Risk Factors Comparison 2024-02-28 to 2023-03-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Relating to Our Business Our results of operations could be adversely affected by economic and political conditions and the effects of these conditions on our customers' businesses, capital expenditures and levels of business activities. A large portion of our product sales are dependent on our customers' need for increased capacity, productivity and cost saving initiatives, improved product quality and performance, and new investments. Weaknesses in our end markets could negatively impact our revenue and gross margin and consequently have a material adverse effect on our business, financial condition and results of operations. A severe and / or prolonged overall economic downturn or a negative or uncertain political climate could lead to weaknesses in our end markets and adversely affect our customers' financial condition and the timing or levels of our customers' capital expenditures or business activities. We have experienced significant cyclical end market fluctuations in the past. For example, diminished growth expectations, economic and political uncertainty in regions across the globe and effects of the COVID- 19 pandemic adversely impacted our customers' financial condition and ability to maintain product order levels and reduced the demand for our products in 2020. In addition, certain sub- segments of the advanced industrial market that we serve, including the microelectronics and industrial capital equipment sector, are cyclical and have historically experienced periods of oversupply, resulting in downturns in demand for capital equipment in which many of our products are used. It is difficult to predict the timing, length and severity of these downturns and their impact on our business. Further, our order levels or results of operations for a given period may not be indicative of order levels or results of operations for subsequent periods. For the foreseeable future, our operations will continue to depend upon industries that are subject to market cycles which, in turn, could adversely affect the market demand for our products. We have also faced increases in inflationary conditions in materials and components, and we expect these inflationary conditions to continue in ~~2023~~ **2024** . These inflationary conditions have caused us to increase prices; however, such price increases may not be accepted by our customers or may not adequately offset the increases in our costs, thereby negatively affecting our results of operations. Changes in global economic conditions, including inflationary conditions, could also shift demand for products or services for which we do not have competitive advantages. This could negatively affect the amount of business that we are able to obtain. In addition, if we are unable to successfully anticipate changes in economic and political conditions, we may be unable to effectively plan for and respond to those changes, and our business could be negatively affected. Our business and operations, and the operations of our suppliers and customers, have been, and may in the future be adversely affected by epidemics ~~or~~ **,** pandemics **or other public health crises** such as the COVID- 19 pandemic outbreak. We may face risks related to health epidemics and pandemics or other outbreaks of communicable diseases. The COVID- 19 pandemic and governments' measures taken in response ~~have~~ had a significant adverse impact, both direct and indirect, on our business and on the broader economy. We have, at times, experienced **, and may in the future experience,** weakened demand from certain customers **as a result of a public health crisis** , which ~~has~~ adversely affected our revenues. For example, healthcare providers have, at times, deferred elective medical procedures in order to focus on ~~combatting~~ **combating** the **COVID- 19** pandemic, which significantly reduced demand for certain of our medical products. We also faced difficulty sourcing some materials and components necessary to fulfill production requirements and meeting scheduled shipments due to suppliers' capacity constraints and shipping and transportation disruptions **during** ~~, the effect of which, coupled with other -- the COVID- 19 pandemic supply chain challenges, may continue to affect our operations in the foreseeable future~~ . These disruptions ~~have~~ adversely affected our ability to manufacture our products and meet our customers' schedules. If we are not able to mitigate ~~these~~ **similar** disruptions effectively **in future epidemics, pandemics or other public health crisis** , our ability to manufacture our products or meet our customers' schedules would ~~continue to~~ be adversely affected, possibly materially, and our business could be harmed. In addition, efforts to find alternate sources of supply ~~for such materials or components~~ may increase our costs or lower the quality of our product, which could **negatively** affect our profitability, financial condition and business ~~. There can be no assurance that our ability to manufacture our products and to develop new products and technologies will not be disrupted in the future in case of public health crises, epidemics and pandemics or other outbreaks of communicable diseases, including a resurgence of the COVID- 19 or similar pandemics~~ . Our business success depends upon our ability to respond to fluctuations in product demand, but doing so may require us to incur costs despite limited visibility into future business declines. During a period of increasing demand and rapid growth, we must be able to increase manufacturing capacity quickly. Our inability to quickly increase production in response to a surge in demand has prompted customers to look for alternative sources of supply and has left our customers without a supply, both of which have harmed our reputation and made it difficult for us to retain our existing customers or to obtain new customers. If this inability to increase production continues or worsens, it could have a material adverse effect on our business. In periods of weaker demand, we have been, and may in the future be, required to reduce costs while maintaining the ability to motivate and retain key employees at the same time. Additionally, to remain competitive, we must continually invest in research and development, which may inhibit our ability to reduce costs in a down cycle. Long product lead- times also create a risk that we may purchase inventories or manufacture products that we are unable to sell. The success of our business depends on our ability to continuously innovate, to introduce new products in a timely manner, and to manage transitions to new product innovations effectively. Technology requirements in our markets are constantly changing. We must continually introduce new products that meet evolving customer needs. Our ability to grow depends on the successful development, introduction and market acceptance of new or enhanced products that address our customers' requirements. Developing new technology is a complex and uncertain process requiring us to accurately anticipate technological and market trends and meet those trends with the right products. Our research and

development efforts may not lead to the successful introduction of products within the time frame that our customers demand. Our competitors may also introduce new or improved products, processes or technologies that make our current or proposed products obsolete or less competitive. We may not manage the transition from older products effectively to minimize disruption in customer ordering patterns, avoid excess inventory and ensure adequate supplies of new products. New products may have fewer features than originally considered desirable, may have higher costs than initially estimated, may contain defects or perceived defects or have reliability, quality or compatibility problems or perceived problems. There **could** ~~have been, and may continue to~~ be ~~,~~ difficulties in sourcing components for new products and delays in starting volume production. New products may also not be commercially successful as we cannot predict how the market will react to new products introduced by us or to enhancements made to our existing products. Failure to develop and introduce new products, failed market acceptance of new products or problems associated with new product transitions could impede our revenue growth, lead to loss of market share, and negatively affect our results of operations and our competitiveness in the market. Customer order timing and other factors may cause our operating results to fluctuate from period to period. Changes in customer order timing and the existence of certain other factors may cause our operating results to fluctuate from period to period. Such factors include: • fluctuations in our customers' businesses; • decisions by customers to reduce their purchases of our products; • timing and recognition of revenues from customer orders; • timing and market acceptance of new products or enhancements introduced by us or our competitors; • availability and pricing of parts from our suppliers and the manufacturing capacity of our subcontractors; • changes in the prices of our products or of our competitors' products; and • fluctuations in foreign currency exchange rates. We received in the past, and may receive in the future, several large orders in one quarter from a customer and then receive no orders from that customer in the next quarter. As a result, the timing of revenue recognition from customer orders can cause significant fluctuations in our operating results from quarter to quarter. In addition, our sales are reactive to changes in our customers' businesses. For instance, a customer that placed a large order in one period could subsequently experience a downturn in business and, as a result, could ~~cancel an order or~~ reduce the amount of products it purchases from us in future periods. Delays in shipments near the end of a reporting period due to rescheduling ~~or cancellation~~ by customers or unexpected production delays experienced by us may cause revenue in the period to decline significantly and may have a material adverse effect on our operating results for that period. In addition, we or our competitors may raise or lower prices of products in response to market demands or competitive pressures. If we lower the prices of our products, or if our competitors lower the prices of their products such that demand for our products weakens, our revenue for one or more quarters may decline and our operating results would be adversely affected. As a result of these factors, our results of operations for any quarter are not necessarily indicative of results to be expected in future periods. Cyberattacks or other incidents could cause significant disruption in, or breach the security of, our or our third- party providers' information technology systems, and our business may be adversely affected as a result. We rely on information technology systems, software and services (collectively, " IT Systems ") for internal and external operations. We operate some of these IT Systems ourselves and also rely on IT Systems provided by third parties to run our business, including to interact with our employees and our customers and suppliers. These interactions include, but are not limited to, ordering and managing materials from suppliers, converting materials to finished products, shipping product to customers, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal and tax requirements, and other processes necessary to manage our business. We do not control our third- party service providers and we do not maintain redundant systems for some of such services, increasing our vulnerability to problems with such services. In addition, in the ordinary course of business, we and our third- party service providers collect, process and maintain confidential business information as well as personal information. Like other global companies, there are constant cyber related threats and risks to our IT Systems and data, including by internal and external perpetrators of random or targeted malicious cyberattacks, computer viruses, malware, worms, bot attacks or other destructive or disruptive software (for example, ransomware) and attempts to misappropriate customer information and cause system failures and disruptions, as well as power outages, catastrophes, hardware and software bugs, misconfigurations or failures, and other unforeseen events. We have ~~in the past~~ experienced cyberattacks and other security incidents **in the past** and expect to experience such attacks and incidents in the future. We expect the frequency and magnitude of cyberattacks to continue to accelerate as attackers are becoming increasingly sophisticated, for example, by using techniques designed to circumvent controls, avoid detection, and obfuscate forensic evidence, such that we may be unable to timely or effectively detect, identify, investigate or remediate attacks in the future. In addition, continued remote and hybrid working arrangements following the COVID- 19 pandemic have increased the risk of cybersecurity incidents given the prevalence of phishing and vulnerabilities inherent in non- corporate and home computing environments. If we were to experience a significant period of disruption in IT Systems that involve our interactions with customers or suppliers, it could result in the loss of revenue and customers as well as significant response and mitigation costs, which would adversely affect our business. In addition, security breaches of our IT Systems could result in the misappropriation or unauthorized disclosure of confidential business or personal information belonging to us or to our employees, customers, suppliers or other business partners, which could result in significant financial or reputational damage to us, as well as litigation, regulatory enforcement actions, or other liabilities that could lead to substantial damages, fines, penalties and legal costs. We also expend substantial amounts to protect our IT Systems, and if we were to experience a significant breach in security, we may need to materially increase such expenditures, which could adversely affect our results of operations. Our insurance policies may not cover all types of cybersecurity risks and liabilities, and even if coverages exist, they may not be sufficient to cover all costs or losses that we may incur . Actual or perceived failures to comply..... expose us to additional exchange rate risks . Our reliance on international operations subjects us to risks not typically faced by companies operating exclusively in the U. S. During the year ended December 31, ~~2022~~ **2023** , approximately ~~57~~ **53** % of our revenues were from customers outside of the U. S. The scope of our international operations subjects us to risks that could materially impact our results of operations, including: • foreign exchange rate fluctuations; • increases in shipping costs; • longer customer payment cycles; • greater difficulty in collecting accounts receivable; • use of

incompatible systems and equipment; • problems with staffing and managing foreign operations in diverse cultures; • trade tariffs, trade barriers and export / import controls; • transportation delays and interruptions; • increased vulnerability to the theft of, and reduced protection for, intellectual property rights; • government currency control and restrictions, delays, penalties or required withholdings on repatriation of earnings; • failure to comply with foreign laws and regulations, including those that potentially conflict with other jurisdictions; • the impact of recessionary foreign economies; • political unrest and wars, such as the current situation with Ukraine and Russia **and Israel and surrounding areas** , which could delay or disrupt our business, and if such geopolitical unrest escalates or spills over to or otherwise impacts additional regions, it could heighten many of the other risk factors included in this Item 1A; and • natural disasters, health epidemics and acts of terrorism. We also are subject to risks that our operations outside the U. S. could be conducted by our employees, contractors, service providers, representatives or agents in ways that violate the Foreign Corrupt Practices Act or other similar anti- bribery laws. Any such violations could have a negative impact on our business and could result in government investigations and / or injunctive, monetary or other penalties. Moreover, our anti- bribery policy and procedures may be violated by third- party sales representatives or other agents that help sell our products or provide other services. Such representatives or agents are not our employees and it may be more difficult to oversee their conduct, which may increase the risk of violations of anti- bribery laws. Increased component outsourcing to manufacturers located in different countries than **our** ~~Novanta' s~~ manufacturing facilities leads to additional risks that could negatively impact our business. In some cases, we have outsourced the manufacturing of key components and subassemblies to suppliers based in ~~countries~~ **locations** outside of the country in which our manufacturing facility resides. We make the decision to outsource these products when we identify suppliers with stronger competencies, resources, capabilities, and lower cost structures than we believe we can develop on our own. However, the outsourcing of these products to such third parties could increase our exposure to geopolitical, economic, trade, and climate related risks, which could substantially impact our ability to obtain critical parts needed in the timely manufacture of our products or could substantially increase the costs of these parts. Additionally, this practice increases our vulnerability to the theft of, and reduced protection for, our intellectual property. Increases in tariffs, trade restrictions or taxes on our products could have an adverse impact on our results of operations. Our sales channels and supply chain in the international marketplace make us subject to tariffs, trade restrictions and other taxes when the raw materials or components we purchase, and the products we sell, cross international borders. Trade tensions between the U. S. and China, as well as those between the U. S. and some other countries, ~~have~~ escalated in recent years. For example, U. S. tariff impositions against Chinese exports in recent years were followed by retaliatory Chinese tariffs on U. S. exports to China. Certain of the raw materials and components we purchase from China are or were subject to these tariffs, which have increased our manufacturing costs and have made our products less competitive than those of our competitors whose inputs are not subject to these tariffs. Certain of our finished products manufactured in the U. S. have been and may in the future be subject to retaliatory tariffs in China, which may increase our costs and make our products less competitive than those of our competitors whose products are not subject to such retaliatory tariffs. If heightened tariffs or trade restrictions were to be imposed in the future, we may not be able to mitigate their impacts, and our business, results of operations and financial position could be materially adversely affected. Products we sell into certain other foreign markets could also become subject to retaliatory tariffs, making our products uncompetitive to similar products not subjected to such import tariffs. Further changes in U. S. trade policies, tariffs, taxes, export restrictions or other trade barriers, or restrictions on raw materials or components may limit our ability to produce products, increase our manufacturing costs, decrease our profit margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase raw materials or components, which would have a material adverse effect on our business, results of operations and financial condition. ~~The continuing impact of " Brexit " may have a negative effect on our business Following a national referendum and subsequent legislation, the U. K. formally withdrew from the EU, commonly referred to as " Brexit, " and ratified a trade and cooperation agreement governing its future relationship with the European Union. Among other things, the agreement, which became effective in 2021, addresses trade, economic arrangements, law enforcement, judicial cooperation and governance. Because the agreement merely sets forth a framework in many respects that requires complex additional bilateral negotiations between the U. K. and the EU, significant uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before Brexit. Brexit has led to legal uncertainty and divergent national laws and regulations as the United Kingdom continues to determine which EU laws to replace or replicate, including financial laws and regulations, tax and free trade agreements, customs laws, intellectual property rights, environmental, health and safety laws and regulations, immigration laws, employment laws, and transport laws, which could increase the difficulty and cost of compliance. We cannot yet predict the full implications of Brexit, including whether it will increase our operational costs or otherwise have a negative effect on our business, financial condition or results of operations.~~ Others may violate our intellectual property rights and cause us to incur significant costs to protect our rights. Our future success depends in part upon the protection of our intellectual property rights, including patents, trade secrets, know- how and continuing technological innovation. We do not have personnel dedicated to the oversight, organization and management of our intellectual property. There can be no assurance that the steps we take to protect our intellectual property rights will be adequate to prevent misappropriation or disclosure. It is possible that, despite our efforts, other parties may use, obtain or try to copy our technology and products. There can be no assurance that other companies are not investigating or developing other technologies similar to ours, that any patents will be issued from any applications filed by us, or that the claims allowed, even if patents are issued, will be sufficient to deter or prohibit others from marketing similar products. In addition, our patents may be challenged, invalidated or circumvented in a legal or administrative proceeding. Policing unauthorized use of our intellectual property rights is difficult and time consuming and may involve initiating claims or litigation against third parties for infringement of our proprietary rights, which could be costly and divert management resources. Our efforts to protect our intellectual property rights against infringement may not be effective in some foreign countries where we operate or sell our products. If we fail to adequately protect our intellectual property in these countries, we may lose significant business to our

competitors. Our operating results would suffer if we are unable to successfully defend against infringement claims by third parties. We have received in the past, and could receive in the future, notices from third parties alleging that our products infringe patent or other proprietary rights. These allegations could result in significant costs and diversion of the attention of management. Adverse consequences may also apply if we fail to avoid or successfully defend litigation for infringement or misappropriation of proprietary rights of third parties. We could be required to pay substantial amounts for damages or be enjoined from using the technology deemed to be infringing, or from using, making or selling products deemed to be infringing, any of which could adversely affect our operating results. If we have supplied infringing products to third parties, we may be obligated to indemnify these third parties for any damages that they may be required to pay to the patent holder and for any losses that they may sustain as a result of the infringement. We operate in highly competitive industries and, if we lose competitive advantages, our business would suffer adverse consequences. Some of our competition comes from established competitors that have greater financial, engineering, manufacturing and marketing resources than we do. We expect that our competitors will continue to improve the design and performance of their existing products and introduce new products. It is possible that we may not successfully differentiate our current and proposed products from the products of our competitors, or that the marketplace will not consider our products to be superior to competing products. To remain competitive, we will be required to invest heavily in research and development, marketing and customer service and support. However, we may not be able to make the necessary technological advances to maintain our competitive position and our products may not receive market acceptance. These factors would cause us not to be able to compete successfully in the future. Increased competition may also result in price reductions, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand our new product development programs. Our results of operations will be adversely affected if we fail to successfully integrate recent and future acquisitions or to grow the acquired businesses as planned. As part of our business strategy, we expect to broaden our product and service offerings by acquiring businesses, technologies, assets and product lines that, we believe, complement or expand our existing businesses. In recent years, we have made a number of acquisitions, including the acquisitions of **Motion Solutions Parent Corp.,** MPH Medical Devices S. R. O., ATI Industrial Automation, Inc., **and** Schneider Electric Motion USA, Inc ~~., ARGES GmbH, Med X Change, Inc., and Ingenia- CAT, S. L.~~., and we expect to continue to make acquisitions in the future. We may fail to successfully integrate acquired businesses, products, technologies or personnel into our businesses and, as a result, may fail to realize the synergies, cost savings and other benefits expected from the acquisitions. If we are not able to successfully achieve these objectives, the anticipated benefits of such acquisitions may not be realized fully or at all, and our results of operations could be adversely affected. **If we consummate multiple** ~~As a result of the number of recent and expected future~~ acquisitions in a relatively short amount of time, these risks ~~may~~ **will** be heightened due to limited resources available to integrate these new businesses. Our acquisition activities may divert management' s attention from our regular operations. Managing a larger and more geographically dispersed operation and product portfolio could also pose challenges for our management team. Further, our ability to maintain and increase **the** profitability of acquired businesses will depend on our ability to manage and control operating expenses and to generate and sustain increased levels of revenue. Our expectations to achieve more consistent and predictable levels of revenue and to increase profitability as a result of any acquisition may not be realized. Such revenues and profitability may even decline as we integrate newly acquired operations into our existing businesses. We may fail to identify inherent weaknesses in acquired businesses or misinterpret market and technology trends and growth potentials during our acquisition due diligence process. If revenues of acquired businesses decline or grow more slowly than we anticipate, or if their operating expenses are higher than we expect, we may not be able to sustain or increase their profitability, in which case we may not be able to realize the expected return on our investments, our financial condition will suffer **,** and our stock price could decline. In addition, through our acquisitions, we may assume liabilities, losses or costs for which we are not indemnified or insured or for which our indemnity or insurance is inadequate. Any such liabilities may have a material adverse effect on our financial position or results of operations. If we do not attract and retain our key personnel, our ability to execute our business strategy will be limited. Our success depends, to a significant extent, upon the continued service of our executive officers, key management and technical personnel, particularly our experienced engineers, and upon our ability to continue to attract, retain, and motivate qualified personnel. **The** ~~We have recently experienced increased turnover of key personnel, and the~~ competition for skilled employees is intense. We have incurred increased expenses in connection with the retention of existing key personnel and hiring of new employees, and we expect these increased costs to continue. Additional losses of our key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on us if the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract qualified personnel. The costs to retain or hire employees could also increase more than we expect. Our success also depends on our ability to execute leadership succession plans. The inability to successfully transition key management roles could have a material adverse effect on our operating results. We have undertaken restructuring and realignment activities in the past, and we will continue to assess our operating and cost structure in the future. These actions may not improve our financial position, and may ultimately prove detrimental to our operations and sales. We have undertaken restructuring and realignment activities in the past, and we will continue to assess our operating and cost structure in the future. Our ability to reduce operating expenses and improve gross margin is dependent upon the nature of the actions we take and our subsequent ability to implement those actions and realize the expected cost savings and gross margin improvements. We are taking, and may need to take in the future, additional restructuring actions, such as eliminating or consolidating certain of our facilities or operations, reducing our headcount, or eliminating certain positions. Failure to successfully implement such restructuring activities could adversely affect our ability to meet customer demand for our products and could increase the cost of production versus our projections, both of which could adversely impact our operating results. Further, expenses and cost inefficiencies associated with our restructuring activities, including severance costs and the loss of trained employees with knowledge of our business and operations, could exceed our

expectations and negatively impact our financial results. Product defects or problems with integrating our products with other vendors' products used by our customers may seriously harm our business and reputation. We produce complex products that can contain latent defects or performance problems. This could happen to both existing and new products. Such defects or performance problems could result in litigation against us and be detrimental to our business and reputation. In addition, customers frequently integrate our products with other vendors' products. When problems occur in a combined environment, it may be difficult to identify the source of the problem. These problems may cause us to incur significant warranty and repair costs, divert the attention of our engineering personnel from our product development efforts, and cause significant customer relationship issues, any of which could adversely affect our results of operations and financial condition. Disruptions in the supply of certain key components and other goods from our suppliers, including limited or single source suppliers, have adversely affected the results of our business operations, and could damage our relationships with customers. The production of our products requires a wide variety of raw materials, key components and other goods that are generally available from alternate sources of supply. However, certain critical raw materials, key components and other goods required for the production of some of our principal products are available from limited or a single source of supply. Certain single source suppliers of key components for us could decide or have decided to stop producing some of these components. If we fail to find alternative sources, redesign our products or otherwise manage this transition effectively, our business would be adversely impacted. If we experience delays in receiving materials from certain of our key limited or single source suppliers, our relationship with customers may be harmed if such delays cause us to miss our scheduled shipment deadlines **for customers** and our business could be adversely affected ~~. Our current or alternative sources may not be able to continue to meet all of our demands on a timely basis~~ . If suppliers or subcontractors experience difficulties or fail to meet our manufacturing requirements, our business would be harmed until we are able to secure alternative sources, if any, on commercially reasonable terms. A prolonged inability to obtain certain raw materials, key components or other goods is possible and could have a significant adverse effect on our business operations, damage our relationships with customers, or even lead to permanent loss of customer orders. In addition, certain of our businesses buy components, including limited or sole source items, from competitors of our other businesses. This dynamic may adversely impact our relationship with these suppliers. For example, these suppliers could increase the price of those components or reduce their supply of those components to us, which could have a significant adverse effect on our business operations or lead to permanent loss of customer orders. If we fail to accurately forecast component and raw material requirements for our products, we could incur additional costs and experience significant delays in shipments, which could have an adverse effect on the results of our business operations, and could damage our relationships with customers. We use rolling forecasts based on anticipated product orders to determine our production requirements. It is important that we accurately predict both the demand for our products and the lead times required to obtain the necessary components and raw materials to manufacture our products. Lead times for our components and raw materials vary significantly and depend on multiple factors, including the specific supplier requirements, the size of the order, contract terms and current market demand. For substantial increases in our sales levels of certain products, some of our suppliers may need significant lead time. If we overestimate our component and raw material requirements, we may have excess inventory, which would increase our costs. If we underestimate our component and raw material requirements, we may have inadequate inventory, which could interrupt production and delay delivery of our products to customers. Any of these occurrences could adversely affect our results of operations and damage our relationships with customers. Production difficulties and product delivery delays or disruptions could have a material adverse effect on our business. We assemble our products at our facilities in the U. S., the U. K., Germany and China. Each of our products is typically manufactured in a single manufacturing location. ~~We experienced factory disruptions at certain of our U. K. and China facilities during 2022.~~ If our production activities at any of our manufacturing facilities were ~~again~~ disrupted, including by mandatory power consumption reductions, natural disasters or other **extreme** weather events, health epidemics, acts of terrorism or otherwise, our operations would be negatively impacted until we could establish alternative production and service operations. Significant production difficulties could also be the result of: • mistakes made while transferring manufacturing processes between locations; • changing process technologies; • ramping production; • installing new equipment at our manufacturing facilities; • implementing new information technology systems; • shortage of key components; and • loss of electricity or employees' access to the manufacturing facilities due to man- made and natural disasters. From time to time, we make decisions to consolidate or move certain of our manufacturing facilities, or otherwise move our production of certain products to another facility ~~, including the ongoing move of our air bearing spindles manufacturing from one of our U. K. sites to our facility in China~~ . Moving complicated manufacturing facilities involves various risks, including the inability to commence production within the cost and timeframe estimated, damage to equipment, inability to produce a high- quality product, shipping and customs delays, travel and technology restrictions, tax issues, distraction to management and employees, and the inability to hire and retain a sufficient number of qualified personnel. Failure to successfully move manufacturing facilities due to these and other unforeseen risks could adversely affect our ability to meet customer demand, harm our relationships with customers, and adversely impact our results of operations and financial ~~position~~ **condition** . In addition, we may experience product delivery delays in the future. We ~~ship a significant portion of our products to our customers through independent package delivery and import / export companies. We also~~ ship our products through national trucking firms, overnight carrier services and local delivery practices. If one or more of the key **logistics service** ~~package delivery or import / export~~ providers experience significant disruption in services or institutes a significant price increase, the delivery of our products could be disrupted or delayed. Such events could cause us to incur increased shipping costs that could not be passed on to our customers, negatively impacting our profitability and our relationships with customers. We are subject to extensive and dynamic medical device regulations, which may impede or hinder the approval, certification or sale of our products and, in some cases, may ultimately result in an inability to obtain approval or certification of certain products or may result in the recall or seizure of previously approved or certified products. Some of our products and the related sales and

marketing development activities and manufacturing processes are subject to extensive and rigorous regulation by the FDA pursuant to the Federal Food, Drug, and Cosmetic Act (the " FDCA "), by comparable agencies in foreign countries, and by other regulatory agencies and governing bodies. Under the FDCA, medical devices must receive FDA clearance or approval or an exemption from such clearance or approval before they can be commercially marketed in the U. S. In the EU, medical devices must comply with the EU Medical Devices Regulation ~~(Regulation (EU) No 2017 / 745)~~ , which repeals and replaces the EU Medical Devices Directive. All medical devices placed on the market in the EU must meet the general safety and performance requirements laid down in Annex I to the EU Medical Devices Regulation **,** including the requirement that a medical device must be designed and manufactured in such a way that, during normal conditions of use, it is suitable for its intended purpose. Medical devices must be safe and effective and must not compromise the clinical condition or safety of patients, or the safety and health of users and – where applicable – other persons, provided that any risks which may be associated with their use constitute acceptable risks when weighed against the benefits to the patient and are compatible with a high level of protection of health and safety, taking into account the generally acknowledged state of the art. To demonstrate compliance with the general safety and performance requirements, medical devices must undergo a conformity assessment procedure, which varies according to the type of medical device and its risk classification. Except for low risk medical devices (Class I), where the manufacturer can self- assess the conformity of its products with the general safety and performance requirements (except for any parts which relate to sterility, metrology or reuse aspects), a conformity assessment procedure requires the intervention of a notified body. The notified body would typically audit and examine the technical file and the quality system for the manufacture, design and final inspection of our devices. If satisfied that the relevant product conforms to the relevant general safety and performance requirements, the notified body issues a certificate of conformity, which the manufacturer uses as a basis for its own declaration of conformity. The manufacturer may then apply the European Conformity (" CE ") mark to the device, which allows the device to be placed on the market throughout the EU. If we fail to comply with applicable laws and regulations, we would be unable to affix the CE mark to our products, which would prevent us from selling them within the EU. The aforementioned EU rules are generally applicable in the EEA. Non- compliance with the above requirements would also prevent us from selling our products in these countries. Compliance with these requirements is a prerequisite to be able to affix the CE mark to medical devices, without which they cannot be sold or marketed in the EU. The process of obtaining marketing approval, certification or clearance from the FDA, comparable agencies, or notified bodies in foreign countries for new products, or with respect to enhancements or modifications to existing products, could: • take a significant period of time; • require substantial resources; • involve rigorous pre- clinical and clinical testing, as well as increased post- market surveillance; • require changes to products; and • result in limitations on the indicated uses of products. In addition, exported devices are subject to the regulatory requirements of each country to which the device is exported. Some countries do not have medical device regulations, but in most foreign countries, medical devices are regulated. Most countries outside of the U. S. require that product approvals be renewed or recertified on a regular basis, generally every four to five years. The renewal or recertification process requires that we evaluate any device changes and any new regulations or standards relevant to the device and conduct appropriate testing to document continued compliance. Where renewal or recertification applications are required, they may need to be renewed and / or approved or certified in order for us to continue selling our products in those countries. There can be no assurance that we will receive the required approvals or certification for new products or modifications to existing products on a timely basis or that any approval or certification will not be subsequently withdrawn or conditioned upon extensive post- market study requirements. In the EU, notified bodies must be officially designated to certify products and services in accordance with the EU Medical Devices Regulation. **Their** ~~Several notified bodies have been designated~~ **designation process, which is significantly stricter** under the **new** ~~EU Medical Devices Regulation~~ **regulation** ~~. However~~ , ~~as~~ **has experienced considerable delays due to** the COVID- 19 pandemic ~~has~~ **. Despite a recent increase in designations, the current number of notified bodies designated under the new regulation remains** significantly ~~slowed down~~ **lower than** ~~their~~ -- **the number of notified bodies** ~~designation~~ **designated under** ~~process,~~ the **previous regime. The** current designated notified bodies are **therefore** facing a **backlog** ~~large amount~~ of requests ~~for (re) certification under the new regulations~~ as a consequence ~~,~~ **of which** review times ~~may~~ have lengthened. This situation may impact the way we are conducting our business in the EU and the EEA and the ability of our notified body to timely review and process our regulatory submissions and perform its audits. The FDA, other worldwide regulatory agencies, and notified bodies actively monitor compliance with local laws and regulations through review, inspection and audit of design and manufacturing practices, recordkeeping, reporting of adverse events, labeling and promotional practices. The FDA and other regulatory agencies worldwide can ban certain medical devices; detain or seize adulterated or misbranded medical devices; order recall, repair, replacement or refund of these devices; and require notification of healthcare professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. The FDA and other worldwide regulatory agencies can take action against a company that promotes" off- label" uses. The FDA may also enjoin and restrain a company for certain violations of the FDCA and regulations pertaining to medical devices, or initiate action for criminal prosecution of such violations. Similar requirements apply in foreign jurisdictions. Any adverse regulatory action, depending on its magnitude, may restrict a company from effectively marketing and selling its products, may limit a company' s ability to obtain future premarket clearances, approvals or certifications, and could result in a substantial modification to the company' s business practices and operations. International sales of medical devices manufactured in the U. S. that are not approved by the FDA for use in the U. S., or that are banned or deviate from lawful performance standards, are subject to FDA export requirements. Regulations regarding the development, manufacture and sale of medical devices are evolving and subject to future changes. For instance, the landscape concerning medical devices in the EU recently evolved. On May 26, 2021, the EU Medical Devices Regulation became applicable, and repealed and replaced the EU Medical Devices Directive and the EU Active Implantable Medical Devices Directive. Unlike directives, which must be implemented into the national laws of the EU member

states, regulations are directly applicable (i. e., without the need for adoption of EU member state laws implementing them) in all EU member states. The EU Medical Devices Regulation is intended to establish a uniform regulatory framework across the EU for medical devices. These modifications may have an effect on the way we intend to develop our business in the EU and EEA. There are currently different regulations in place in Great Britain as compared to both Northern Ireland and the EU. Ongoing compliance with both sets of regulatory requirements may result in increased costs for our business. Furthermore, the U. K. government is currently drafting amendments to the existing legislation which is likely to result in further changes to the Great Britain regulations in the near future. For example, subject to transitional periods for validly- certified devices, the new Great Britain regulations are likely to require medical devices placed on the Great Britain market to be " UKCA " certified by a UK Approved Body in order to be lawfully placed on the market. The U. K. government has stated that the amended regulations are likely to apply starting in July 2024. Understanding and ensuring compliance with any new requirements is likely to lead to further complexity and increased costs to our business. If there is insufficient UK Approved Body capacity, there is a risk that our product certification could be delayed which might impact our ability to market products in Great Britain after the respective transition periods. From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulation of medical devices. ~~The~~ **In addition, the** FDA may ~~also~~ change its ~~clearance and approval~~ policies, adopt additional regulations or revise existing regulations, or take other actions ~~that~~ **, which** may prevent or delay **marketing authorization** ~~approval or clearance~~ of our future products under development or impact our ability to modify **any** ~~our currently cleared~~ products **for which we have already obtained marketing authorizations** on a timely basis **or otherwise increase the costs associated with compliance** . For example, ~~on~~ **in** February ~~23, 2022~~ **2024** , the FDA issued a ~~proposed~~ **final** rule to amend **and replace** the Quality System Regulation **(" QSR ")** , which ~~establishes~~ **sets forth the FDA' s** current good manufacturing practice requirements for medical ~~device~~ **devices** ~~manufacturers~~ , to align more closely with the International Organization for Standardization standards. **Specifically,** ~~This~~ **this** ~~proposal~~ **final rule, which the FDA expects to go into effect on February 2, 2026, establishes the " Quality Management System Regulation " (" QMSR "), which among other things, incorporates by reference the quality management system requirements of ISO 13485: 2016. Although our quality system is currently designed to comply with ISO 13485: 2016 in connection with our activities outside of the United States, and although the FDA** has ~~not yet been finalized or adopted. Accordingly~~ **stated that the standards contained in ISO 13485: 2106 are substantially similar to those set forth in the QSR** , it is unclear the extent to which this **final rule** ~~or any other proposals~~ , ~~if adopted~~ **once effective** , could impose additional or different regulatory requirements on us that could increase the costs of compliance or **otherwise** negatively affect our business ~~. Any new statutes, regulations, or revisions or reinterpretations of existing regulations may impose additional costs, lengthen regulatory review time for, or make it more difficult to obtain approval for, the manufacturing, marketing or distribution of our products. Such changes could, among other things, require additional testing prior to obtaining clearance or approval, changes to manufacturing methods, recall, replacement or discontinuance of our products, or require additional record keeping~~ . Failure to comply with regulatory requirements could have a material adverse effect on our business, financial condition and results of operations. Later discovery of previously unknown problems with a product or manufacturer could result in fines, delays or suspensions of regulatory clearances, approvals or certification, seizures or recalls of products, physician advisories or other field actions, operating restrictions and / or criminal prosecution. We may also initiate field actions as a result of a failure to strictly comply with our internal quality policies. The failure to receive product approval clearance or certification on a timely basis, suspensions of regulatory clearances or certifications, seizures or recalls of products, physician advisories or other field actions, or the withdrawal of product approval or certification by the FDA or other comparable agencies (or notified bodies where applicable) in foreign countries could have a material adverse effect on our business, financial condition and results of operations. Our products and operations are subject to various foreign and U. S. federal and state healthcare laws and regulations, which could expose us to penalties. Our products and our operations may be directly, or indirectly through our customers, subject to various foreign and U. S. federal ~~,~~ **and** state ~~and foreign~~ healthcare laws and regulations, including, without limitation, anti- kickback, false claims and privacy statutes. These laws may restrict, among other things, the development, sale, marketing and distribution of our products. These laws include: • the federal Anti- Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to be deemed to have committed a violation; • federal civil and criminal false claims laws, including the False Claims Act, and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, false or fraudulent claims for payment from Medicare, Medicaid, or other third- party payors. In addition, the government may assert that a claim including items or services resulting from a violation of the U. S. federal Anti- Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act; • the federal Health Insurance Portability and Accountability Act of 1996 (" HIPAA "), which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters. Similar to the U. S. federal Anti- Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to be deemed to have committed a violation; • HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, which imposes certain requirements relating to the privacy, security, and transmission of individually identifiable health information; • the federal physician " Sunshine Act ", which requires manufacturers of drugs, devices, biologics, and medical supplies to report annually to Centers for Medicare & Medicaid Services (the " CMS ") information related to (i) payments and other transfers of value to physicians (as defined by statute), certain other healthcare providers including physician assistants and nurse practitioners, and teaching hospitals, and (ii) ownership and investment interests held by physicians and their immediate family members; • state and foreign law equivalents

of each of the above federal laws, such as (i) anti- kickback and false claims laws that may apply to items or services reimbursed by any third- party payors, including commercial insurers; (ii) state laws that require device manufacturers to comply with the industry' s voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; (iii) laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and (iv) laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts. Efforts to ensure that our business operations comply with applicable healthcare laws may involve substantial costs. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to, without limitation, civil, criminal and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings and curtailment or restructuring of our operations. Further, defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. Our business is indirectly subject to healthcare industry cost containment and healthcare reform measures that could result in reduced sales of our products. Several of our customers rely on third party payors, such as government programs and private health insurance plans, to reimburse some or all of the cost of the procedures in which our products are used. The continuing efforts of governments, insurance companies and other payors of healthcare costs to contain or reduce those costs could lead to patients being unable to obtain approval for payment from these third- party payors for procedures in which our products are used. If that occurs, sales of medical devices may decline significantly and our customers may reduce or eliminate purchases of our products, or demand further price reductions. The cost containment measures that healthcare payors are instituting both in the U. S. and internationally could reduce our revenues and harm our operating results. In addition, in the U. S. and other jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes and proposed changes to reform healthcare systems. Various elements of healthcare reforms, such as comparative effectiveness research, an independent payment advisory board, payment system reforms, including shared savings pilots, and other provisions, could meaningfully change the way healthcare is developed and delivered and may have material adverse impact on numerous aspects of our business, results of operations and financial condition. Changes in government regulations related to our business or our products could reduce demand for our products or increase our expenses. We are subject to many governmental regulations, including, but not limited to, the laser radiation safety regulations of the Radiation Control for Health and Safety Act administered by the Center for Devices and Radiological Health, a branch of the FDA, and certain health regulations related to the manufacture of products using beryllium, an element used in some of our products. Among other things, these regulations require us to file annual reports, to maintain quality control and sales records, to perform product testing, to distribute appropriate operating manuals, to conduct safety reviews, to incorporate design and operating features in products sold to end- users, and to certify and label our products. Depending on the class of the product, various warning labels must be affixed and certain protective devices must be installed. We are also subject to regulatory oversight, including comparable enforcement mechanisms, in the markets we serve. We compete in many markets in which we and our customers must comply with federal, state, local and international regulations, such as environmental, health and safety and food and drug regulations. We develop, configure and market our products to meet customer needs created by those regulations. Any significant changes could reduce demand for our products or increase our expenses, which in turn could adversely affect our business, financial condition and results of operations. **Actual or perceived failures** to comply with applicable data protection,privacy and security laws,regulations,standards,and other requirements may adversely impact our business and financial results.Laws and regulations in various countries around the world with regards to cybersecurity,privacy and data protection are rapidly expanding and creating a complex compliance environment.These laws include evolving legislation with respect to the collection,storage,handling,use,disclosure,transfer,and security of personal data and the notification requirements in the event of unauthorized access to or acquisition of certain types of personal information.Failure to comply with these laws may affect our reputation and operating results negatively,subject us to significant liability,cost or expense,and may require significant management time and attention.In some cases,these legal requirements may be either unclear in their interpretation and application or they may have inconsistent or conflicting requirements with each other.In addition,some of the privacy and data protection laws and regulations in the U.S.,the EU,China and other countries place restrictions on our ability to process personal data across our business or across country borders,and could impact our business and operations.Compliance with these laws,many of which entail substantial penalties for non-compliance,or future regulations could impose even greater compliance burdens and risks on us.The EU' s General Data Protection Regulation (the " GDPR "),the California Consumer Privacy Act (" CCPA "),the California Privacy Rights Act (" CPRA "),and the data protection and security laws of other **states and** countries impose additional requirements with respect to disclosure and deletion of personal information of their residents,imposing penalties for violations and,in some cases,private right of action for data breaches.These laws,and similar legislation ~~in other U.S.states~~ that is developing or has been recently enacted,impose transparency and other obligations with respect to personal data of their respective residents and provide residents with similar rights for certain types of data breaches.We have invested,and continue to invest,human and technology resources in our data compliance efforts that may be time- intensive and costly.Despite our efforts,there is a risk that we may be subject to fines and penalties for non- compliance and experience litigation,reputational harm and business interruption if we fail to protect the privacy of third- party data or to comply with the GDPR,CCPA,CPRA and other applicable data privacy and protection regimes **.** If we fail to implement new information technology systems successfully, our business could be adversely affected. We rely on centralized information systems to keep financial records, process orders, manage inventory, process shipments to customers, and operate other critical functions. We often need to upgrade our information technology

infrastructure, including implementing new or upgrading existing enterprise resource planning (“ ERP ”) systems and other complementary information technology systems. We have invested, and will continue to invest, significant capital and human resources in ~~the~~ **system** upgrades and new ERP systems. Any disruptions, delays or deficiencies in the transition, design and implementation of the upgrades and new ERP systems, particularly any disruptions, delays or deficiencies that impact our operations, could have a material adverse effect on our results of operations and cash flows. We may experience difficulties as we transition to these new or upgraded systems and processes, including loss of data and the ability to process customer orders, ship products, provide services and support to our customers, issue sales invoices, collect accounts receivable, fulfill contractual obligations, satisfy internal and external financial reporting requirements in a timely manner, or otherwise run our business. We may also experience decreases in productivity as our personnel implement these systems and become proficient in the new systems. In addition, as we are dependent upon our ability to gather and promptly transmit accurate information to key decision makers, our business, results of operations and financial condition may be materially and adversely affected if our information technology infrastructure does not allow us to transmit accurate information, even for a short period of time. Furthermore, the transition, design and implementation of new or upgraded ERP systems may be much more costly than we anticipated ~~regimes~~ .Changes in foreign currency rates could have a material adverse effect on our financial position,results of operations,and cash flows.A portion of our revenue is derived from our European and Asian operations and includes transactions in Euros,British Pounds,Chinese Yuan and Japanese Yen,while our products are mainly manufactured in the U.S.,the U.K.,Germany and China.In the event of a decline in the value of the Euro,British Pounds,Chinese Yuan or Japanese Yen,we typically experience a decline in our revenues and profit margins.If we increase the selling prices on our products sold in Europe and Asia in order to maintain profit margins and recover costs,we may lose customer sales to lower cost competitors.Consequently,a strong U.S.dollar may adversely affect reported revenues and our profitability.Additionally,balances maintained in foreign currencies create additional financial exposure to changing foreign currency rates.If foreign currency rates were to change significantly,we could incur material losses.While we use foreign currency contracts and other risk management techniques to hedge our foreign currency exposures,we cannot be certain that our efforts will be adequate to protect us against significant foreign currency rate fluctuations or that such efforts will not expose us to additional exchange rate **risks** . Our results of operations will be adversely affected if we fail to realize the full value of our intangible assets. As of December 31, ~~2022~~ **2023** , we had $ ~~654~~ **629** . ~~7~~ **5** million of net intangible assets, including goodwill, on our consolidated balance sheet. Net intangible assets consist principally of goodwill, customer relationships, patents, trademarks, core technologies and technology licenses. Goodwill and indefinite-lived intangible assets are tested for impairment at least on an annual basis. All other intangible assets are evaluated for impairment should discrete events occur that call into question the recoverability of the intangible assets. Adverse changes in our business, adverse changes in the assumptions used to determine the fair value of our reporting units, or the failure to grow our businesses may result in an impairment of our intangible assets, which could adversely affect our results of operations. Our reliance upon OEM customers subjects us to credit, inventory, business concentration, and business failure risks beyond our control. Our sales depend upon the ability of our OEM customers to develop and sell systems that incorporate our products. Adverse economic conditions, large inventory positions, limited marketing resources and other factors influencing these OEM customers could have a substantial adverse effect on our financial results. We cannot assure investors that our OEM customers will not experience financial or other difficulties that could adversely affect their operations and, in turn, adversely affect our results of operations and financial condition. Increasing scrutiny and changing expectations from investors, customers, ~~and~~ governments **and other stakeholders and third parties** with respect to **corporate sustainability** ~~Environmental, Social and Governance (" ESG")~~ policies and practices may cause us to incur additional costs or expose us to additional risks. There has been increased public focus and scrutiny from investors, governmental and nongovernmental organizations, ~~and~~ customers **and other stakeholders and third parties** on corporate ~~ESG~~ **sustainability** practices in recent years, including with respect to global warming and climate change, diversity, equity and inclusion, and labor and human rights, among other ~~ESG~~ **sustainability** issues. Both the standard setting and regulatory landscapes are extremely complex and present significant compliance challenges. **Such increased complexity and scrutiny may result in increased costs, increased risk of litigation or reputational damage relating to our sustainability practices or performance, enhanced compliance or disclosure obligations, or other adverse impacts on our business, financial condition or results of operations.** Many different **governmental** organizations are promulgating reporting standards and rules that focus on a myriad of ~~ESG~~ **sustainability** topics ~~. In March 2022~~ , **including new** ~~the SEC published its proposed rule, “ The Enhancement and Standardization of Climate-Related Disclosures for Investors, ” which sets forth certain prescriptive rules that, if adopted as proposed, will significantly increase our~~ reporting **requirements in various jurisdictions** ~~obligations and cost of compliance~~ . **For example** ~~In November 2022~~ , **we may be subject to, among others,** the **requirements of** ~~European Commission approved~~ the **EU** Corporate Sustainability Reporting Directive **, other EU directives, EU and EU member state regulations, various disclosure requirements** (~~“ CSRD ”~~ **such as information on greenhouse gas emissions, climate risks, use of offsets, and emissions reduction claims**) **from** ~~, which will affect both European businesses and their~~ -- **the** ~~parent companies, including~~ **State of California as well as the SEC’ s proposed rule** ~~non~~ - **on climate related disclosures, if finalized** ~~- EU entities that exceed certain thresholds or meet other requirements~~ . As we continue to focus on developing our ~~ESG~~ **sustainability** practices, such practices may not meet the standards of all of our stakeholders and advocacy groups may campaign for further changes. Many of our large, global customers are also committing to long- term targets to reduce greenhouse gas emissions within their supply chains. If we are unable to support customers in achieving these reductions, we may lose revenue if our customers find other suppliers who are better able to support such reductions. A failure, or perceived failure, to respond to expectations of all key stakeholders could cause harm to our business and reputation and have a negative impact on the market price of our common shares. Further, organizations that provide information to investors on corporate governance and related matters have developed ~~ratings~~ - **rating** processes for evaluating companies on ~~ESG~~ **sustainability** matters. Such ratings are used by some investors to

inform their investment or voting decisions. Unfavorable ~~ESG~~ **sustainability** ratings could lead to negative investor sentiment ~~toward~~ **towards** us and / or our industry, which could have a negative impact on our access to and costs of capital **. The effects of climate change and related regulatory responses may adversely impact our business. The intensifying effects of climate change present physical, liability, and transition risks with both macro and micro implications for companies and financial markets. There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere are causing significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters (such as floods, droughts, wildfires and severe storms). Such events could, among other things, disrupt our operations, including by damaging or destroying our facilities or those of our suppliers, which may cause us to suffer losses and additional costs to maintain or resume operations or as a result of supply chain- related delays or cancellations, which could have an adverse impact on our business and results of operations. In addition, implementing changes to mitigate risks associated with such events may result in substantial additional operational expenses in the short- and long- term, which may materially affect our profitability** . In addition, concerns over climate change and sustainability have led to foreign and domestic legislative and regulatory initiatives directed at limiting carbon dioxide and other greenhouse gas emissions. We may experience increased costs in order to execute upon our sustainability goals and comply with future climate- change related government mandates as well as stricter environmental protection laws, which could have an adverse impact on our results of operations and financial condition. Certain regulations may require us to redesign our products to ensure compliance with the applicable standards. These redesigns may adversely affect the performance of our products, add greater testing lead- times for product introductions and reduce our profitability. Risks Relating to Taxes Novanta Inc. may be subject to U. S. federal income taxation even though it is a non- U. S. corporation. Novanta Inc. is a holding company organized in Canada and is subject to Canadian tax laws. However, we are also subject to U. S. tax rules and file U. S. federal income tax returns for our operations in the U. S. In addition, distributions or payments from entities in one jurisdiction to entities in another jurisdiction may be subject to income and / or withholding taxes. We do not intend to operate in a manner that will cause Novanta Inc. to be treated as engaged in a U. S. trade or business or otherwise be subject to U. S. federal income taxes on its income, but it generally will be subject to U. S. federal withholding tax on certain U. S. sourced passive income items, such as dividends, royalties and certain types of interest. Our effective tax rate is subject to fluctuation,which could impact our financial position and earnings per share.Our effective tax rate is subject to fluctuation as the effective income tax rate for each year is a function of (a) taxable income levels in numerous tax jurisdictions with varying tax rates,(b) our ability to utilize recognized deferred tax assets,(c) taxes,interest,and / or penalties resulting from tax audits and,(d) credits and deductions as a percentage of total taxable income.From time to time,the U.S.,foreign and state governments make substantive changes to tax rules where significant judgment is required to determine the impact of such changes on our provision for income taxes,which may result in increased costs. **Further** ~~For example~~ , ~~the Organisation for Economic Co- operation and Development Pillar Two framework provides a~~ **such tax law changes may cause our effective tax rate to fluctuate between periods.** Risks Relating to Our Common Shares and Our Capital Structure We may require additional capital to adequately respond to business challenges or opportunities and repay or refinance our existing indebtedness, but this capital may not be available on acceptable terms or at all. We may require additional capital to adequately respond to future business challenges or opportunities, including, but not limited to, the need to develop new products or enhance our existing products, the need to invest in cloud- based **ERP** ~~enterprise resource planning~~ systems and other digital technology platforms to help accelerate the growth of our businesses, the need to build inventory or to invest other cash to support business growth, and opportunities to acquire complementary businesses and technologies. As of December 31, ~~2022~~ **2023** , we had outstanding debt of $ ~~440~~ **358** . ~~3~~ **1** million under our amended and restated senior secured credit agreement (as amended, the " Third Amended and Restated Credit Agreement ") and $ ~~336~~ **416** . 6 million **additional borrowing capacity** available ~~to be drawn~~ under the revolving credit facility. If we are unable to satisfy the conditions in the Third Amended and Restated Credit Agreement or our needs exceed the amounts available under the revolving credit facility, we may need to **obtain** ~~engage in~~ equity or debt financing ~~to obtain additional funds~~ . If we raise additional funds through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution. Any new equity securities we issue could have rights, preferences and privileges superior to those of the holders of our common shares. Further, our Third Amended and Restated Credit Agreement restricts our ability to obtain additional debt financing from other sources. If we are unable to obtain adequate financing or obtain financing on terms satisfactory to us when we need it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited. In addition, the terms of any additional equity or debt issuances may adversely affect the value and price of our common shares. Our existing indebtedness could adversely affect our future business, financial condition and results of operations. As of December 31, ~~2022~~ **2023** , we had $ ~~440~~ **358** . ~~3~~ **1** million of outstanding debt **and on January 2, 2024, we drew down on our revolving credit facility to fund the acquisition of Motion Solutions Parent Corp** . This level of debt could have significant consequences on our future operations, including: • reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes; • limiting our flexibility in planning for or reacting to, and increasing our vulnerability to, changes in our business, changes in the general economic environment, and market changes in the industries in which we operate; and • placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged. Any of these factors could have an adverse effect on our business, results of operations and financial condition. In addition, as a global corporation, we have significant cash ~~reserves~~ **balances** held in foreign countries. Some of these balances may not be immediately available to repay our debt. Our Third Amended and Restated Credit Agreement, as amended, contains covenants that limit our ability to engage in activities that may be in our long- term best ~~interests~~ **interest** . Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of

all of our borrowings thereunder. General Risk Factors The market price for our common shares may be volatile. The market price of our common shares could be subject to wide fluctuations. These fluctuations could be caused by: • quarterly variations in our results of operations; • changes in earnings estimates by analysts; • conditions in the markets we serve; • trading phenomena such as " short squeeze "; or • general market, political or economic conditions. In addition, the stock market has experienced extreme price and volume fluctuations in recent years. These fluctuations have had a substantial effect on the market prices of many companies, often unrelated to the operating performance of the specific companies. These market fluctuations could adversely affect the price of our common shares. Our effective tax rate is subject to..... tax rate to fluctuate between periods. We are exposed to the credit risk of some of our customers and to credit exposures in weakened markets, which could adversely affect our results of operations. Customers with liquidity issues may lead to additional bad debt expense. There can be no assurance that our open credit customers will pay the amounts they owe to us or that the reserves we maintain will be adequate to cover such credit exposures. In addition, to the extent that turmoil in the credit markets or increases in interest rates make it more difficult for some customers to obtain financing, their ability to pay may be adversely impacted. Our customers' failure to pay and / or our failure to maintain sufficient reserves could have a material adverse effect on our future cash flows and financial condition. If we fail to maintain appropriate internal controls in the future, we may not be able to report our financial results accurately, which may adversely affect our stock price and our business. While our management and our independent registered public accounting firm concluded that our internal control over financial reporting was effective as of December 31, ~~2022~~ **2023**, it is possible that material weaknesses may be identified in the future. As part of our growth strategy, we intend to make additional acquisitions of privately held businesses. Prior to becoming part of our consolidated company, the acquired businesses would not be required to implement or maintain the disclosure controls and procedures or internal control over financial reporting that are required of public companies. We are required to integrate the acquired businesses into our ~~consolidated company' s~~ system of disclosure controls and procedures and internal control over financial reporting, but we cannot provide assurance as to how long the integration process may take. Additionally, we may need to improve our internal control or those of any business we acquire. This could result in significant costs to us and could require us to divert substantial resources. If we are unable to maintain effective internal controls, we may ~~not have adequate, accurate or timely financial information, and we may~~ be unable ~~to meet our reporting obligations as a publicly traded company or~~ to comply with the requirements of the SEC or the Sarbanes- Oxley Act of 2002. This could result in a restatement of our financial statements, the imposition of sanctions, or investigation by regulatory authorities. Any such action or other negative results caused by our inability to meet our internal control and financial reporting requirements or to comply with legal and regulatory requirements could adversely affect our business and the trading price of our common shares. Material weaknesses in our internal control over financial reporting could also reduce our ability to obtain financing or could increase the cost of any financing we obtain.