allocated to those cash generating units benefiting from the synergies.

For impairment testing purposes, the carrying amounts of significant goodwill items resulting from the aforementioned acquisitions have been allocated to the 'laboratory automation', 'manufacturing, parts & services', and 'Diatron', cash generating units on the basis of the respective EBITs.

€ 000s	Laboratory automation		Manufacturing, parts & services		Diatron	
	2020	2019	2020	2019	2020	2019
Carrying amount of goodwill	14,800	15,810	15,960	17,180	6,565	7,048

In line with IAS 36 (Impairment of Assets), STRATEC performed the annual impairment test for these goodwill items as of December 31, 2020 (previous year: December 31, 2019). 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

Laboratory automation

The budget for the recoverable amount has been based on average sales growth of 10.8% (previous year: 4.1%) and a budgeted average EBIT margin of 10.8% (previous year: 13.1%). This assumption reflects previous management experience. In perpetuity, a growth rate of 1.0% has been assumed (previous year: 1.0%).

Manufacturing, parts & services

Average sales growth of 1.5% (previous year: 16.1%) and a budgeted average EBIT margin of 22.3% (previous year: 21.6%) have been assumed. This assumption reflects past management experience. In perpetuity, a growth rate of 1.0% has been assumed (previous year: 1.0%).

Diatron

The budget for the recoverable amount has been based on average sales growth of 0.2% (previous year: 7.3%) and a budgeted average EBIT margin of 20.8% (previous year: 18.6%). These assumptions are consistent with average growth prospects in the sector based on external market data. In perpetuity, a growth rate of 1.0% has been assumed (previous year: 1.0%).

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.

An amount of € 535k, and thus not material compared with the total carrying amount of goodwill, was allocated to further cash generating units in the year under report (previous year: € 636k). For the goodwill thereby allocated as well, the annual impairment test did not identify any indications of impairment.

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 low turnover rates or diminished usability have been accounted for with additional write-downs.

Financial instruments

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

Financial instruments are recognized and measured in accordance with IFRS 9 (Financial Instruments).

Accordingly, 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 in the 2020 financial year. 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, is a derivative financial instrument, 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 through profit or loss in other operating income or expenses, as STRATEC has to date not designated any derivatives as hedge instruments.

Taxes

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 in other operating expenses in the consolidated statement of comprehensive income.

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 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 tax loss carryovers 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 for 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.

Should relevant indications arise, STRATEC reviews tax items with regard to their uncertainty and, in the event of a corresponding assessment, recognizes an appropriate amount of risk provision. As such assessments may change over time, this also has implications for the amount of risk provision deemed necessary. The amounts stated for expected tax liabilities and tax assets reflect the best estimates taking due account of any existing tax-related uncertainties.

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. STRATEC recognizes two arrangements (previous year: three arrangements) that are within the scope of IFRS 2 (Share-based Payment):

Cash-settled stock appreciation rights (SARs), equity-settled stock options for employees, and an equity-settled employee participation program based on the 2020 financial year.

Goods and services received for cash-settled share-based payments (stock appreciation rights – SARs) have been measured at each reporting 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**, the development expenses 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 are amortized, generally over a period of five years.

In the 2020 financial year, development expenses in connection with aforementioned development projects were capitalized as internally generated intangible assets in an amount of € 10,443k (previous year: € 8,947k).

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
<ul style="list-style-type: none"> • Development performance obligation satisfied at a point in time (IFRS 15.38) <ul style="list-style-type: none"> – Development expenses covered by payments = contract fulfillment costs – Development expenses not covered by payments = intangible asset pursuant to IAS 38 – Payments received before transfer of development work = contract liabilities 	<ul style="list-style-type: none"> • Development performance obligation satisfied at a point in time (IFRS 15.38) <ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> • Development performance obligation satisfied over time (IFRS 15.35(c)) <ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> • Development performance obligation satisfied over time (IFRS 15.35(c)) <ul style="list-style-type: none"> – 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. 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 STRATEC only receives consideration 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 fulfillment 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. The method applied is subject to discretionary decisions and estimation uncertainties.

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 (EBIT 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 additional dynamic developments in the underlying framework due to the COVID-19 pandemic, the goodwill impairment test (carrying amount as of December 31: € 37,860k; previous year: € 40,674k) 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: € 50,753k; previous year: € 56,418k). These impairment tests are also basically subject to the same difficulties and discretionary scope 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: € 34,782k; previous year: € 34,121k) and contract assets (carrying amount as of December 31: € 22,642k; previous year: € 20,396k) 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 due to the COVID-19 pandemic, 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: € 10,685k; previous year: € 8,735k), 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 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: € 4,121k; previous year: € 1,063k) have been measured by an independent surveyor specializing in option valuations. This surveyor used 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

The defined benefit plans pursuant to IAS 19 (Employee Benefits) (carrying amount as of December 31: € 5,620k; previous year: € 5,077k) 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: € 1,606k; previous year: € 1,138k), 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 2020 financial year did not lead to any material change 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)

In its assessment that the – predominantly short-term – differences between the figures recognized for tax purposes and the figures recognized in the IFRS 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: € 4,707k; previous year: € 5,046k) 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 arising and changes in the 2020 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'.

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

For intangible assets with limited useful lives (carrying amount as of December 31: € 50,753k; previous year: € 56,418k), 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, the decision as to whether the inherent predominant limiting factor is time-based or based on the number of units produced represents a discretionary assessment. Taking due account of all circumstances, STRATEC concluded that the number of units produced is the predominant limiting factor. In conjunction with the impairments tests performed at least once a year pursuant to IAS 36 (Impairment of Assets), the resultant method of amortization tends to result in the recognition of higher expenses in early appliance stages than would be the case with straight-line amortization – should this have been based on past experience with the current product lifecycles for the appliances, which generally 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 – Position' in the Group Management Report.

C. NOTES TO THE CONSOLIDATED BALANCE SHEET

(I) Goodwill and other intangible assets

Intangible assets developed as follows in the 2020 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 12.31.2019	40,674	25,005	46,982	5,023	2,809	26,280	8,609	21	155,403
Additions	0	0	10,448	0	0	0	562	0	11,010
Disposals	0	0	1,193	0	0	0	450	0	1,643
Reclassifications	0	0	0	0	0	0	33	0	33
IFRS 5 reclassifications	-99	0	-4,216	0	0	0	0	0	-4,315
Currency differences	-2,715	-1,428	-446	0	-257	-1,725	-46	-2	-6,619
Balance at 12.31.2020	37,860	23,577	51,575	5,023	2,552	24,555	8,708	19	153,869

	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 12.31.2019	0	13,979	18,962	1,166	1,053	17,157	5,994	0	58,311
Additions to amortizations	0	2,106	1,598	333	264	4,827	1,253	0	10,381
Impairments	0	0	0	0	0	0	0	0	0
Write-ups	0	0	0	0	0	0	0	0	0
Disposals	0	0	240	0	0	0	450	0	690
Reclassifications	0	0	0	0	0	0	0	0	0
IFRS 5 reclassifications	0	0	-211	0	0	0	0	0	-211
Currency differences	0	-887	-77	0	-105	-1,432	-34	0	-2,535
Balance at 12.31.2020	0	15,198	20,032	1,499	1,212	20,552	6,763	0	65,256

Carrying amounts at 12.31.2020	37,860	8,379	31,543	3,524	1,340	4,003	1,945	19	88,613
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The goodwill results from the acquisitions of the companies in the Diatron Group, STRATEC Consumables GmbH, STRATEC Biomedical USA, Inc., STRATEC Biomedical UK, Ltd., and STRATEC Molecular GmbH. In the 2020 financial year, an impairment loss of € 99k was recognized on the goodwill attributable to STRATEC Biomedical UK, Ltd. The events and circumstances leading to this impairment result from the disposal of STRATEC Biomedical UK, Ltd.

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 and 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.

The carrying amount for internally generated intangible assets includes both development expenses capitalized for proprietary development projects (€ 30,161k; previous year: € 25,306k) and development expenses capitalized for development cooperations within the OEM partnering business model (€ 1,382k; previous year: € 2,714k). Of the intangible assets recognized for proprietary development projects, an amount of € 3,656k (previous year: € 2,280k), of which € 706k (previous year: € 1,089k) 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.

Borrowing costs of € 80k were recognized as a component of costs in accordance with IAS 23 (Borrowing Costs) in the 2020 financial year (previous year: € 89k).

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.

In the 2020 financial year, an impairment loss of € 4,005k was recognized on internally generated intangible assets attributable to STRATEC Biomedical UK, Ltd. in connection with proprietary development projects. The events and circumstances leading to this impairment result from the disposal of STRATEC Biomedical UK, Ltd.

Individual intangible assets with carrying amounts of more than € 2.0 million at the balance sheet date on December 31, 2020 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: Proprietary development project with a carrying amount of € 10,326k – still in the development phase; proprietary development project with a carrying amount of € 2,875k – still in the development phase; proprietary development project with a carrying amount of € 2,808k – still in the development phase.

Intangible assets developed as follows in the 2019 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 12.31.2018	41,245	25,155	36,643	5,023	2,893	26,643	8,393	22	146,017
Additions	0	0	10,542	0	0	0	116	0	10,658
Disposals	0	0	420	0	0	0	0	0	420
Reclassifications	0	0	0	0	0	0	91	0	91
Currency differences	-571	-150	217	0	-84	-363	9	-1	-943
Balance at 12.31.2019	40,674	25,005	46,982	5,023	2,809	26,280	8,609	21	155,403
Accumulated amortization and impairments Balance at 12.31.2018	0	11,666	17,417	833	796	12,317	4,726	0	47,755
Additions	0	2,243	1,508	333	285	5,083	1,252	0	10,704
Disposals	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Currency differences	0	70	37	0	-28	-243	16	0	-148
Balance at 12.31.2019	0	13,979	18,962	1,166	1,053	17,157	5,994	0	58,311
Carrying amounts at 12.31.2019	40,674	11,026	28,020	3,857	1,756	9,123	2,615	21	97,092

(2) Right-of-use assets

Right-of-use assets showed the following developments in the 2020 financial year:

	Other equipment, plant and office equipment			Total € 000s
	Land and buildings € 000s	Vehicles € 000s	Office equipment € 000s	
Cost of acquisition				
Balance at 12.31.2019	9,793	558	121	10,472
Additions	4,954	172	0	5,126
Disposals	72	94	0	166
IFRS 5 reclassifications	-1,381	0	0	-1,381
Currency differences	-420	-1	0	-421
Balance at 12.31.2020	12,874	635	121	13,630

	Other equipment, plant and office equipment			Total € 000s
	Land and buildings € 000s	Vehicles € 000s	Office equipment € 000s	
Accumulated depreciation				
Balance at 12.31.2019	1,681	185	23	1,889
Additions	1,776	227	24	2,027
Disposals	19	94	0	113
IFRS 5 reclassifications	-187	0	0	-187
Currency differences	-83	-2	0	-85
Balance at 12.31.2020	3,168	316	47	3,531
Carrying amount at 12.31.2020	9,706	319	74	10,099

In the 2019 financial year, right-of-use assets were structured as follows:

	Other equipment, plant and office equipment			Total € 000s
	Land and buildings € 000s	Vehicles € 000s	Office equipment € 000s	
Cost of acquisition				
Balance at 12.31.2019	9,793	558	121	10,472
of which additions due to first-time application of IFRS 16	7,816	361	121	8,298
of which additions in 2019	1,975	195	0	2,170
of which currency differences	2	2	0	4
Accumulated depreciation				
Balance at 12.31.2019	1,681	185	23	1,889
of which additions in 2019	1,684	184	23	1,891
of which currency differences	-3	1	0	-2
Carrying amount at 12.31.2019	8,112	373	98	8,583

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

(3) Property, plant and equipment

Property, plant and equipment developed as follows in the 2020 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 12.31.2019	30,122	11,673	31,940	8,684	82,419
Additions	7,022	331	2,981	4,176	14,510
Disposals	0	39	255	0	294
Reclassifications	4,298	556	1,928	-6,815	-33
IFRS 5 reclassifications	0	0	-393	0	-393
Currency differences	-36	-87	-218	-20	-361
Balance at 12.31.2020	41,406	12,434	35,983	6,025	95,848

	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 12.31.2019	5,415	8,429	21,237	0	35,081
Additions to depreciation	1,011	1,285	3,782	0	6,078
Disposals	0	29	200	0	229
Reclassifications	0	0	0	0	0
IFRS 5 reclassifications	0	0	-285	0	-285
Currency differences	-7	-37	-123	0	-167
Balance at 12.31.2020	6,419	9,648	24,411	0	40,478
Carrying amounts at 12.31.2020	34,987	2,786	11,572	6,025	55,370

The reclassifications reported for land and buildings mainly result from completion of the second construction phase for the building extensions at the Birkenfeld location.

Borrowing costs of € 183k were capitalized as a component of cost in accordance with IAS 23 (Borrowing Costs) in the 2020 financial year (previous year: € 9k).

As in the previous year, it was not necessary to recognize any impairment losses in the 2020 financial year.

Property, plant and equipment developed as follows in the 2019 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 12.31.2018	22,824	11,475	28,132	7,679	70,110
Adjustments	-82	-571	653	0	0
Additions	147	499	2,941	12,556	16,143
Disposals	1,190	294	543	2,065	4,092
Reclassifications	8,128	585	681	-9,486	-92
Currency differences	295	-21	76	0	350
Balance at 12.31.2019	30,122	11,673	31,940	8,684	82,419

	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					
Balance at 12.31.2018	5,663	7,518	17,419	0	30,600
Adjustments	-82	-927	1,009	0	0
Additions	848	2,150	3,103	0	6,101
Disposals	1,088	285	423	0	1,796
Reclassifications	0	0	0	0	0
Currency differences	74	-27	129	0	176
Balance at 12.31.2019	5,415	8,429	21,237	0	35,081
Carrying amounts at 12.31.2019	24,707	3,244	10,703	8,684	47,338

(4) Inventories

Raw materials and supplies

Raw materials and supplies amounted to € 35,857k as of December 31, 2020 (previous year: € 26,909k). In the 2020 financial year, income of € 134k (previous year: € 163k) and expenses of € 594k (previous year: € 268k) 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:

	12.31.2020 € 000s	12.31.2019 € 000s
Unfinished products	14,938	10,053
Contract fulfilment costs	9,369	9,220
Total	24,307	19,273

Income of € 698k (previous year: € 19k) and expenses of € 24k (previous year: € 1,174k) resulting from changes in write-downs of unfinished products were recognized through profit or loss under cost of sales in the 2020 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 and merchandise

These items are structured as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
Finished products	5,847	9,325
Merchandise	1,006	0
Prepayments made	1,008	471
Total	7,861	9,796

Income of € 40k (previous year: € 21k) and expenses of € 53k (previous year: € 53k) resulting from changes in write-downs of finished products were recognized through profit or loss under cost of sales in the 2020 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 € 1,003k (previous year: € 1,176k), whose realization is only expected after more than twelve months.

(5) Contract assets

The contract assets of € 22,642k (previous year: € 20,396k) mainly 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 increase of € 2,246k in contract assets in the 2020 financial year was chiefly due to the recognition of sales for development projects in the Instrumentation segment in which the development work was performed over a period of time pursuant to IFRS 15.35 (c).

(6) Trade receivables

Of trade receivables (€ 34,782k; previous year: € 34,121k), an amount of € 34,782k (previous year: (€ 34,121k) is due for payment within one year. Customer credit balances have been recognized under financial liabilities.

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

Company providing service	Company receiving service	12.31.2020 € 000s	12.31.2019 € 000s
STRATEC SE	STRATEC Biomedical (Taicang) Co. Ltd.	13	13
Total		13	13

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

	2020 € 000s	2019 € 000s
Accumulated allowances at 01.01.	1,662	1,352
Expenses in period under report	245	543
Reversal	-508	0
Utilized	-7	-212
Currency differences	-107	-21
Accumulated allowances at 12.31.	1,285	1,662

Of the accumulated allowances recognized as of December 31, 2020, € 102k relate to contract assets (previous year: € 162k).

As in the previous year, no expenses were recognized through profit or loss in the 2020 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:

€ 000s	Gross amount	of which: not overdue at balance sheet date	of which: overdue at balance sheet date within following time bands		
			up to 60 days	between 60 and 90 days	more than 90 days
12.31.2020	35,952	31,077	3,121	221	1,533
Expected credit loss		135	148	53	847
12.31.2019	35,608	26,579	6,890	374	1,765
Expected credit loss		130	187	66	1,117

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 (only) 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. On the one hand, this premium covers overdue items in both 'shorter' and 'longer' time bands. On the other hand, for uninsured receivables the expected credit losses increase with the number of days overdue. Any average percentage rate disclosed as of the balance sheet date and based on days overdue would provide a chance view and would not be especially meaningful. STRATEC has therefore foregone disclosure of this figure.

(7) Financial assets

Financial assets are structured as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
Investments in associates	100	160
Investments in listed companies	1,248	907
Forward exchange transactions	1,226	0
Other	819	699
Total	3,393	1,766

Investments in associates and other financial assets of € 481k have been recognized under non-current financial assets (previous year: € 287k).

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:

	12.31.2020 € 000s	12.31.2019 € 000s
Carrying amount at 01.01.	160	158
Disposals	-59	0
Currency differences	-1	2
Total	100	160

The disposals in the 2020 financial year resulted from the transfer of the shares held in Sanguin International Inc. in connection with the disposal of STRATEC Biomedical UK, Ltd.

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, no shares in listed companies were acquired in the 2020 financial year.

Of the shares held in listed companies, shares were sold at a disposal price of € 72k in the 2020 financial year (previous year: € 28k). The profit of € 11k resulting from the sale was recognized through profit or loss under 'Other financial income/expenses' in the consolidated statement of comprehensive income (previous year: loss of € 1k).

The net income of € 402k (previous year: € 240k) resulting from the measurement of investments in listed companies as of the balance sheet date has been recognized through profit or loss under 'Other financial income/expenses' in the consolidated statement of comprehensive income.

Forward exchange transactions

The financial assets from forward exchange transactions result from the measurement as of the balance sheet date of those financial instruments used to hedge exchange rate risks. The gains of € 1,237k resulting from measurement as of the balance sheet date (previous year: € 0k) have been recognized through profit or loss under 'Other operating income' in the consolidated statement of comprehensive income.

Other

The 'Other' line item mainly includes claims of € 463k for rental deposits (previous year: € 271k), creditors with debit balances of € 60k (previous year: € 184k), receivables of € 90k due from employees (previous year: € 89k), and loans of € 29k (previous year: € 32k).

(8) Other receivables and assets

Other receivables and assets are structured as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
Contract fulfilment costs	1,767	1,705
Sales tax	6,207	4,277
Other	273	142
Total	8,247	6,124

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

(9) Shareholders' equity

The individual components of shareholders' equity, their development in 2019 and 2020, and dividends paid have been presented in the consolidated statement of changes in equity.

Share capital

The share capital of STRATEC SE amounted to € 12,103k at the balance sheet date (previous year: € 12,030k). The share capital is divided into 12,102,945 ordinary shares (previous year: 12,030,295 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 € 73k (previous year: € 61k) was due to the issue of 72,650 shares for subscription from conditional capitals in the context of stock option programs (previous year: 61,050). In the previous year, the resultant capital increase of € 61k was not yet entered in the Commercial Register as of December 31, 2019. The corresponding entry was made on January 23, 2020.

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 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 acted on. Authorized Capital amounted to € 2,400,000.00 as of December 31, 2020.

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 new shares have profit entitlement from the beginning of the financial year in which they are issued. Conditional Capital VI/2013 amounted to € 33,550.00 as of December 31, 2020.

Furthermore, § 4 (4.6) Paragraph 2 of the Articles of Association provides for Conditional **Capital VIII/2018**. This conditional capital increase serves exclusively 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. 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 € 810,000.00 as of December 31, 2020.

Furthermore, § 4 (4.7) of the Articles of Association provides for **Conditional Capital VII/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 VII/2020 amounted to € 800,000.00 as of December 31, 2020.

Total conditional capital therefore amounted to € 1,643,550.00 as of December 31, 2020 (previous year: € 1,722,700.00).

Stock option programs

The company had two stock option programs (equity-settled share-based payment) as of December 31, 2020 (previous year: three programs). 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 2015 to 2017, the individual members of the Board of Management were not granted any stock options. Rather than stock options, they were granted stock appreciation rights (cash-settled share-based payment – SARs) as a variable remuneration component of a long-term incentive nature. From the 2018 financial year, a modification to this approach means that the company no longer exclusively grants stock appreciation rights (SARs), but has once again granted stock options at a ratio of 75 % (SARs) to 25 % (stock options). Further details of the structure of the stock appreciation rights (SARs) can be found in Section 'E. Remuneration report' in the group management report.

The following specific conditions apply in respect of qualifying periods, the meeting of specific performance targets, and the lapsing of rights:

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 STRATEC's share has risen in value by at least twenty percent compared with the exercise price between the date of the option rights being granted and the date marking the expiry of the qualifying period. Following the expiry of a **seven-year term** after being granted, the option rights lapse without compensation.

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:	2020	2019	2018	2017	2016
Option rights granted (number of shares)	43,100	47,350	47,850	31,550	24,050
Weighted exercise price (in €)	76.81	59.76	60.05	51.73	48.52
Expected share price volatility in %	35.63 to 38.39	35.78 to 36.20	33.72 to 35.83	29.70 to 34.18	34.88 to 42.29
Expected dividend yield in %	0.66 to 1.28	1.11 to 1.54	1.09 to 1.45	1.69	1.23
Risk-free interest rate in %	-0.77 to -0.51	-0.70 to -0.07	0.08 to 0.34	0.22 to 0.37	-0.02 to 0.19
Assumed turnover of subscription beneficiaries in %	0.50 to 5.00	0.50 to 5.00	0.50 to 5.00	5.00	5.00
Fair value of option rights at grant date (in € 000s)	1,016	731	787	151	123

The weighted average share price has been accounted for at € 80.38 in the fair value calculation of the option rights granted in the 2020 financial year (previous year: € 59.32).

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 2019 to 2020 financial years:

Stock option rights	Board of Management		Employees		Total	
	No. of options	Weighted exercise price in €	No. of options	Weighted exercise price in €	No. of options	Weighted exercise price in €
Outstanding on 12.31.2019	60,000	40.30	140,400	55.17	200,400	50.72
of which exercisable	40,000	31.87	10,600	41.07	50,600	33.80
Granted	10,000	62.40	33,100	81.17	43,100	76.81
Exercised	40,000	31.87	32,650	46.83	72,650	38.59
Lapsed	0	n/a	1,500	31.32	1,500	31.32
Forfeited	0	n/a	9,500	59.31	9,500	59.31
Outstanding on 12.31.2020	30,000	58.91	129,850	63.87	159,850	62.94
of which exercisable	0	n/a	500	52.61	500	52.61

Stock option rights	Board of Management		Employees		Total	
	No. of options	Weighted exercise price in €	No. of options	Weighted exercise price in €	No. of options	Weighted exercise price in €
Outstanding on 12.31.2018	85,000	33.21	129,100	50.53	214,100	43.65
of which exercisable	75,000	30.11	19,100	32.54	94,100	30.60
Granted	10,000	57.82	37,350	60.28	47,350	59.76
Exercised	35,000	28.09	26,050	39.47	61,050	32.95
Lapsed	0	n/a	0	n/a	0	n/a
Forfeited	0	n/a	0	n/a	0	n/a
Outstanding on 12.31.2019	60,000	40.30	140,400	55.17	200,400	50.72
of which exercisable	40,000	31.87	10,600	41.07	50,600	33.80

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 € 593k in the 2020 financial year (previous year: € 388k). Given the consistent, low level of personnel turnover, it has not been necessary in subsequent periods to adjust the expenses calculated upon the respective rights being granted.

The 500 stock option rights exercisable as of December 31, 2020 (previous year: 50,600) entitle their bearers to acquire a total of up to 500 shares (previous year: 50,600) at a total exercise price of € 26k (previous year: € 1,710k).

The weighted average listed price on the Frankfurt Stock Exchange of those stock options exercised in the period under report since their respective issue amounted to € 110.01 (previous year: € 64.97).

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:

2020

Range in €	Number of stock options	Weighted exercise price in €	Weighted remaining contractual term in months
45.01 – 50.00	17,000	48.13	37.5
50.01 – 55.00	4,300	51.82	43.3
55.01 – 60.00	66,300	56.79	60.4
60.01 – 65.00	36,250	62.12	71.2
65.01 – 70.00	20,650	67.83	68.3
70.01 – 75.00	5,000	71.18	49.7
80.01 – 85.00	1,000	82.36	79.1
120.01 – 125.00	2,800	120.48	82.1
125.01 – 130.00	6,550	126.12	83.2
Total	159,850	62.94	62.1

2019

Range in €	Number of stock options	Weighted exercise price in €	Weighted remaining contractual term in months
25.01 – 30.00	1,500	28.09	7.1
30.01 – 35.00	41,500	31.91	14.9
35.01 – 40.00	2,800	39.98	21.3
40.01 – 45.00	11,000	43.06	39.5
45.01 – 50.00	22,300	48.11	46.1
50.01 – 55.00	18,350	52.62	48.7
55.01 – 60.00	71,300	56.81	72.1
60.01 – 65.00	8,500	60.64	70.7
65.01 – 70.00	15,650	68.52	78.7
70.01 – 75.00	7,500	71.40	62.3
Total	200,400	50.72	52.3

Employee participation program

Within the employee participation program, all eligible employees at STRATEC SE received four employee shares as part of their 2020 remuneration in the 2020 financial year. This involved transferring a total of 1,416 treasury stocks held by STRATEC SE to the respective accounts of the participating employees. In connection with the employee participation program, an amount of € 109k was recognized both as expenses and in the capital reserve. Due to the transfer of treasury stocks, the capital reserve was subsequently reduced by € 24k.

Due to the performance conditions not being met, no stocks were issued in the 2019 financial year in connection with the employee participation program based on the 2019 financial year.

Capital reserve

The capital reserve of € 29,866k (previous year: € 26,457k) 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:

	12.31.2020 € 000s	12.31.2019 € 000s
Free revenue reserves	19,392	19,392
Accumulated net income	116,660	101,586
Total	136,052	120,978

Accumulated net income developed as follows in the year under report:

	€ 000s
Accumulated net income at 12.31.2019	101,586
Consolidated net income in 2020	25,175
Distribution (dividend for 2019)	-10,101
Accumulated net income at 12.31.2020	116,660

Other equity

The other equity of € -5,411k (previous year: € -369k) 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 € -3,097k reported as of the balance sheet date (previous year: € 1,487k) 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. In connection with the deconsolidation of STRATEC Biomedical UK, Ltd., an amount of € 1,278k was deducted from the currency translation reserve in the 2020 financial year and recognized with a due charge on earnings in the 'Earnings from discontinued operations' line item. In the 2019 financial year, the deconsolidation of STRATEC Molecular GmbH led to the deduction of an amount of € 827k from the currency translation reserve. This amount was recognized, with a due charge on earnings, in the 'Earnings from discontinued operations' line item.

The amounts recognized in other comprehensive income (OCI) within equity are structured as follows:

	Balance at 01.01.2020 € 000s	OCI € 000s	Balance at 12.31.2020 € 000s
Pensions	-2,325	-401	-2,726
Deferred taxes	469	-57	412
Currency reserve	1,606	-4,763	-3,157
Deferred taxes	-119	179	60
Total	-369	-5,042	-5,411

	Balance at 01.01.2019 € 000s	OCI € 000s	Balance at 12.31.2019 € 000s
Pensions	-1,136	-1,189	-2,325
Deferred taxes	249	220	469
Currency reserve	863	743	1,606
Deferred taxes	-118	-1	-119
Total	-142	-227	-369

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 2020. 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.

STRATEC SE held 3,579 treasury stocks at the balance sheet date (previous year: 4,995). The change of 1,416 was due to treasury stocks being surrendered in connection with the employee participation program. The treasury stocks have been recognized at cost at a total amount of € 65k (previous year: € 89k) 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 2020 financial year, a dividend of € 0.84 (previous year: € 0.82) was paid per share with dividend entitlement for the 2019 financial year, corresponding to a total distribution of € 10,101k (previous year: € 9,811k).

With the approval of the Supervisory Board, the Board of Management proposes that, of the net income of € 66,622k calculated for STRATEC SE in line with the German Commercial Code, an amount of € 10,889,429.40, equivalent to € 0.90 per share with dividend entitlement, should be distributed, and that the remaining amount of € 55,733k 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, 2020, the Board of Management and Supervisory Board did not allocate any amount from the net income for 2020 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 € 4,456k in the 2020 financial year (previous year: € 4,839k). This total includes employer contributions of € 2,589k to the German state pension system (previous year: € 2,432k).

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 12.31.2020	Austria 12.31.2020	Switzerland 12.31.2020
Discount factor	0.57%	0.70%	0.20%
Future income increases	0.00%	1.50%	1.80%
Future pension increases	0.00%–1.00%	0.00%	0.00%
Personnel turnover rate	0.50%–1.50%	0.00%	*
Average duration	***	12.5 Jahre	**

	Germany 12.31.2019	Austria 12.31.2019	Switzerland 12.31.2019
Discount factor	1.04%	0.90%	0.30%
Future income increases	0.00%	2.50%	1.80%
Future pension increases	0.00%–1.00%	0.00%	0.00%
Personnel turnover rate	0.50%–1.50%	0.00%	*
Average duration	***	13.9 Jahre	**

* 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 1.30% to 28.53%; the rate for women ranges from 1.52% to 24.12%.

** The range of average duration amounts to 22.0 years at STRATEC Biomedical Switzerland AG (previous year: 21.8 years) and to 22.3 years at STRATEC Services AG (previous year: 22.4 years).

*** The average duration for pension commitments with insurance-based execution channels amounts to 22.9 years (previous year: 23.3 years) while that for direct pension commitments amounts to 11.8 years (previous year: 12.8 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, as in the previous year, on the 'BVG 2015 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:

	2020 € 000s	2019 € 000s
Present value of defined benefit obligations (DBO) as of 01.01.	11,008	8,116
Transfers due to change of employer	651	509
Current service cost	911	670
Retrospective service cost	-28	-50
Compounding of pension obligations	62	116
Payments made	-162	-153
Employee contributions to pension plan	316	253
Remeasurement of pension obligations		
Actuarial gains (-) / losses (+) due to changes in		
• financial assumptions	299	1,262
• demographic assumptions	0	162
• experience adjustments	271	-110
Currency differences	17	233
Present value of defined benefit obligations (DBO) as of 12.31.	13,345	11,008

	2020 € 000s	2019 € 000s
Fair value of plan assets as of 01.01.	5,931	4,305
Transfers due to change of employer	651	509
Employer contributions to plan assets	615	538
Employee contributions to plan assets	316	253
Interest income on plan assets	33	60
Remeasurement of plan assets		
• Income from plan assets (excluding interest income)	169	126
Currency differences	10	140
Fair value of plan assets as of 12.31.	7,725	5,931

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.

	12.31.2020 € 000s	12.31.2019 € 000s
Pension plans in Germany		
• Present value of pension obligations	2,774	2,225
• Fair value of plan assets	2,340	1,783
Financing status = net obligation	434	442
Pension plans in Austria		
• Present value of pension obligations	1,481	1,707
• Fair value of plan assets	0	0
Financing status = net obligation	1,481	1,707
Pension plans in Switzerland		
• Present value of pension obligations	9,090	7,076
• Fair value of plan assets	5,385	4,148
Financing status = net obligation	3,705	2,928
Total		
• Present value of pension obligations	13,345	11,008
• Fair value of plan assets	7,725	5,931
Financing status = net obligation	5,620	5,077

The net obligation developed as follows:

	2020 € 000s	2019 € 000s
Net obligation at 01.01.	5,077	3,811
Share of pension expenses recognized in income statement	912	676
Amounts recognized in OCI	401	1,188
Payments made	-162	-153
Employer contributions to plan assets	-615	-538
Currency differences	7	93
Net obligation at 12.31.	5,620	5,077

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:

	2020 € 000s	2019 € 000s
Current service cost	911	670
Retrospective service cost	-28	-50
Compounding of pension obligations	62	116
Interest income on plan assets	-33	-60
Share of pension expenses recognized in income statement	912	676

Service cost is included in personnel expenses, while other components of the share of pension expenses recognized in the income statement 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:

	2020 € 000s	2019 € 000s
Remeasurement of net obligation:		
Income from plan assets (excluding interest income)	-169	-126
Actuarial gains (-) / losses (+) due to changes in		
• financial assumptions	299	1,262
• demographic assumptions	0	162
• experience adjustments	271	-110
Amounts recognized in OCI	401	1,188

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 factor, 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	2020 € 000s	2019 € 000s
Discount factor +0.50%	-273	-221
Discount factor -0.50%	312	253

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	2020 € 000s	2019 € 000s
Discount factor +0.50%	-89	-113
Discount factor -0.50%	102	124
Future income increases +0.50%	100	120
Future income increases -0.50%	-88	-111

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	2020 € 000s	2019 € 000s
Discount factor +0.25%	-480	-371
Discount factor -0.25%	525	407
Future income increases +0.25%	108	88
Future income increases -0.25%	-107	-88
Interest rate on retirement assets +0.25%	192	147
Interest rate on retirement assets -0.25%	-186	-143

Plan asset endowments by STRATEC of € 959k (previous year: € 854k) are expected for the following 2021 financial year. No outgoing payments from plan assets are expected.

(II) 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 net financial expenses.

Income tax expenses can be broken down in terms of their origin as follows:

	2020 € 000s	2019 € 000s
Current tax expenses	4,495	3,283
Deferred tax expenses (previous year: income)	91	-1,063
Total	4,586	2,220

Of the deferred tax expenses of € 91k recognized in the consolidated statement of comprehensive income (previous year: income of € 1,063k), € 202k results from income due to temporary valuation differences (previous year: expenses of € 996k) and € 293k from expenses due to the recognition through profit or loss of changes in deferred tax assets on tax loss carryovers (previous year: income of € 2,059k).

The changes in the deferred tax assets on tax loss carryovers are structured as follows:

	2020 € 000s	2019 € 000s
Income from recognition	-432	-2,232
Expenses due to utilization	47	12
Expenses due to write-downs	678	161
Expenses (previous year: income) due to changes	293	-2,059
Currency translation	46	-3
Total	339	-2,062

In the 2020 financial year, deferred tax assets of € 4,707k (previous year: € 5,046k) were recognized on tax loss carryovers at STRATEC SE and at two subsidiaries (previous year: three). In the 2020 financial year, deferred tax assets of € 678k on loss carryovers were written down (previous year: € 161k). 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 € 9,913k (previous year: € 6,206k). The unused tax loss carryovers for which no deferred tax assets have been recognized in the 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:

	11 to 15 years € 000s	16 to 20 years € 000s	Unlimited € 000s	Total € 000s
Loss carryover	3,926	2,132	3,855	9,913
(previous year)	(3,741)	(1,734)	(731)	(6,206)

The tax expenses of € 4,586k reported for the 2020 financial year (previous year: € 2,220k) deviate by € 4,455k (previous year: € 2,293k) from the tax expenses of € 9,041k (previous year: € 4,513k) 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:

	2020 € 000s	2019 € 000s
Earnings before taxes on income	33,021	16,482
Overall tax rate	27.38%	27.38%
Expected tax expenses (-) / income (+)	-9,041	-4,513
Deviations in German and foreign tax rates	5,581	2,906
Impact of increase (-) / decrease (+) in effective tax rates	-371	114
Tax-exempt income (+) / expenses (-) from investments, securities price gains/losses, and dividends	-10	-49
Expenses not deductible for tax purposes less tax settlements	167	-294
IFRS personnel expenses (stock options)	-162	-106
Tax back payments / refunds for previous years and non-period tax expenses / income	241	92
Write-down of deferred tax assets	-678	-260
Sundry	-313	-158
IFRS 5 implications	0	48
Reported tax expenses (-) / income (+)	-4,586	-2,220

The items presented in the 'IFRS 5 implications' line item in the previous year result from the fact that STRATEC Molecular GmbH is integrated into a fiscal unit with STRATEC SE for income tax purposes. As a result, the earnings at STRATEC Molecular GmbH were also adjusted within earnings before taxes on income in the tax reconciliation. This did not lead to any amendment to the tax expenses reported, as the resultant income tax effects are basically incurred on the level of the parent company.

The income tax receivables of € 1,710k (previous year: € 4,101k) are attributable to prepayments and refunds of taxes on income. The income tax liabilities (€ 2,774k; previous year: € 2,260k) relate to current income tax obligations.

Deferred taxes are recognized for the following balance sheet items and factors:

	12.31.2020		12.31.2019	
	Deferred tax assets € 000s	Deferred tax liabilities € 000s	Deferred tax assets € 000s	Deferred tax liabilities € 000s
Other intangible assets	312	10,747	465	10,196
Right-of-use assets	0	2,015	0	1,405
Property, plant and equipment	135	224	87	321
Non-current financial assets	0	501	0	571
Non-current other receivables and assets	99	0	83	0
Non-current contract assets	314	1,425	103	1,713
Inventories	320	559	592	833
Trade receivables	1,539	233	1,619	148
Receivables from associates	41	708	1	795
Current financial assets	0	187	0	22
Other receivables and assets	32	0	34	0
Current contract assets	1	862	8	830
Non-current financial liabilities	1,930	0	1,163	0
Non-current other liabilities	0	0	51	0
Provisions for pensions	985	52	1,007	0
Non-current contract liabilities	146	0	260	0
Current financial liabilities	492	0	459	0
Liabilities from associates	221	0	118	0
Current other liabilities	135	10	115	3
Provisions	6	127	7	120
Current contract liabilities	259	0	131	0
Tax loss carryovers	4,707	0	5,046	0
Net investment in foreign operation	48	28	0	98
Currency translation	126	84	79	97
Subtotal	11,848	17,762	11,428	17,152
Netting	-10,386	-10,386	-10,221	-10,221
Amount recognized in consolidated balance sheet	1,462	7,376	1,207	6,931

(12) Non-current and current financial liabilities

Non-current financial liabilities are structured as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
Liabilities to banks	95,524	82,893
Lease liabilities	8,751	6,914
Liabilities for personnel-related items	2,049	571
Accrued trade payables	0	0
Other	0	0
Total	106,324	90,378

Current financial liabilities are structured as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
Liabilities to banks	3,369	1,633
Lease liabilities	1,934	1,821
Liabilities for personnel-related items	5,801	3,702
Accrued trade payables	2,755	2,353
Other	55	75
Total	13,914	9,584

Financial liabilities to banks

Liabilities to banks include liabilities of € 65 million (previous year: € 64 million) in connection with a master credit facility with a revolving credit line of up to € 70 million that was concluded with three banks and has a term through to June 30, 2022. 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 were complied with in each case in the 2020 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 2020 financial year, lease liabilities of € 1,847k were repaid (previous year: € 1,737k), while lease interest of € 453k was paid (previous year: € 320k). Leases resulted in a total outflow of funds amounting to € 2,765k in the 2020 financial year (previous year: € 2,207k). With regard to the interest expenses recognized for lease liabilities under net financial expenses in the 2020 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 € 394k for variable lease payments were not included in the measurement of lease liabilities in the 2020 financial year (previous year: € 397k).

Financial liabilities for personnel-related items

Financial liabilities for personnel-related items chiefly comprise obligations of € 7,031k in connection with profit participation schemes (previous year: € 3,532k).

Obligations for profit participation schemes include obligations for short-term performance-related remuneration for employees (€ 1,122k; previous year: € 1,113k), and obligations for short, medium, and long-term performance-related remuneration for the Board of Management (€ 5,909k; previous year: € 2,419k). The obligations for long-term performance-related remuneration for the Board of Management (€ 4,121k; previous year: € 1,063k) correspond to the fair value of the payments expected for the stock appreciation rights (SARs) granted. The fair value has been determined as an arbitrage-free valuation using the Black/Scholes method and with application of the binomial tree method. Further information about the structure of the short, medium, and long-term performance-related remuneration for the Board of Management can be found in Section 'E. Remuneration report' in the Group Management Report.

Stock appreciation rights (SARs)

The fair value of the stock appreciation rights (SARs) as of the measurement date on December 31, 2020 was determined on the basis of the following parameters:

Stock appreciation rights (SARs) model parameters	Tranche I 2020 financial year	Tranche I 2019 financial year
Issue date	01.23.2020	01.15.2019
Average share price on issue date	€ 64.80	€ 57.82
Term		
Overall term	60.0 months	60.0 months
Remaining term as of 12.31.	48.8 months	36.5 months
Minimum qualifying period		
Overall term	24.0 months	24.0 months
Remaining term as of 12.31.	12.8 months	0.5 months
Share price at measurement date	€ 122.80	€ 122.80
Expected volatility	46.13%	47.10%
Risk-free interest rate	-0.77%	-0.77%
Fair value on issue date	€ 17.55	€ 18.43
Fair value as of 12.31.	€ 66.68	€ 70.70

The development in the total number of stock appreciation rights (SARs) in the reporting period is presented below:

Absolute figures	Total at 01.01.2020	Granted	Exercised, lapsed, forfeited	Total at 12.31.2020	of which exercisable
Tranche I 2018	30,000	0	-30,000	0	0
Tranche I 2019	30,000	0	0	30,000	0
Tranche I 2020	0	30,000	0	30,000	0
Total	60,000	30,000	-30,000	60,000	0

The total expenses recognized in the 2020 financial year for equity-settled share-based payments amounted to € 593k (previous year: € 388k) – further information can be found in '(9) Shareholders' equity' in this section – while total expenses for cash-settled share-based payments amounted to € 5,151k (previous year: € 966k).

Maturities

Financial liabilities have the following maturities:

Maturity ¹	12.31.2020 € 000s
2021	13,914
2022	72,609
2023	5,449
2024	5,427
2025	4,775
2026 and later	18,064
Total	120,238

Maturity ¹	12.31.2019 € 000s
2020	9,584
2021	4,618
2022	68,044
2023	3,289
2024	2,761
2025 and later	11,666
Total	99,962

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 € 8,485k (previous year: € 12,266k) mostly involve goods and services provided in November and December 2020. Also as in the previous year, these items are due for payment within one year.

Trade payables include liabilities of € 13k to associates (previous year: € 58k). These liabilities are structured as follows:

Company providing service	Company receiving service	12.31.2020 € 000s	12.31.2019 € 000s
STRATEC Biomedical (Taicang) Co. Ltd.	STRATEC SE Mod-n-More Kft.	13 0	24 34
Total		13	58

(14) Non-current and current other liabilities

Other liabilities are structured as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
Liabilities for personnel-related items	3,310	2,912
Other tax liabilities	1,333	1,166
Social security liabilities	1,863	1,067
Other	479	1,352
Total	6,985	6,497

Of the 'Other' amount, € 481k was recognized in the previous year under non-current other liabilities.

Liabilities for personnel-related items mainly consist of liabilities for outstanding vacation (€ 2,112k; previous year: € 2,135k) and employee working time credits (€ 1,074k; previous year: € 777k).

The 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 2020 financial year, STRATEC received government grants of € 1,159k (previous year: € 1,262k). These relate exclusively to grants for research purposes. Total accrued liabilities for government grants amount to € 271k (previous year: € 934k).

Other liabilities have the following maturities:

Maturity	12.31.2020 € 000s	Maturity	12.31.2019 € 000s
2021	6,985	2020	6,016
2022	0	2021	238
2023	0	2022	61
2024	0	2023	61
2025	0	2024	61
2026 and later	0	2025 and later	60
Total	6,985	Total	6,497

(15) Contract liabilities

Contract liabilities mainly relate to prepayments received from customers for development services and product deliveries. The overwhelming share of contract liabilities will be recognized as sales in the subsequent financial year.

Contract liabilities were structured as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
Development and services	5,902	5,464
Other	373	812
Total	6,275	6,276

Contract liabilities have the following maturities:

Maturity	12.31.2020 € 000s	Maturity	12.31.2019 € 000s
2021	1,902	2020	4,407
2022	1,620	2021	1,869
2023	101	2022	0
2024	2,072	2023	0
2025	145	2024	0
2026 and later	435	2025 and later	0
Total	6,275	Total	6,276

(16) Provisions

Current provisions mainly include provisions for guarantees and warranties (€ 1,606k; previous year: € 1,138k).

Provisions developed as follows:

	12.31.2020 € 000s	12.31.2019 € 000s
01.01.	1,138	1,348
Added	475	541
Reversed	0	-50
Utilized	0	-718
Currency differences	-7	17
Total	1,606	1,138

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 for the period from January 1, 2020 to December 31, 2020 are structured as follows:

Segments	Instrumentation € 000s	Diatron € 000s	Smart Consumables € 000s	Total € 000s
Type of goods or services				
Analyzer systems	106,240	36,866	0	143,106
Service parts and consumables	52,648	18,432	8,505	79,585
Development and services	17,614	545	8,598	26,757
Other	15	636	0	651
Total	176,517	56,479	17,103	250,099
Geographical regions				
Germany	26,509	16,446	460	43,415
European Union	72,325	15,020	4,898	92,243
• of which UK	1,647	77	839	2,563
Other	77,683	25,013	11,745	114,441
• of which US	61,037	17,825	7,870	86,732
Total	176,517	56,479	17,103	250,099
Time at which sales are recognized				
Recognized at a point in time	169,915	56,479	16,643	243,037
Recognized over time	6,602	0	460	7,062
Total	176,517	56,479	17,103	250,099

Sales from contracts with customers for the period from January 1, 2020 to December 31, 2020 are structured as follows:

Segments	Instrumentation € 000s	Diatron € 000s	Smart Consumables € 000s	Total € 000s
Type of goods or services				
Analyzer systems	76,725	25,614	0	102,339
Service parts and consumables	44,779	15,793	6,897	67,469
Development and services	32,914	934	9,938	43,786
Other	24	539	0	563
Total	154,442	42,880	16,835	214,157
Geographical regions				
Germany	21,690	10,593	733	33,016
European Union	78,133	10,318	5,726	94,177
• of which UK	1,453	74	3,932	5,459
Other	54,619	21,969	10,376	86,964
• of which US	36,447	14,655	7,979	59,081
Total	154,442	42,880	16,835	214,157
Time at which sales are recognized				
Recognized at a point in time	147,403	42,880	16,064	206,347
Recognized over time	7,039	0	771	7,810
Total	154,442	42,880	16,835	214,157

In assessing the figures reported above, it should be noted that, due to improved possibilities within STRATEC's internal reporting, items were reclassified within the breakdown of sales by type of goods or services for the period from January 1, 2019 to December 31, 2019. Information about these items can be found in our comments in Section 'A. General disclosures – Voluntary amendments of accounting policies'.

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 € 77.9 million and € 48.2 million (previous year: € 46.9 million and € 41.4 million). These figures in all cases include sales for several analyzer system lines, development activities, and services and consumables. The sales generated with these customers are allocable to the Instrumentation and Diatron segments.

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:

	2020 € 000s	2019 € 000s
Sales from amounts included in contract liabilities at the beginning of the financial year	843	10,490
Sales from performance obligations satisfied in previous financial years	0	0
Total	843	10,490

(18) Cost of sales

Cost of sales, amounting to € 181,110k (previous year: € 163,257k), include production-related manufacturing expenses incurred for the products, maintenance and spare parts sold, and for development and services.

In assessing the figures reported above, it should be noted that, due to the amended presentation of proportionate costs of sales, items were reclassified between cost of sales, research and development expenses, sales-related expenses, and general administration expenses in the 2020 financial year. With regard to these items, reference is made to the information provided in Section 'A. General disclosures – Voluntary amendments of accounting policies'. The previous year's figures have been adjusted accordingly.

(19) Research and development expenses

Research and development expenses not meeting the criteria for capitalization pursuant to IAS 38 (Intangible Assets) totaled € 7,670k (previous year: € 8,251k) and mainly involved cost of materials and personnel expenses.

With regard to the adjustments made to the comparative figures for the previous year, reference is made to the information provided in '(18) Cost of sales' in this section.

Gross development expenses were structured as follows:

	2020 € 000s	2019 € 000s
Research and development expenses	43,370	40,197
of which development expenses recognized as revenues or capitalized	-35,700	-31,946
Total	7,670	8,251

In the financial year under report, an amount of € 1,161k from grants was recognized as a reduction to research and development expenses (previous year: € 644k).

(20) Sales-related expenses

Sales-related expenses amounted to € 8,808k (previous year: € 9,464k) 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.

With regard to the adjustments made to the comparative figures for the previous year, reference is made to the information provided in '(18) Cost of sales' in this section.

(21) General administration expenses

At € 18,876k (previous year: € 16,672k), 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.

With regard to the adjustments made to the comparative figures for the previous year, reference is made to the information provided in '(18) Cost of sales' in this section.

(22) Other operating expenses and income

Other operating expenses are structured as follows:

	2020 € 000s	2019 € 000s
From exchange rate losses	8,928	3,866
Other	211	14
Total	9,139	3,880

Other operating income is structured as follows:

	2020 € 000s	2019 € 000s
From exchange rate gains	7,312	2,848
From forward exchange transactions	1,237	0
From reversals of provisions and liabilities	35	50
Other	597	1,657
Total	9,181	4,555

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 (7) Financial assets'.

Other than that, other operating income and other operating expenses also included numerous standalone items which, viewed individually, were only of subordinate significance.

(23) Net financial expenses

Financial income is structured as follows:

	2020 € 000s	2019 € 000s
Interest income on cash and cash equivalents	4	10
Other financial income	40	19
Total	44	29

Financial expenses are structured as follows:

	2020 € 000s	2019 € 000s
Interest expenses on loan liabilities to banks	637	602
Interest expenses for leases	436	267
Net interest from pension provisions	29	56
Interest expenses for compounding of liabilities and provisions	5	8
Other interest expenses	6	41
Total	1,113	974

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

	2020 € 000s	2019 € 000s
Gains/losses on financial assets measured at fair value through profit or loss :		
• Gains (+) / losses (-) on retirement	11	-1
• Gains (+) / losses (-) on measurement at balance sheet date	402	240
Total	413	239

(24) Earnings from discontinued operations

Overall, earnings from discontinued operations are structured as follows

	2020 € 000s	2019 € 000s
Sales	6,153	7,934
Current income and expenses	-5,196	-6,098
Current earnings from discontinued operation (before taxes on income)	957	1,836
Taxes on income	-208	-33
Expenses from measurement at fair value less costs to sell ¹) and from disposal of operation	-4,009	-1,625
Earnings from discontinued operation (after taxes on income)	-3,260	178

¹ of which impairments of non-current assets: € 4,104k (previous year: € 46k)

(25) 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 12,061,730 (previous year: 11,991,531).

Pursuant to IAS 33 (Earnings per Share), the consolidated net income of € 25,175k (previous year: € 14,440k) 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, 2020, both basic earnings per share (€ 2.09; previous year: € 1.20) and diluted earnings per share (€ 2.07; previous year: € 1.20) 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 12,152,665 (previous year: 12,061,926).

(26) Additional disclosures on the consolidated statement of comprehensive income

Cost of materials

The functional divisions include the following cost of materials:

	2020 € 000s	2019 € 000s
Costs of raw materials and supplies	114,739	92,591
Costs of purchased services	6,995	4,722
Total	121,734	97,313

The discontinued operations account for € 18k of the costs of raw materials and supplies (previous year: € 140k) and € 3,474k of the costs of purchased services (previous year: € 1,020k).

Personnel expenses

The functional divisions include the following personnel expenses:

	2020 € 000s	2019 € 000s
Wages and salaries	67,804	59,792
Social security contributions and pension and welfare expenses	10,524	10,950
Total	78,328	70,742

Furthermore, expenses of € 2,996k (previous year: € 2,143k) were incurred for wages and salaries for third-party employees (personnel leasing).

Of the personnel expenses for wages and salaries, an amount of € 1,110k (previous year: € 3,024k) is attributable to the discontinued operations, while an amount of € 187k (previous year: € 636k) of the social security contributions and pension and welfare expenses is attributable to these operations. None of the expenses incurred for wages and salaries for third-party employees was attributable to the discontinued operations.

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:

	2020 Number	2019 Number
Employees	1,172	1,125
Trainees	54	47
Employees in permanent employment	1,226	1,172
Temporary employees	102	76
Total	1,328	1,248

Of permanent employees, 473 (previous year: 460) were in Germany, and 699 (previous year: 665) abroad. Of temporary employees, 17 (previous year: 23) were in Germany, and 85 (previous year: 53) abroad.

Of permanent employees, none in Germany (previous year: 7) and 17 abroad (previous year: 53) were attributable to the discontinued operations.

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:

	2020 € 000s	2019 € 000s
Fee for		
a) Auditing	177	194
- of which for the previous year	0	-21
b) Other certification services	0	0
c) Tax advisory services	0	0
d) Other services	20	10
Total auditor's fee	197	204

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 and cash equivalents which, like in the consolidated balance sheet, have been recognized at the exchange rate on the reporting date. The impact of changes in exchange rates on cash and cash equivalents 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 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 other financial income/expenses. 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

	Balance at 01.01.2020 € 000s	Cash-effective changes € 000s	Exchange rates € 000s	Non-cash-effective changes			Balance at 12.31.2020 € 000s
				New leases € 000s	IFRS 5 reclassifications € 000s	Other ¹ € 000s	
Non-current liabilities to banks	82,893	13,256	0	0	0	-625	95,524
Non-current lease liabilities	6,914	0	-32	4,922	-1,119	-1,934	8,751
Current liabilities to banks	1,633	1,111	0	0	0	625	3,369
Current lease liabilities	1,821	-1,847	4	119	-97	1,934	1,934
Total	93,261	12,520	-28	5,041	-1,216	0	109,578

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 12.31.2018 € 000s	IFRS 16 adjustments € 000s	Balance at 01.01.2019 € 000s	Cash- effective changes € 000s	Non-cash-effective changes			Balance at 12.31.2019 T€
					Exchange rates € 000s	New leases € 000s	Other ¹ € 000s	
Non-current liabilities to banks	68,526	0	68,526	16,000	0	0	-1,633	82,893
Non-current lease liabilities	0	6,614	6,614	0	14	2,115	-1,829	6,914
Current liabilities to banks	1,008	0	1,008	-1,008	0	0	1,633	1,633
Current lease liabilities	0	1,685	1,685	-1,737	-11	55	1,829	1,821
Total	69,534	8,299	77,833	13,255	3	2,170	0	93,261

¹The 'Other' column includes the effects of reclassifications from the non-current share of liabilities for financing activities arising due to the passage of time.

Presentation of implications of IFRS 5

As there are various options for meeting the requirements of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) and IAS 7 (Statement of Cash Flows) with regard to the presentation of cash flows, STRATEC has selected the following presentation:

- The cash flow statement includes all cash flows, i.e. both from continuing and from discontinued operations.
- The cash flows relating to the discontinued operations (cash flows from operating, investing, and financing activities) are stated below.

	2020 € 000s	2019 € 000s
Cash from operating activities	2,286	-295
Cash flow from investing activities	-283	-1,882
Cash flow from financing activities	-26	-137

STRATEC Biomedical UK held cash and cash equivalents of € 649k as of its deconsolidation date and € 305k as of December 31, 2019. STRATEC Molecular GmbH held cash and cash equivalents of € 871k as of its deconsolidation date.

Depreciation and amortization of € 185k (previous year: € 290k) and impairments of € 4,104k for non-current assets (previous year: € 46k) were attributable to the discontinued operations in the 2020 financial year.

The incoming payments from the sale of discontinued operations, less the cash funds thereby ceded, have been presented as a separate line item within the cash flow from investing activities, while the income from deconsolidation has been included in other non-cash expenses within the cash flow from operating activities.

(27) Cash and cash equivalents

Cash and cash equivalents comprises cash holdings and credit balances at banks with original maturities of up to three months. As of December 31, 2020, cash and cash equivalents amounted to € 37,561k (previous year: € 22,708k).

F. SEGMENT REPORTING

STRATEC is managed by reference to a matrix organizational structure which aggregates individual areas of activity in business units across various locations. Business units are aggregated on the basis of the products and services thereby offered. These units therefore basically constitute operating segments pursuant to IFRS 8 (Operating Segments). Separate segment reporting is provided where the quantitative thresholds pursuant to IFRS 8 (Operating Segments) are exceeded.

The following business units have been identified as reporting segments: 'Instrumentation', 'Diatron', and 'Smart Consumables'. In its '**Instrumentation**' segment, STRATEC designs and manufactures fully automated analyzer systems for its clinical diagnostics and biotechnology customers. The Diatron Group represents a standalone segment ('**Diatron**') and extends STRATEC's offering to include products and customer services for analyzer systems, system components, consumables, and tests in the lower throughput segment. The '**Smart Consumables**' segment includes the development and production of smart consumables in the fields of diagnostics, life sciences, and medical technology.

The operations discontinued in the 2020 financial year and the previous year were allocated to the 'Other Activities' and 'Smart Consumables' segments respectively. Existing supply and delivery relationships between STRATEC and STRATEC Biomedical UK, Ltd. are allocated to the 'Instrumentation' segment.

The accounting policies applied to the reporting segments are consistent with the accounting policies set out in Section 'B. Accounting policies applied.' The reconciliation of segment data to the relevant group data therefore mainly involves accounting for consolidation entries and amounts relating to the business units recognized as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

Segment data by operating segment for 2020

	Instrumentation (includes service parts and consumables allocable to business unit) € 000s	Diatron (includes service parts and consumables allocable to business unit) € 000s	Smart Consumables € 000s	Total ¹ € 000s	Reconciliation ² € 000s	Total € 000s
Sales with external customers	176,517	56,479	17,103	250,099	0	250,099
Inter-segmental sales	1,629	5,509	1,010	8,148	-8,148	0
Depreciation, amortization, and impairments	6,944	7,200	4,157	18,301	4,289	22,590
EBITDA	35,221	15,934	823	51,978	0	51,978
Adjusted EBITDA	35,221	15,934	823	51,978	0	51,978
EBIT	28,277	8,734	-3,334	33,677	0	33,677
Adjusted EBIT	28,277	14,619	-1,183	41,713	0	41,713
Interest income	2,469	0	29	2,498	-2,454	44
Interest expenses	666	2,296	605	3,567	-2,454	1,113
Assets	354,919	59,572	31,286	445,777	-113,873	331,904
Additions to non-current assets	21,351	2,879	1,068	25,298	283	25,581
Average number of employees	760	273	177	1,209	17	1,226

¹ Excluding segment data for the operations disposed of pursuant to IFRS 5.

² With regard to the reconciliation of the figures adjusted for one-off items with the Group figures, reference is made to the information provided in the Group Management Report in Section 'B. Business Report – Position'.

Segment data by operating segment for 2019

	Instrumentation (includes service parts and consumables allocable to business unit) € 000s	Diatron (includes service parts and consumables allocable to business unit) € 000s	Smart Consumables € 000s	Total¹ € 000s	Reconciliation² € 000s	Total € 000s
Sales with external customers	154,442	42,880	16,835	214,157	0	214,157
Inter-segmental sales	2,975	2,894	611	6,480	-6,480	0
Depreciation, amortization, and impairments	6,336	7,427	4,645	18,408	336	18,744
EBITDA	25,766	9,478	352	35,596	0	35,596
Adjusted EBITDA	28,486	9,478	706	38,670	0	38,670
EBIT	19,430	2,051	-4,293	17,188	0	17,188
Adjusted EBIT	22,151	8,353	-1,245	29,259	0	29,259
Interest income	2,460	0	0	2,460	-2,431	29
Interest expenses	703	2,209	493	3,405	-2,431	974
Assets	318,102	59,683	31,113	408,898	-109,484	299,414
Additions to non-current assets	21,435	1,575	1,944	24,954	1,892	26,846
Average number of employees	717	229	166	1,112	60	1,172

¹Excluding segment data for the operations disposed of pursuant to IFRS 5.

²With regard to the reconciliation of the figures adjusted for one-off items with the Group figures, reference is made to the information provided in the Group Management Report in Section 'B. Business Report – Position'.

Of non-current assets at the reporting segments, excluding financial instruments and deferred taxes, € 66,555k are located in the country of origin of STRATEC SE (previous year: € 54,025k) and € 91,366k in other countries (previous year: € 98,987k). Further disclosures on company level have been presented in Section 'D. Notes to the consolidated statement of comprehensive income (17) Sales'.

G. FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of individual financial assets and liabilities for each individual class of financial instruments pursuant to IFRS 9 (Financial Instruments) and reconciles these with the corresponding balance sheet items.

As financial liabilities also include the financial instruments covered by IFRS 2 (Share-based Payment), which are exempted from the scope of IFRS 7 (Financial Instruments: Disclosures), the 'Not in scope of IFRS 7' column provides a corresponding reconciliation of these items.

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

Figures in € 000s 12.31.2020 (12.31.2019)	IFRS 9 cate- gory	Carrying amount	Amortized cost	Fair value			Not in scope of IFRS 7	Total	Fair value
				of which Level 1	of which Level 2	of which Level 3			
Non-current assets									
Financial assets									
• Investments in associates	n/a	100 (160)					100 (160)	100 (160)	100 (160)
• Other financial assets	AC	481 (287)	481 (287)					481 (287)	481 (287)
Current assets									
Trade receivables									
	AC	34,782 (34,121)	34,782 (34,121)					34,782 (34,121)	34,782 (34,121)
Financial assets									
• Amortized cost	AC	338 (412)	338 (412)					338 (412)	338 (412)
• Fair value through profit or loss	FVTPL	2,474 (907)		1,248 (907)	1,226			2,474 (907)	2,474 (907)
Cash and cash equivalents	AC	37,561 (22,708)	37,561 (22,708)					37,561 (22,708)	37,561 (22,708)
Total financial assets									
• Amortized cost	AC	73,162 (57,528)	73,162 (57,528)	0 (0)	0 (0)	0 (0)	0 (0)	73,162 (57,528)	
• Fair value through profit or loss	FVTPL	2,474 (907)	0 (0)	1,248 (907)	1,226 (0)	0 (0)	0 (0)	2,474 (907)	
• Fair value through OCI	FVTOCI	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	
• Not in scope of IFRS 7	n/a	100 (160)	0 (0)	0 (0)	0 (0)	0 (0)	100 (160)	100 (160)	
Non-current debt									
Financial liabilities									
• Amortized cost	AC	104,323 (89,846)	104,323 (89,846)					104,323 (89,846)	103,051 (88,281)
• Not in scope of IFRS 7	n/a	2,001 (532)					2,001 (532)	2,001 (532)	2,001 (532)
Current debt									
Financial liabilities									
• Amortized cost	AC	11,794 (9,053)	11,794 (9,053)					11,794 (9,053)	12,747 (9,847)
• Fair value through profit or loss	FVTPL	0 (0)						0 (0)	0 (0)
• Not in scope of IFRS 7	n/a	2,120 (531)					2,120 (531)	2,120 (531)	2,120 (531)
Trade payables	AC	8,485 (12,266)	8,485 (12,266)					8,485 (12,266)	8,485 (12,266)
Total financial liabilities									
• Amortized cost	AC	124,602 (111,165)	124,602 (111,165)	0 (0)	0 (0)	0 (0)	0 (0)	124,602 (111,165)	
• Fair value through profit or loss	FVTPL	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	
• Fair value through OCI	FVTOCI	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	
• Not in scope of IFRS 7	n/a	4,121 (1,063)	0 (0)	0 (0)	0 (0)	0 (0)	4,121 (1,063)	4,121 (1,063)	

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 predominantly short-term maturities of trade receivables, cash and cash equivalents, trade payables, and some of the other financial assets and liabilities, their carrying amounts approximate to their fair values.

The net results on financial instruments broken down into their respective measurement categories were as follows:

From subsequent measurement									
Figures in € 000s 2020	IFRS 9 category	From invest- ments	From interest	Fair value through profit or loss	Fair value through OCI	Currency translation	Impairment	From disposals	Net results
Financial assets measured at amortized cost	AC	0	37	0	0	-496	263	0	-196
Financial assets measured at fair value (not designated)	FVTPL	7	0	1,639	0	0	0	11	1,657
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	-1,084	0	0	-1,120	0	0	-2,204
Total		7	-1,047	1,639	0	-1,616	263	11	-743

From subsequent measurement									
Figures in € 000s 2019	IFRS 9 category	From invest- ments	From interest	Fair value through profit or loss	Fair value through OCI	Currency translation	Impairment	From disposals	Net results
Financial assets measured at amortized cost	AC	0	10	0	0	-1,231	-385	0	-1,606
Financial assets measured at fair value (not designated)	FVTPL	19	0	240	0	0	0	-1	258
Financial liabilities measured at fair value (not designated)	FVTPL	0	0	0	0	0	0	16	16
Financial liabilities measured at amortized cost	AC	0	-877	0	0	218	0	0	-659
Total		19	-867	240	0	-1,013	-385	15	-1,991

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 € 413k has been recognized in other financial income/expenses (previous year: € 240k).

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 and cash equivalents at the balance sheet date resulted in currency income of € 253k (previous year: € 68k) recognized through profit or loss under other operating income. Currency expenses of € 547k (previous year: € 118k) have been recognized under other operating expenses in connection with the translation of cash and cash equivalents 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:

- The risk involved in a specific valuation method used to calculate fair value (such as a price model), and
- 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 2020 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 01.01.2019	696	-15	0
Total gains or losses recognized through profit or loss			
• Other operating income	0	15	0
• Other operating expenses	0	0	0
• Other financial income/expenses	239	0	0
Total gains or losses recognized in OCI	0	0	0
• Changes in value			
• Reclassifications out of OCI into profit or loss	0	0	0
Additions	0	0	0
Retirements			
• Due to sale	-28	0	0
• Due to derecognition	0	0	0
Balance at 12.31.2019	907	0	0
Total gains or losses recognized through profit or loss			
• Other operating income	0	1,237	0
• Other operating expenses	0	0	0
• Other financial income/expenses	413	0	0
Total gains or losses recognized in OCI	0	0	0
• Changes in value			
• Reclassifications out of OCI into profit or loss	0	0	0
Additions	0	0	0
Retirements			
• Due to sale	-72	0	0
• Due to derecognition	0	0	0
Additions	0	-11	0
Balance at 12.31.2020	1,248	1,226	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:

Figures in € 000s	Carrying amount 12.31.2020	Cash flows 2021		Cash flows 2022		Cash flows 2023 – 2024		Cash flows 2025 and later	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial liabilities	120,238	1,525	13,914	1,054	72,609	1,119	10,876	1,074	22,839
• of which lease liabilities									
• of which derivatives	10,685	539	1,934	403	1,785	536	3,589	265	3,377
Trade payables	8,485	0	8,485	0	0	0	0	0	0
Total	128,723	1,525	22,399	1,054	72,609	1,119	10,876	1,074	22,839

Figures in € 000s	Carrying amount 12.31.2019	Cash flows 2020		Cash flows 2021		Cash flows 2022 – 2023		Cash flows 2024 and later	
		Zins	Tilgung	Zins	Tilgung	Zins	Tilgung	Zins	Tilgung
Financial liabilities	99,962	1,142	9,584	1,054	4,618	737	71,333	776	14,427
• of which lease liabilities									
• of which derivatives	8,735	319	1,821	252	1,789	289	3,198	110	1,927
Trade payables	12,266	0	12,266	0	0	0	0	0	0
Total	112,228	1,142	21,850	1,054	4,618	737	71,333	776	14,427

Financing contracts with banks and remaining terms of up to five years charge interest at a weighted average of 0.92% (previous year: 0.92%), while financing contracts with remaining terms of more than five years charge interest at a weighted average of 1.19% (previous year: 1.13%). 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.

Financial instruments could in principle give rise to the following risks for the company:

Liquidity risks

For STRATEC, liquidity risks involve the risk of not being able to meet payment obligations due to insufficient cash and cash equivalents. 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 and cash equivalents of € 37,561k at the balance sheet date (previous year: € 22,708k). As of December 31, 2020, unutilized committed credit lines totaling € 15 million were available to STRATEC (previous year: € 6 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. At STRATEC, this risk relates in particular to receivables from customers. 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. Remaining default risks are accounted for with suitable allowances for 'expected credit losses'.

Liquid funds are invested solely in the form of short-term monthly deposits 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 in US dollars and inter-company 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), and Hungarian forints (HUF) 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 making 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	12.31.2020					12.31.2019				
	GBP	CHF	USD	HUF	RON	GBP	CHF	USD	HUF	RON
Cash and cash equivalents	19	5,359	11,774	5,819	663	189	3,721	2,024	2,795	512
Trade and other receivables	1	2,705	15,982	4,366	30	486	2,442	11,891	5,975	0
Receivables from associates	0	8,147	3,980	1,104	391	2,475	19,986	1,837	3,730	393
Financial assets	0	0	1,226	388	0	0	1	5	190	0
Forward exchange transactions	0	0	-31,849	0	0	0	0	0	0	0
Trade payables	0	1,131	651	1,360	0	42	841	445	2,959	0
Liabilities to associates	0	8,404	137	2,062	2,700	144	13,894	405	5,393	3,049
Financial liabilities	0	0	0	3,801	0	0	0	13	2,994	0
Net risk exposure	20	6,676	325	4,454	-1,616	2,964	11,415	14,894	1,344	-2,144

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 as of the balance sheet date:

Material foreign currency items translated into € 000s	12.31.2020					12.31.2019				
	GBP	CHF	USD	HUF	RON	GBP	CHF	USD	HUF	RON
Change in currency by +10%										
Change in consolidated net income (€ 000s)	-2	-607	-39	-405	147	-269	-1,038	-1,354	-122	195
Change in currency by -10%										
Change in consolidated net income (€ 000s)	2	742	48	495	-180	329	1,268	1,655	149	-238

In the 2020 financial year, income from currency translation totaling € 7,312k (previous year: € 2,848k) and expenses for currency translation totaling € 8,928k (previous year: € 3,866k) 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 extremely low by historical standards, the cash and cash equivalents at STRATEC now only 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:

	2020 € 000s	2019 € 000s
Interest-bearing medium and long-term financial assets	49	52
• of which with floating interest rates	0	0
• of which with fixed interest rates	49	52
Interest-charging financial liabilities	98,893	84,526
• of which with floating interest rates	65,000	64,000
• of which with fixed interest rates	33,893	20,526

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 € 65,000k with floating interest rates at the balance sheet date as of December 31, 2020 (previous year: € 64,000k).

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 that time.

€ 000s	Carrying amount 12.31.2020	Cashflows 2021		Cashflows 2022	
		Interest	Principal	Interest	Principal
Financial liabilities with floating interest rates (1-month EURIBOR)					
Actual	65,000	597	0	298	65,000
+100 basis points	65,000	1,247	0	623	65,000
-100 basis points	65,000	416	0	208	65,000

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 at fair value 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 € 125k (previous year: € 91k) higher (lower).

Capital management

The objectives of capital management at STRATEC are:

- To safeguard the company's continued existence to enable it to continue generating income for shareholders and benefits for other stakeholders, and
- To generate an adequate 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 52.0% at December 31, 2020 (previous year: 53.1%). The medium-term 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 2020 financial year, **STRATEC SE** purchased services of € 309k from **STRATEC Biomedical (Taicang) Co. Ltd.** (previous year: € 314k).

In the 2020 financial year, **Mod-n-More Kft.** purchased services of € 95k from **STRATEC Biomedical (Taicang) Co. Ltd.** (previous year: € 141k).

STRATEC Services AG generated revenues of € 2k from transactions with **STRATEC Biomedical (Taicang) Co. Ltd.** in the 2020 financial year (previous year: € 0k).

Due to the presumption regulation set out in IAS 28.5, the company's founder Hermann Leistner, his family, and their investment company (hereinafter 'the Leistner family') count as related parties pursuant to IAS 24. In Hermann Leistner's capacity as a member of the Administrative Board of STRATEC Biomedical Switzerland AG, the Leistner family received remuneration corresponding to € 10k via Hermann Leistner in the previous year. Since the 2020 financial year, Hermann Leistner has no longer received any remuneration for this. As Hermann Leistner is a member of the Supervisory Board of DITABIS Digital Biomedical Imaging Systems AG, this company counts as a related party pursuant to IAS 24 (Related Party Disclosures) via the Leistner family. In the 2020 financial year, **STRATEC SE** generated revenues of € 37k from transactions with **DITABIS Digital Biomedical Imaging Systems AG** (previous year: € 0k) and purchased services of € 1,823k from this company (previous year: € 383k). STRATEC Services AG purchased services of € 1,045k from DITABIS Digital Biomedical Imaging Systems AG in the 2020 financial year (previous year: € 0k). As of the balance sheet, STRATEC SE had liabilities of € 2k due to (previous year: receivables of € 113k due to) DITABIS Digital Biomedical Imaging Systems AG. Services were performed on customary contractual conditions.

Directors and officers

The **Board of Management of STRATEC SE** comprised the following members in the year under report:

- **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

The members of the Board of Management are authorized to solely represent the company.

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. Further information about the basic features of the remuneration system for the Board of Management and the disclosures required by § 314 (1) No. 6a) Sentences 5 to 8 of the German Commercial Code (HGB) can be found in Section 'E. Remuneration report' in the Group Management Report.

Moreover, members of the Board of Management are entitled to participate in the stock option program subject to the limitation that no further stock options were granted to them in the financial years from 2015 to 2017. Since the 2018 financial year, they have once again participated in the stock option program. 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). Detailed information about

the structure of this program can be found in Section 'E. Remuneration report' in the Group Management Report.

The members of the Board of Management received total remuneration of € 3,133k for their activity on the Board of Management in the 2020 financial year (previous year: € 2,847k). As of December 31, 2020, the net balance of performance-related payments outstanding for members of the Board of Management amounted to € 5,909k (previous year: € 2,419k).

	2020 000s ¹	2019 000s ¹
Short-term benefits	1,757	1,482
Post-employment benefits ²	269	258
Other long-term benefits ³	388	388
Share-based remuneration ⁴	719	719
Total	3,133	2,847

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 2020 financial year.

³ The amount disclosed refers to the mid-term incentive agreement for 2018 (2017), which covers 2018, 2019, and 2020 (2017, 2018, and 2019) and is due for payment in 2021 (2020).

⁴ The amount disclosed corresponds to the fair value upon issue of the stock appreciation rights (SARs) granted in 2020 (2019) and calculated in accordance with IFRS 2 (Share-based payment) as well as the fair value upon issue of the stock options granted in 2020 (2019), although these were in some cases not yet vested as of the balance sheet date.

The **Supervisory Board of STRATEC SE** comprised the following individuals in the year under report:

- **Prof. Dr. Stefanie Remmele**, Landshut, Germany
Professor of Medical Technology at the University of Applied Sciences in Landshut, Germany
(Supervisory Board member since June 18, 2014; Supervisory Board Chair since November 26, 2020, previously Deputy Chair of Supervisory Board since September 14, 2020)
- **Dr.-Ing. Frank Hiller**, Feldafing, Germany
CEO of Deutz AG, Cologne, Germany
(Supervisory Board member since May 29, 2019; Deputy Chair of Supervisory Board since November 26, 2020, previously Supervisory Board Chair since May 29, 2019)
- **Dr. Rolf Vornhagen**, Langen, Germany
Biologist
(Supervisory Board member since July 21, 2020)
- **Rainer Baule**, Überlingen, Germany
Graduate in Industrial Engineering, Managing Director of Baule GmbH, Überlingen, Germany
(Supervisory Board member until July 15, 2020; Deputy Chair of Supervisory Board until July 15, 2020)

The Supervisory Board members Prof. Dr. Stefanie Remmele, Dr.-Ing. Frank Hiller, and Dr. Rolf Vornhagen 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). During the period in which he was a Supervisory Board member, Rainer Baule was also a member of the Supervisory Board of DITABIS Biomedical Imaging Systems AG, Pforzheim, Germany, and the Foundation Board of Else Kröner-Fresenius-Stiftung, Bad Homburg v.d.H., Germany.

The Supervisory Board members received total remuneration of € 132k in the 2020 financial year for their activities on the Supervisory Board (previous year: € 128k). The specific structure of overall remuneration was as follows:

	2020 € 000s	2019 € 000s
Fixed remuneration	116	117
Meeting allowance	16	11
Total	132	128

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:

	2020 € 000s	2019 € 000s
Due within one year	77,128	81,192
Due in between one and five years	40,661	20,523
Due in more than five years	0	0
Total	117,789	101,715

As of the balance sheet date, unrecognized contractual obligations involving obligations for orders placed amounted to € 117,561k (previous year: € 94,604k).

Of unrecognized contractual obligations, € 22k relates to property, plant and equipment (previous year: € 6,579k) and € 204k to intangible assets (previous year: € 0k).

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 a share of at least 3% of the voting rights:

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
Wellington Management Group LLP, Boston, Massachusetts, US	03.24.2020	3.01	362,554	
Ameriprise Financial, Inc., Wilmington, Delaware, US ¹	03.25.2020	5.92	711,907	Threadneedle (Lux)
Threadneedle (Lux), Bartringen, Luxembourg	03.25.2020	4.94	594,744	
Wellington Management Group LLP, Boston, Massachusetts, US	04.03.2020	2.92	351,650	
Allianz Global Investors GmbH, Frankfurt am Main, Germany	05.15.2020	4.996	601,077	Allianz Global Investors Fund SICAV
Juno Investment Partners B.V., Den Haag, Netherlands	05.20.2020	3.017	362,998	
Invesco Ltd., Hamilton, Bermuda	05.29.2020	4.97	597,813	AIM International Mutual Funds (Invesco International Mutual Funds)
AIM International Mutual Funds (Invesco International Mutual Funds), Wilmington, Delaware, US	05.29.2020	4.97	597,813	
Allianz Global Investors GmbH, Frankfurt am Main, Germany	06.09.2020	5.02	604,050	Allianz Global Investors Fund SICAV
Allianz Global Investors GmbH, Frankfurt am Main, Germany	06.12.2020	4.98	599,428	Allianz Global Investors Fund SICAV
Allianz Global Investors Fund SICAV, Senningerberg, Luxembourg	08.06.2020	2.94	355,904	
Ameriprise Financial, Inc., Wilmington, Delaware, US ²	11.02.2020	6.20	749,406	Threadneedle (Lux)
Ameriprise Financial, Inc., Wilmington, Delaware, US ²	11.03.2020	6.20	749,406	Threadneedle (Lux)
Ameriprise Financial, Inc., Wilmington, Delaware, US ¹	11.18.2020	6.31	762,639	Threadneedle (Lux)
Threadneedle (Lux), Bartringen, Luxembourg	11.18.2020	5.001	604,811	

Notifying party	Date on which threshold was met	Share of voting rights		Allocable voting right share of at least 3 %
		in %	absolute	
Invesco Ltd., Hamilton, Bermuda	11.26.2020	2.97	359,247	
AIM International Mutual Funds (Invesco International Mutual Funds), Wilmington, Delaware, US	11.26.2020	2.96	358,366	

¹ Voluntary group notification due to the threshold being met within the group of notifying parties

² Voluntary group notification due to a change within the group structure of the notifying parties

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 Conformity') 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, 2021

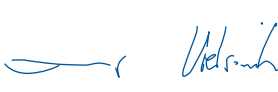
STRATEC SE
The Board of Management



Marcus Wolfinger



Dr. Robert Siegle



Dr. Claus Vielsack

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, 2021

STRATEC SE
The Board of Management



Marcus Wolfinger



Dr. Robert Siegle



Dr. Claus Vielsack

The independent auditor's report reproduced below also includes a 'Report on the audit of the electronic reproductions of the financial statements and management report prepared for disclosure purposes in accordance with Sec. 317 (3b) HGB ['Handels-gesetzbuch': German Commercial Code]' (hereinafter referred to as the 'ESEF Report'). The audited subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

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 2020, 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 2020, 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 2020. In accordance with the German legal requirements, we have not audited the content of the (Group) Corporate Governance Declaration published on the website of the Company, which is referred to in section G. of the group management report, or the Non-Financial Group Declaration in section H. 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 ['Handels-gesetzbuch': 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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 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 2020. 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. Impairment testing of goodwill
2. Accounting treatment of development expenditure on internal development projects and development cooperations with a special focus on revenue recognition in this area

Re 1) Impairment testing of goodwill

a) The risk for the financial reporting

Goodwill of EUR 37.9 million is carried in the consolidated financial statements of STRATEC SE, Birkenfeld, under the line item 'Goodwill'. This corresponds to 11.4% of the Group's total assets. 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 of special significance during our audit.

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 three-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 2020. 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 expenditure on internal development projects and development cooperations with a special focus on revenue recognition in this area

a) The risk for the financial reporting

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 five 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 2020, internally generated intangible assets of EUR 30,161k (prior year: EUR 25,306k) were recognized in association with own development projects and EUR 1,382k (prior year: EUR 2,714k) 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.

We audited the recognition, presentation and measurement of own development projects and development cooperations by means of substantive testing using consciously selected samples. 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 (with a special focus on revenue recognition during the year) 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 H. of the group management report,
- the (Group) Corporate Governance Declaration published on the website of the Company, which is referred to in section G. of the group management report,
- the report of the Supervisory Board,
- the remaining parts of the annual report, with the exception of the consolidated financial statements, the audited components of the group management report and our 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 ['Aktengesetz': German Stock Corporation Act] contained in the (Group) Corporate Governance Declaration 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, financial position and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud 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 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.

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, 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 a material misstatement resulting from fraud is higher than for one resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 directors and the reasonableness of estimates made by the executive directors 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 overall presentation, structure and content of the consolidated financial statements, 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, 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, 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 Audit of the Electronic Reproductions of the Consolidated Financial Statements and Group Management Report Prepared for Disclosure Purposes in Accordance with Sec. 317 (3b) HGB

Audit Opinion

In accordance with Sec. 317 (3b) HGB, we have performed a reasonable assurance review to determine whether the reproductions of the consolidated financial statements and the group management report contained in the attached file 'ESEF Unterlagen KA STRATEC 2020.zip' (hereinafter also referred to as 'ESEF documents') and prepared for disclosure purposes comply in all material respects with the electronic reporting format requirements of Sec. 328 (1) HGB ('ESEF format'). In accordance with German legal requirements, this audit 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 not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Sec. 328 (1) HGB. Other than this opinion and our opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2020 included in the 'Independent Auditor's Report on the Audit of the Consolidated Financial Statements and Group Management Report' above, we do not express any opinion on the information included in these reproductions or on any of the other information included in the above mentioned file.

Basis for the Audit Opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file in accordance with Sec. 317 (3b) HGB and in compliance with the draft exposure of IDW EPS 410. Our responsibility is described in more detail in the section 'Auditor's Responsibility for the Audit of ESEF Documents'. Our auditing practice has complied with the quality assurance system requirements of IDW QS 1.

Responsibility of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB and for tagging the consolidated financial statements in accordance with Sec. 328 (1) sentence 4 No. 2 HGB. Furthermore, the executive directors of the Company are responsible for such internal control as they determine necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error; with the electronic reporting format requirements of Sec. 328 (1) HGB.

The executive directors of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents within the framework of the accounting process.

Auditor's Responsibilities for the Audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error; 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 non-compliance, whether due to fraud or error; with the requirements of Sec. 328 (1) HGB, 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 opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 this system of controls.
- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applying on the reporting date regarding the technical specification for this file.

- Assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited financial statements and the audited group management report.
- Assess whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as the independent auditor by the annual general meeting on 8 June 2020. 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 19 November 2020. We have been the independent auditor 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).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Mr. Philipp Lessner.

Stuttgart, 26 March 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Linda Ruoff
Wirtschaftsprüferin
(German Public Auditor)

Philipp Lessner
Wirtschaftsprüfer
(German Public Auditor)

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German Equity Forum
(Analyst conference)

Subject to amendment

CONTACT

STRATEC SE

Gewerbestr. 37
75217 Birkenfeld
Germany
Phone: +49 7082 7916-0
Fax: +49 7082 7916-999
info@stratec.com
www.stratec.com

Head of Investor Relations & 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

Fax: +49 7082 7916-999

info@stratec.com

www.stratec.com

Board of Management

Marcus Wolfinger (Chairman),

Dr. Robert Siegle and Dr. Claus Vielsack

Chairwoman of the Supervisory Board

Prof. Dr. Stefanie Remmele

Registration Court

Mannheim HRB 732007

Value Added Tax Identification Number

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Editorial Responsibility

STRATEC SE

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STRATEC SE

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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.

In this annual report, words in the masculine include words in the feminine; in parts of the report, the masculine form has solely been used to make the document easier to read.

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
Fax: +49 7082 7916-999

info@stratec.com
www.stratec.com