Financial Report

HUBER+SUHNER Group Financial Statements

Key Figures

Group

in CHF million	2023	2022	Change
Order intake	821.4	975.4	(15.8%)
Order backlog as of 31.12.	271.9	320.0	(15.0%)
Net sales	851.1	954.6	(10.8%)
Gross margin	35.3%	35.7%	
EBITDA	110.5	135.3	(18.3%)
as % of net sales	13.0%	14.2%	
EBIT	77.6	103.2	(24.8%)
as % of net sales	9.1%	10.8%	
Financial result	(2.9)	(1.8)	n/m
Net income	64.8	85.2	(23.9%)
as % of net sales	7.6%	8.9%	
Purchases of PP&E and intangible assets	51.4	45.3	13.6%
Cash flow from operating activities	115.7	87.3	32.5%
Free operating cash flow	63.7	37.7	69.1%
Net liquidity as of 31.12.	163.1	151.1	7.9%
Return on invested capital (ROIC) in %	15.8%	20.9%	
Equity as of 31.12.	609.6	606.7	0.5%
as % of balance sheet total	78.4%	74.4%	
Employees as of 31.12.	4 109	4 469	(8.1%)
Market capitalisation as of 31.12.	1 254.7	1 600.4	(21.6%)

n/m = not meaningful

Data per share

in CHF	2023	2022	Change
Stock market price as of 31.12.	68.00	86.30	(21.2%)
Net income	3.48	4.47	(22.3%)
Dividend	1.70 [1]	2.10	(19.0%)

[1] Proposed dividend

Segment information

in CHF million		2023	2022	Change
Industry	Order intake	258.1	310.5	(16.9%)
	Net sales	285.3	298.0	(4.3%)
	EBIT	46.8	63.4	(26.1%)
	as % of net sales	16.4%	21.3%	
Communication	Order intake	283.4	380.6	(25.6%)
	Net sales	280.3	385.9	(27.4%)
	EBIT	13.7	34.2	(59.8%)
	as % of net sales	4.9%	8.9%	
Transportation	Order intake	279.9	284.4	(1.6%)
	Net sales	285.5	270.6	5.5%
	EBIT	25.9	13.7	89.5%
	as % of net sales	9.1%	5.1%	

Consolidated Income Statement

in CHF 1 000	Notes	2023	%	2022	%
Net sales	5	851 062	100.0	954 564	100.0
Cost of goods sold		(550 493)		(614 085)	
Gross profit		**300 569**	**35.3**	**340 479**	**35.7**
Selling expense		(119 332)		(132 203)	
Administrative expense		(49 954)		(48 354)	
Research and development expense		(57 354)		(59 243)	
Other operating expense		(818)		(402)	
Other operating income		4 448		2 901	
Operating profit (EBIT)	**5**	**77 559**	**9.1**	**103 178**	**10.8**
Financial result	6	(2 929)		(1 799)	
Income before taxes		**74 630**	**8.8**	**101 379**	**10.6**
Income taxes	7	(9 783)		(16 187)	
Net income		**64 847**	**7.6**	**85 192**	**8.9**
Attributable to shareholders of HUBER+SUHNER AG		64 221		84 253	
Attributable to minority interests		626		939	

Data per share

in CHF	Notes	2023		2022	
Undiluted / diluted earnings per share	28	3.48		4.47	
Dividend		1.70 [1]		2.10	

[1] Proposed dividend

The notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

in CHF 1 000	Notes	31.12.2023	%	31.12.2022	%
Assets					
Cash and cash equivalents	14	108 100		151 138	
Marketable securities	15	55 000		–	
Trade receivables	16	131 101		162 232	
Other short-term receivables	17	21 444		28 742	
Inventories	18	163 190		193 919	
Accrued income		5 115		4 133	
Current assets		**483 950**	**62.3**	**540 164**	**66.3**
Property, plant and equipment	20	226 554		214 867	
Intangible assets	21	28 820		26 250	
Financial assets	22	23 703		23 208	
Deferred tax assets	26	13 999		10 494	
Non-current assets		**293 076**	**37.7**	**274 819**	**33.7**
Assets		**777 026**	**100.0**	**814 983**	**100.0**
Liabilities and equity					
Trade payables		60 614		76 079	
Other short-term liabilities	24	49 910		66 263	
Short-term provisions	25	10 158		17 175	
Accrued liabilities		15 654		19 452	
Current liabilities		**136 336**	**17.6**	**178 969**	**22.0**
Other long-term liabilities		2 345		2 667	
Long-term provisions	25	7 433		7 778	
Deferred tax liabilities	26	21 283		18 917	
Non-current liabilities		**31 061**	**4.0**	**29 362**	**3.6**
Liabilities		**167 397**	**21.6**	**208 331**	**25.6**
Share capital	27	5 050		5 050	
Capital reserves		33 478		33 480	
Treasury shares		(82 379)		(75 231)	
Retained earnings		650 997		640 058	
Equity attributable to shareholders of HUBER+SUHNER AG		**607 146**	**78.1**	**603 357**	**74.0**
Minority interests		2 483	0.3	3 295	0.4
Total equity		**609 629**	**78.4**	**606 652**	**74.4**
Liabilities and equity		**777 026**	**100.0**	**814 983**	**100.0**

The notes are an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

in CHF 1 000	Notes	2023	2022
Net income		**64 847**	**85 192**
Income taxes		9 783	16 187
Depreciation of property, plant and equipment and intangible assets	12	32 940	32 112
Other non-cash items		1 485	1 995
Loss/profit from the disposal of property, plant and equipment		(572)	(45)
Change in trade receivables		22 706	(23 242)
Change in inventories		24 455	(28 007)
Change in other receivables and accrued income		7 116	(2 470)
Change in trade payables		(12 148)	15 468
Change in other liabilities and accrued liabilities		(12 361)	5 826
Change in provisions		(7 139)	(464)
Income tax paid		(15 411)	(15 077)
Interest paid		(40)	(156)
Cash flow from operating activities		**115 661**	**87 319**
Purchases of property, plant and equipment	20	(44 351)	(37 107)
Proceeds from sale of property, plant and equipment	20	847	202
Purchases of intangible assets	21	(7 934)	(8 853)
Purchases and disposals of financial assets		(91)	(24)
Purchases of marketable securities	15	(55 000)	–
Interest received		1 831	1 456
Cash outflow from acquisitions and disposals	3	(2 289)	(5 333)
Cash flow from investing activities		**(106 987)**	**(49 659)**
Payment of dividend		(38 773)	(38 243)
Payment of dividend to minority interests		(318)	(640)
Purchase of treasury shares [1]		(8 959)	(63 140)
Cash flow from financing activities		**(48 050)**	**(102 023)**
Effect of exchange rate changes on cash		(3 662)	(4 344)
Net change in cash and cash equivalents		**(43 038)**	**(68 707)**
Cash and cash equivalents at beginning of year		151 138	219 845
Cash and cash equivalents at end of year	14	108 100	151 138
Net change in cash and cash equivalents		**(43 038)**	**(68 707)**

[1] During 2023, 81 916 (previous year: 786 584) treasury shares were purchased as part of the share buyback programme at an average share price of CHF 78.70 (previous year: CHF 80.27) in the amount of CHF 6.4 million (previous year: CHF 63.1 million).

Per 30 March 2023 the share buyback programme, launched in October 2021, has been completed. In total 1 010 000 treasury shares were purchased at an average share price of CHF 80.61, amounting to CHF 81.4 million. The shares acquired under this programme will be proposed for cancellation by means of capital reduction at the next Annual General Meeting on 27 March 2024.

The notes are an integral part of the consolidated financial statements.

Consolidated Statement of Equity

in CHF 1 000	Share capital[1]	Capital reserves	Treasury shares	Other retained earnings	Goodwill offset	Translation differences	Retained earnings	Equity attributable to shareholders of H+S AG	Minority interests	Total equity
Balance at 1.1.2022	**5 050**	**33 083**	**(13 835)**	**787 367**	**(141 127)**	**(29 985)**	**616 255**	**640 553**	**3 197**	**643 750**
Net income	–	–	–	84 253	–	–	84 253	84 253	939	85 192
Dividend paid	–	–	–	(38 243)	–	–	(38 243)	(38 243)	(640)	(38 883)
Purchase of treasury shares[2]	–	–	(63 140)	–	–	–	–	(63 140)	–	(63 140)
Share-based payment	–	397	1 744	250	–	–	250	2 391	–	2 391
Goodwill offset[3]	–	–	–	–	(5 853)	–	(5 853)	(5 853)	–	(5 853)
Currency translation differences	–	–	–	–	–	(16 604)	(16 604)	(16 604)	(201)	(16 805)
Balance at 31.12.2022	**5 050**	**33 480**	**(75 231)**	**833 627**	**(146 980)**	**(46 589)**	**640 058**	**603 357**	**3 295**	**606 652**
Change in scope of consolidation[4]	–	–	–	–	–	–	–	–	(1 036)	(1 036)
Net income	–	–	–	64 221	–	–	64 221	64 221	626	64 847
Dividend paid	–	–	–	(38 773)	–	–	(38 773)	(38 773)	(318)	(39 091)
Purchase of treasury shares[2]	–	–	(8 959)	–	–	–	–	(8 959)	–	(8 959)
Share-based payment	–	(2)	1 811	(550)	–	–	(550)	1 259	–	1 259
Goodwill offset[3]	–	–	–	–	277	–	277	277	–	277
Currency translation differences	–	–	–	–	–	(14 236)	(14 236)	(14 236)	(84)	(14 320)
Balance at 31.12.2023	**5 050**	**33 478**	**(82 379)**	**858 525**	**(146 703)**	**(60 825)**	**650 997**	**607 146**	**2 483**	**609 629**

[1] See note 27
[2] See footnote 1) at the end of the consolidated cash flow statement
[3] See note 21
[4] See note 3

The notes are an integral part of the consolidated financial statements.

Notes to Group Financial Statements

1 General

These consolidated financial statements were approved by the Board of Directors on 28 February 2024 and released for publication on 5 March 2024. They are subject to the approval of the shareholders at the Annual General Meeting on 27 March 2024.

2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the HUBER+SUHNER Group are based on the individual financial statements of the Group companies and were prepared in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. Unless otherwise stated in the consolidation and accounting policies, the consolidated financial statements have been prepared under the historical cost convention.
Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and deltas are calculated using the underlying amount rather than the presented rounded amount.
The financial year-end date for HUBER+SUHNER AG, all subsidiaries and the Group financial statements is 31 December.

2.2 Scope and principles of consolidation

Investments in subsidiaries are included in the Group financial statements as follows:

- All subsidiaries which HUBER+SUHNER controls are fully consolidated. Control is usually presumed where the Group directly or indirectly owns more than 50 % of the voting rights of the subsidiaries. All of the assets and liabilities as well as the income and expenses of these companies are fully included. Minority interests in the consolidated equity and net income are shown separately. All intercompany transactions and balances as well as intercompany profits in inventory and other assets are eliminated on consolidation.
- Those companies purchased during the reporting year are included in the consolidation as at the date on which control was effectively transferred. All previously recognised assets and liabilities as well as contingent liabilities of the company are valued from the date of transfer of control and at fair value. Companies which have been divested during the reporting year are included in the consolidated financial statements until the date on which control ceased.
- Joint ventures and investments with voting rights of between 20 % and 50 % are recognised using the equity method and with the proportionate equity share as at the balance sheet date. They are reported under financial assets in the balance sheet and as equity investments in the notes. Using the equity method, the proportional share of net income is shown as income (expense) in the consolidated income statement.
- Capital consolidation is based on the purchase method (acquisition method). The net assets acquired are revalued at the acquisition date and compared with the purchase price; only previously recognised assets are revalued. Any resulting goodwill is directly offset against equity. This approach is used for both positive and negative goodwill. If parts of the purchase price are dependent on future results, they are estimated as accurately as possible at the date of acquisition and recognised in the balance sheet. In the event of disparities the goodwill offset in equity is adjusted accordingly.

2.3 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are prepared in Swiss francs (CHF). CHF is the Group's presentation currency and, unless stated otherwise, the information is given in CHF 1000 (KCHF).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

The results and financial position of all the Group entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities, for each balance sheet, are translated at the closing rate on the balance sheet date;
- income and expenses, for each income statement, are translated at average exchange rates of the period;
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, profit and loss are not affected by exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments which are designated as hedges of such investments.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, postal and bank accounts, cheques and term deposits with an original maturity of three months or less. Cash and cash equivalents are stated at nominal value.

2.5 Marketable securities

Marketable securities are short-term investments in readily realisable notes, bonds, quoted shares and term deposits, which are traded in liquid markets. Marketable securities are stated at fair value. Term deposits are stated at nominal value.

2.6 Trade receivables and other short-term receivables

Trade receivables and other short-term receivables are valued at nominal value less provision for doubtful trade receivables, if any. Indications for provisions for doubtful trade receivables are substantial financial problems on the customer side, a declaration of bankruptcy or a material delay in payment.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of goods comprises direct material and production costs and related production overheads. Borrowing costs are excluded. Early payment discounts are treated as a deduction of the purchase price. The inventory valuation is based on standard costs; these are verified annually. Slow-moving and obsolete stock that have insufficient inventory turnover are systematically value-adjusted, either partially or fully.

2.8 Property, plant and equipment

Property, plant and equipment are stated on the balance sheet at the purchased or manufactured cost less accumulated depreciation and impairment. Using the straight-line method, depreciation is charged over the estimated useful lives of the related assets. Investment properties (including undeveloped property) are held for the purposes of rental income and capital gains. They are valued at purchase cost less accumulated depreciation and impairment, and are depreciated over their estimated useful life (20 to 40 years) using the straight-line method. Land is not depreciated. Assets under construction, which are not yet available for use, are depreciated when the asset is in use.

Asset category	Useful life in years
Land	not depreciated
Buildings	20-40 years
Technical equipment and machinery	5-15 years
Leasehold improvements	5-10 years
Office furniture and fixtures	3-5 years
IT hardware	3-5 years
Other equipment	3-7 years

2.9 Intangible assets

Software

Acquired computer software and other intangible assets are capitalised on the basis of the costs incurred to acquire and bring the asset to use. These costs are amortised over their estimated useful life (3 to 10 years).
Development costs for software are capitalised on the basis that the asset generates future economic benefits such as revenues or owner-utilisation and that the costs of the asset can be identified reliably. Self-developed intangible assets are not capitalised (including internal costs associated with developing or maintaining computer software).

Other intangible assets

Acquired rights of land use are capitalised on the basis of the acquisition costs incurred. They are amortised on a straight-line basis for the full term of the rights.

2.10 Impairment of assets

Property, plant and equipment and other long-term assets including intangible assets are reviewed for impairment if events or changes in circumstances have occurred that indicate that the book value cannot be recovered. Assets with a book value above the recoverable amount are deemed impaired and are carried at no more than the recoverable amount. The recoverable amount is the higher of an asset's fair value less the cost to sell and value in use. To determine the reduction in value, assets are allocated to specific cash-generating units; cash flows for the latter are determined separately.
If there is an indication that the impairment in the prior period no longer exists or has decreased, the carrying amount is, with the exception of goodwill, increased to its recoverable amount and is recognised immediately in the income statement.

2.11 Financial assets

Financial assets include securities with a long-term investment horizon where the share in equity is less than 20 %, investments in associates and joint ventures as well as loans, assets from employer contribution reserves, long-term rental deposits and re-insurance of retirement plans. As a general rule, marketable securities are valued at the current market price; in some circumstances, they are valued at the cost of acquisition. Investments in associates and joint ventures are accounted for using the equity method. Loans are valued based on the nominal values less any value adjustments. Assets from employer contribution reserves are valued at their current value; long-term rental deposits are valued at their nominal value and are only discounted if material. Re-insurance of retirement plans is accounted for using an actuarial valuation.

2.12 Financial liabilities

Financial liabilities consist of bank debt and are recognised at nominal value.

2.13 Trade payables and other short-term liabilities

Trade payables and other short-term liabilities are recognised at nominal value.

2.14 Provisions

Provisions are made for warranties, personnel expenses, restructuring costs, as well as legal and other miscellaneous operational risks that meet the recognition criteria. They are recognised when the Group has a current legal or constructive obligation as a result of past events and if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.
Warranty provisions are generally measured and recognised based on prior experience. The amount of the provision is measured by the current value of the expected cash outflows insofar as the cash outflow substantially underlies interest effects.

2.15 Off-balance-sheet transactions

Contingent liabilities and other non-recognisable commitments are valued and disclosed at each balance sheet date. If contingent liabilities and other non-recognisable commitments lead to an outflow of funds without a simultaneous usable inflow of funds, and the outflow of funds is probable and can be measured reliably, a corresponding provision is made.

2.16 Employee benefits

Companies in the HUBER+SUHNER Group operate employee pension plans in accordance with the regulations of the country where the given company is domiciled.
The economic impact of these pension plans on the HUBER+SUHNER Group is determined annually. For Swiss pension plans, economic benefits and/or economic obligations are determined on the basis of the annual financial statement, which is prepared in accordance with Swiss GAAP FER 26. The economic impact of foreign pension plans is determined according to the methods applied in the given country.

An economic benefit is capitalised if it is permissible and the intention is to use the pension plan funds to cover the company's future pension expense. An economic obligation is recognised when the conditions for the recognition of a provision are met. Existing employer contribution reserves are recognised as a financial asset. Changes in the economic benefit or the economic obligation are recognised in the income statement as personnel expenses incurred during the reporting period.

2.17 Share-based payment

Members of the Board of Directors and Executive Group Management are partly compensated in HUBER+SUHNER AG shares. These are issued with a blocking period of at least three years. The allocation of shares is subject to approval by the Annual General Meeting; the valuation of the share-based payment is determined at the grant date (i.e. the

date at which the share allocation was approved by the Annual General Meeting). Share-based payment transactions which have not yet been approved by the Annual General Meeting are valued at the year-end share price.
The market value of the shares is fully recognised in equity based on the accruals principle and the one-year vesting period in the accounts of the respective year under review. Any subsequent variances between the year-end share price and the share price at the date of the retroactive approval by the Annual General Meeting are recorded in the income statement of the following year.

2.18 Revenue recognition

HUBER+SUHNER generates revenues mainly from the sale of products and systems. Revenues from these sales are recognised upon delivery to the customer. Depending on the terms of the sales contract, delivery is made when the risks and rewards of the sold products are transferred to the customer or when the service has been performed. Sales are shown as a net amount in the income statement. They represent the total value of invoices to third parties less sales taxes, credits for returns and revenue reductions (primarily rebates and discounts).

2.19 Gross profit

The income statement is presented by function, whereby gross profit represents net sales less the cost of goods sold.

2.20 Income taxes

Income taxes are accounted for on the basis of the income for the reporting year, less the use of tax losses carried forward, using expected effective (local) tax rates. Income tax receivables and payables outstanding at the balance sheet date are disclosed under other short-term receivables or other short-term liabilities. Deferred income tax is calculated using the liability method for any temporary difference between the carrying amount according to Swiss GAAP FER and the tax basis of assets and liabilities. Deferred income tax is measured at tax rates that are expected to apply to the period when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates/laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset.

Deferred income tax is provided for temporary differences on investments in subsidiaries and associates, except when the Group can control the timing of the reversal of the temporary difference or the reversal is not probable in the foreseeable future.

2.21 Alternative Performance Measures

Alternative Performance Measures are key figures not defined by Swiss GAAP FER. HUBER+SUHNER uses alternative performance measures as guidance parameters for both internal and external reporting to stakeholders. For the definition of Alternative Performance Measures please visit Publications.

3 Changes in the scope of consolidation and other changes

On 1 August 2023, HUBER+SUHNER sold the majority share (51 %) of BKtel Pacific Rim (Japan) Inc, a fully consolidated H+S Group company, to the minority shareholder for a price of CHF 1.1 million, which is equivalent to 51 % of equity. After the deduction of sold net cash (CHF 1.7 million) and the deferred payments to receive (CHF 0.2 million) the net cash outflow was CHF 0.8 million in 2023. In the consolidated Statement of Equity the derecognition of minority interests (49 %) is recognized in the line “change in scope of consolidation”. The year 2023 includes net sales and operating profit until 31 July 2023 while the comparative period includes twelve months. Pro rata net sales 2023 amounted to CHF 1.1 million (net sales 2022: CHF 1.9 million). The transaction resulted in a gain on sale of CHF 0.02 million, which was recognized in 2023 in the position “Other operating income”. BKtel Pacific Rim (Japan) Inc was reported in the Communication segment.

The following net assets were derecognized:

Effect of deconsolidation	**Fair Value**
Cash and cash equivalents	1 726
Trade receivables	3
Other short-term receivables	276
Inventories	44
Other short-term assets	63
Property, plant and equipment	31
Financial assets	16
Trade payables	(154)
Other short-term and accrued liabilities	(125)
Derecognized net assets	**1 880**

In June 2023 the outstanding payment for the acquisition of Phoenix Dynamics Ltd. (acquired in 2022), has been reduced from CHF 1.8 million to CHF 1.5 million as the criteria for deferred payment were not fully achieved. CHF 1.5 million was paid and the goodwill was reduced accordingly by CHF 0.3 million. Phoenix Dynamics Ltd. is reported in the Industry segment.

Phoenix Dynamics Ltd. had been acquired on 31 October 2022, a provider of customised, assembled cable solutions, electro-mechanical assemblies, concept design and consulting for the industrial markets in Europe and North America. Based in Staffordshire, UK, Phoenix Dynamics has been active in the aerospace and defense markets for 25 years. The company that also serves customers in industries such as automotive, energy, industrial, marine, medical, rail and security has been renamed in HUBER+SUHNER Phoenix Dynamics Ltd..

At the time of acquisition in 2022, the fair values of net assets acquired according to Swiss GAAP FER were as follows:

Effect of acquisition	**Fair Value**
Cash and cash equivalents	584
Trade receivables	763
Other short-term receivables	41
Income tax receivable	50
Inventories	435
Accrued income	197
Property, plant and equipment	46
Deferred tax asset	51
Trade payables	(157)
Other short-term liabilities	(51)
Accrued liabilities	(321)
Acquired net assets	**1 638**

The goodwill from the acquisition of Phoenix Dynamics Ltd., which was offset with equity, was CHF 5.9 million. The total purchase price (including acquisition costs) was CHF 7.5 million. After the deduction for purchased net cash (CHF 0.6 million) and the ouststanding payments (CHF 1.8 million) the net cash outflow was CHF 5.1 million in 2022.

From the acquisition of ROADMap Systems Ltd., Cambridge, UK, in 2021, the remaining payment of CHF 0.2 million was paid in April 2022.

A complete list of all Group companies can be found in chapter Group Companies.

4 Exchange rates for currency translation

The following exchange rates were used for the Group's main currencies:

	Spot rates for the consolidated balance sheet		Average rates for the consolidated income and cash flow statement	
	31.12.2023	**31.12.2022**	**2023**	**2022**
1 EUR	0.94	0.99	0.97	1.00
1 USD	0.85	0.93	0.90	0.95
100 CNY	11.93	13.29	12.64	14.10
1 GBP	1.09	1.12	1.12	1.17
100 INR	1.02	1.12	1.09	1.21
1 PLN	0.22	0.21	0.21	0.21
1 HKD	0.11	0.12	0.11	0.12
1 AUD	0.58	0.63	0.60	0.66

5 Segment information

The segment reporting of HUBER+SUHNER consists of three market segments and Corporate.

Industry segment

HUBER+SUHNER utilises its expertise in electrical and optical connectivity in developing advanced and differentiated solutions for demanding applications in a variety of industrial markets. Customers benefit from a wide range that encompasses components such as cables, connectors, cable assemblies, antennas, lightning protection and resistive components – all of which can be customised to meet specific requirements. This comprehensive portfolio features products specifically designed to withstand the extreme environments of space and offshore applications, ensure data integrity and connectivity to safeguard protective forces, guarantee accuracy and repeatability for test and measurement systems, maintain safe-handling in high power electric car charging, provide lifetime data transfer and control for wind energy and industrial automation, and deliver the precision and flexibility necessary for medical applications in improving lives.

Markets served: test and measurement, aerospace and defense, high power charging, general industrial.

Communication segment

HUBER+SUHNER is a strategic partner to the communication market combining profound technical expertise with extensive customer intimacy to meet the needs of mobile networks, fixed access networks, data centers and communication equipment manufacturers. Customers benefit from a comprehensive and customisable portfolio of physical layer connectivity products and systems that are based on fiber optic and radio frequency technologies. HUBER+SUHNER provides an extensive range of reliable, future-ready solutions that pull from products including harsh environment connectivity, antenna transmission, residential access, video overlay, bandwidth expansion, cable systems, cable management, hardware interconnection, optical switching and wavelength-selective switching. Each solution is designed and engineered to provide the highest performance, density and scalability for today and far into the future.

Markets served: mobile network, fixed access network, data center, communication equipment manufacturer.

Transportation segment

HUBER+SUHNER develops comprehensive and sustainable connectivity solutions for the transportation market by combining three in-house technologies into innovations. The solutions in the transportation segment address the mobility needs of today and tomorrow in the railway and automotive markets. These needs also include the addition of communication solutions and thus the possibility of being mobile while being connected. The portfolio includes an extensive range of cables, cable assemblies, hybrid cables and cable systems, as well as antennas, radar and connectors. By specialising in polymer compounds using a patented formula developed in-house for high-quality cable insulation, and in combination with electron beam cross-linking technology, low frequency cable products offer competitive advantages of space and weight savings, and long lifetime, even under extreme conditions. Altogether, customers benefit from efficient electrical transmission, high-speed data transfer, and autonomous control in future ready transportation concepts.

Markets served: railway (rolling stock, rail communications), automotive (electric vehicle, advanced driver assistance system).

Corporate

This segment chiefly covers the expenses of corporate functions in Switzerland and all business activities that cannot be allocated to one of the three market segments.

Net sales by segment

	2023	**2022**
Industry	285 296	298 026
Communication	280 295	385 917
Transportation	285 471	270 621
Total net sales	**851 062**	**954 564**

Net sales by region (sales area)

	2023	**2022**
Switzerland	44 770	41 955
EMEA (Europe, Middle East and Africa [excl. CH])	427 099	450 410
APAC (Asia-Pacific)	221 261	216 199
Americas (North and South America)	157 931	246 000
Total net sales	**851 062**	**954 564**

Operating profit (EBIT)

	2023	**2022**
Industry	46 836	63 360
Communication	13 721	34 164
Transportation	25 913	13 673
Corporate	(8 911)	(8 019)
Total operating profit (EBIT)	**77 559**	**103 178**

6 Financial result

	2023	2022
Interest income	1 888	1 940
Foreign exchange gains incl. derivative financial instruments	2 243	2 843
Other financial income	8	2
Total financial income	**4 139**	**4 785**
Interest expense	(37)	(173)
Foreign exchange losses incl. derivative financial instruments	(5 200)	(4 399)
Other financial expense	(1 831)	(2 012)
Total financial expense	**(7 068)**	**(6 584)**
Total financial result	**(2 929)**	**(1 799)**

Other financial expense includes amongst others bank charges and non-refundable withholding taxes on dividends from Group companies.

7 Income taxes

	2023	2022
Current income taxes	(11 686)	(15 230)
Deferred income taxes	1 903	(957)
Total income taxes	**(9 783)**	**(16 187)**

The differences between the expected and the effective income taxes were as follows:

	2023	2022
Net income before taxes	74 630	101 379
Expected income tax rate	**17.4%**	**19.9%**
Expected income taxes	(13 005)	(20 137)
Effect of utilisation of non-recognised tax losses carry-forward	661	736
Effect of non-tax-deductible expenses and non-taxable income	2 569	2 019
Effect of non-recognition of current tax losses	(2 015)	(32)
Effect of increased/reduced allowance on deferred tax balances	(8)	35
Effect of changes in tax rates on deferred tax balances	(67)	(7)
Effect of tax credits/debits from prior years and other effects	2 082	1 199
Effective income taxes	**(9 783)**	**(16 187)**
Effective income tax rate	**13.1%**	**16.0%**

The expected Corporate income tax rate corresponds to the weighted average income tax rate based on the net income before taxes and the income tax rate of each individual Group company. The net income before taxes complies with the ordinary result according to Swiss GAAP FER.

In the reporting year, the decrease from 17.4 % in the expected to 13.1 % in the effective income tax rate is mainly attributable to the following three factors: Firstly, in several countries (Switzerland, China, France, UK, Gemany) research and development deductions and other tax benefits are available, that are used by HUBER+SUHNER (shown in the line “effect of non-tax-deductible expenses and non-tax-deductible income”). Secondly, in accordance with the valuation principles for recognizing tax assets on losses carried forward, one subsidiary recognized only a portion of the potential tax asset on current year tax loss (shown in the line “effect of non-recognition of current tax losses”). Thirdly, due to the deviation from the assumed income tax rate and the effective income tax rate in Switzerland and prior-year true-ups in the US and Switzerland (shown in the line “effect of tax credits/debits from prior years and other effects”) .

The capitalised deferred tax assets on losses carried forward amount to CHF 4.7 million (previous year: CHF 0.8 million). The increase compared to prior year is mainly related to the recognition of current year tax losses in two subsidiaries. The unrecognised tax loss carried forward was CHF 28.7 million (previous year: CHF 22.1 million). This corresponds to a potential tax asset of CHF 8.0 million (previous year: CHF 5.9 million). In 2023 no tax losses carried forward expired (previous year: CHF 0.0 million).

The valuation of related tax assets on losses carried forward is generally based on business plans. The capitalisation of usable tax losses carried forward is assessed on a yearly basis. Tax losses carried forward are recognised only to the extent that it is probable that future taxable profits will be available and therefore allow the assets to be utilised. In countries and for subsidiaries where the use of tax losses carried forward is not foreseeable, tax loss is not capitalised. For the calculation of deferred income taxes in the consolidated balance sheet, the expected tax rate per tax subject is applied.

8 Personnel expenses

Personnel expenses included in the income statement amount to:

	2023	2022
Total personnel expenses	**279 071**	**286 602**

9 Post-employment benefits

According to local law, autonomous pension funds bear the risks relating to the defined benefits. In the event of restructuring measures, the employer must pay an additional contribution alongside its normal contributions. Through the HUBER+SUHNER AG pension fund, HUBER+SUHNER AG provides pension benefits for its employees in the event of retirement, invalidity and death.
The leading body administering the fund is the Board of Foundation, which comprises an equal number of employee and employer representatives. The Board of Foundation establishes an Investment Committee, which is responsible for investing the funds held by the pension plan in accordance with the investment regulations defined by the Board of Foundation. All insured persons can claim their pension or part thereof in the form of either capital or retirement pension payments. HUBER+SUHNER AG also has two paternal foundations.

Most HUBER+SUHNER subsidiaries operate defined contribution pension plans. As a general rule, these involve employees and employer paying into pension funds administered by third parties. The HUBER+SUHNER Group has no payment obligations beyond these defined contributions, which are recognised as personnel costs in the profit and loss. The economic obligation recognised in the balance sheet for pension plans without own assets (mainly for a few retired executives) concern pension plans operated in Germany and the USA.

Employer contribution reserves (ECR)

	Nominal value	Waiver of use	Accu-mulation	Balance sheet		Income statement impact from ECR	
	31.12.2023	**2023**	**2023**	**31.12.2023**	**31.12.2022**	**2023**	**2022**
Employer contribution reserves [1]	17 913	–	11	17 913	17 902	11	677
Total	**17 913**	**–**	**11**	**17 913**	**17 902**	**11**	**677**

[1] The ECR are based on the annual reports of the paternal fund from the previous year. The economic benefits/economic obligations are assessed at each balance sheet date. In 2023 as well as in 2022, interest on the paternal fund of the ECR is recognised as financial income.

Economic benefit/economic obligation and pension benefit expenses

	Funding surplus	Economic part of the organisation		Change from prior year with income statement impact	Change from prior year with no income statement impact	Contribu-tions for the period	Pension costs within personnel expenses	
	31.12.2023	**31.12.2023**	**31.12.2022**	**2023**	**2023**	**2023**	**2023**	**2022**
Paternal fund [1]	59 556	–	–	–	–	–	–	–
Pension plans with surplus [1]	32 212	–	–	–	–	(9 314)	(9 314)	(9 073)
Pension plans without own assets	–	1 419	1 480	(98)	159	–	(98)	(22)
Total	**91 768**	**1 419**	**1 480**	**(98)**	**159**	**(9 314)**	**(9 412)**	**(9 095)**

[1] The paternal fund and the funding surplus of the pension plan of HUBER+SUHNER AG are based on annual reports issued by the corresponding institutions for the previous year. The economic benefits / economic obligations are assessed at each balance sheet date.

10 Share-based payment

Compensation and remuneration for members of the Board of Directors and for members of the Executive Group Management includes, amongst others, long-term incentives in the form of shares (see Compensation Report, Notes 2 and 3).

The members of the Board of Directors annually receive a long-term incentive in the form of a fixed number of HUBER+SUHNER AG shares, with a blocking period after assignment of at least three years.

As long-term compensation, the members of Executive Group Management receive a variable number of HUBER+SUHNER AG shares each year. The number of shares that are effectively granted is determined by the Board of Directors and driven by long-term business success, which is assessed according to three factors: market environment, strategy implementation and financial situation. The shares are allocated also with a blocking period of at least three years.

Share-based compensation is calculated based on the year-end share price of CHF 68.00 (previous year: CHF 86.30). In the year under review, 23 900 shares (prior year: 23 100 shares) were allocated. Expenses, which included social security, in the amount of CHF 1.8 million (prior year: CHF 2.2 million) are recognised accordingly in the income statement. Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

11 Related party transactions

In 2023 and 2022 no services were purchased from related parties.

Pension contributions to the HUBER+SUHNER AG pension plan are disclosed in Note 9, line item 'Pension plan with surplus'.

12 Depreciation and amortisation

Depreciation and amortisation expenses included in the income statement are as follows:

	2023	2022
Depreciation of property, plant and equipment	28 571	27 691
Amortisation of intangible assets	4 369	4 421
Total depreciation and amortisation	**32 940**	**32 112**

13 Liabilities from operating lease

Some Group companies lease a number of offices, warehouses and cars under operating lease contracts which cannot be cancelled at short notice.

Liabilities from operating lease

	31.12.2023	31.12.2022
Less than 1 year	6 424	5 837
Between 1 and 5 years	15 724	14 725
More than 5 years	9 056	12 009
Total liabilities from operating lease	**31 204**	**32 571**

14 Cash and cash equivalents

	31.12.2023	31.12.2022
Cash at bank and on hand	51 839	78 747
Term deposits < 3 month term, in CHF	40 000	50 000
Term deposits < 3 month term, in other currency	16 261	22 391
Total cash and cash equivalents	**108 100**	**151 138**

15 Marketable securities

	31.12.2023	31.12.2022
Term deposits > 3 month term, in CHF	55 000	–
Total marketable securities	**55 000**	**–**

16 Trade receivables

	31.12.2023	31.12.2022
Trade receivables from third parties	132 914	165 225
Provision for doubtful trade receivables	(1 813)	(2 993)
Total trade receivables, net	**131 101**	**162 232**

17 Other short-term receivables

	31.12.2023	31.12.2022
Other short-term receivables	20 578	28 226
Derivative financial instruments	866	516
Total other short-term receivables	**21 444**	**28 742**

Other short-term receivables include value-added and withholding tax receivables, current income tax receivables, received letters of credit, and other short-term receivables such as a receivable relating to prepayments and other current assets.

18 Inventories

	31.12.2023	31.12.2022
Raw materials and supplies	94 472	95 869
Work in progress	11 295	13 939
Finished goods	104 111	125 313
Total inventories, gross	**209 878**	**235 121**
Inventory provision	(46 688)	(41 202)
Total inventories, net	**163 190**	**193 919**

In the reporting year, the increase of the inventory provision is caused by increasing slow moving parts mainly in the Communication segment.

19 Derivative financial instruments

To hedge exposure related to fluctuation in foreign currencies, the Group uses derivative financial instruments, in particular forward exchange contracts. Derivative financial instruments used for hedging balance sheet items are recognised at current value and at the date a derivative contract is entered into. They are recorded as other short-term receivables or other short-term liabilities. Derivatives are subsequently re-measured, based on current market prices, to their fair value at each balance sheet date; unrealised gains and losses are recognised in the income statement.

Derivative financial instruments

	Positive market value	Negative market value	Purpose	Positive market value	Negative market value	Purpose
		31.12.2023			31.12.2022	
Foreign exchange	866	130	Hedging	516	333	Hedging
Total	**866**	**130**		**516**	**333**	

20 Property, plant and equipment

	Unde-veloped property	Land and buildings	Technical equipment and machinery	Other equip-ment	Assets under construc-tion	Total
Cost at 1.1.2022	**2 080**	**206 839**	**365 998**	**86 504**	**27 663**	**689 084**
Additions	479	937	4 437	3 414	26 735	36 002
Disposals	–	(98)	(2 253)	(1 627)	(273)	(4 251)
Reclassifications	429	17 278	8 216	4 492	(30 415)	–
Change in consolidation scope	–	27	16	3	–	46
Currency translation differences	(17)	(3 369)	(5 296)	(1 410)	(762)	(10 854)
Cost at 31.12.2022	**2 971**	**221 614**	**371 118**	**91 376**	**22 948**	**710 027**
Additions	–	1 829	5 844	2 424	33 895	43 992
Disposals	–	(3 018)	(12 312)	(2 793)	(445)	(18 568)
Reclassifications	(911)	5 860	20 036	5 735	(30 720)	–
Change in consolidation scope	–	–	–	(64)	–	(64)
Currency translation differences	20	(2 711)	(5 995)	(874)	458	(9 102)
Cost at 31.12.2023	**2 080**	**223 574**	**378 691**	**95 804**	**26 136**	**726 285**
Accumulated depreciation and impairment at 1.1.2022	**–**	**(125 191)**	**(279 395)**	**(71 882)**	**–**	**(476 468)**
Additions	–	(4 865)	(16 982)	(5 844)	–	(27 691)
Impairments	–	–	–	–	–	–
Disposals	–	82	1 810	1 524	–	3 416
Reclassifications	–	(9)	22	(13)	–	–
Currency translation differences	–	1 182	3 459	942	–	5 583
Accumulated depreciation and impairment at 31.12.2022	**–**	**(128 801)**	**(291 086)**	**(75 273)**	**–**	**(495 160)**
Additions	–	(5 263)	(16 601)	(6 707)	–	(28 571)
Impairments	–	–	–	–	–	–
Disposals	–	3 009	12 066	2 719	–	17 794
Reclassifications	–	–	–	–	–	–
Change in consolidation scope	–	–	–	31	–	31
Currency translation differences	–	1 059	4 424	692	–	6 175
Accumulated depreciation and impairment at 31.12.2023	**–**	**(129 996)**	**(291 197)**	**(78 538)**	**–**	**(499 731)**
Net book value at 1.1.2022	**2 080**	**81 648**	**86 603**	**14 622**	**27 663**	**212 616**
Net book value at 31.12.2022	**2 971**	**92 813**	**80 032**	**16 103**	**22 948**	**214 867**
Net book value at 31.12.2023	**2 080**	**93 578**	**87 494**	**17 266**	**26 136**	**226 554**

[1] Other equipment includes vehicles as well as IT, measurement and testing equipment.

21 Intangible assets

	Software	Other	Total
Cost at 1.1.2022	**85 884**	**1 463**	**87 347**
Additions	9 254	8	9 262
Disposals	(443)	–	(443)
Change in consolidation scope	–	–	–
Currency translation differences	(89)	(114)	(203)
Cost at 31.12.2022	**94 606**	**1 357**	**95 963**
Additions	7 409	–	7 409
Disposals	(540)	–	(540)
Change in consolidation scope	–	–	–
Currency translation differences	(68)	(139)	(207)
Cost at 31.12.2023	**101 407**	**1 218**	**102 625**
Accumulated amortisation and impairment at 1.1.2022	**(65 118)**	**(298)**	**(65 416)**
Additions	(4 389)	(32)	(4 421)
Disposals	44	–	44
Impairments	–	–	–
Currency translation differences	57	23	80
Accumulated amortisation and impairment at 31.12.2022	**(69 406)**	**(307)**	**(69 713)**
Additions	(4 339)	(30)	(4 369)
Disposals	189	–	189
Impairments	–	–	–
Currency translation differences	53	35	88
Accumulated amortisation and impairment at 31.12.2023	**(73 503)**	**(302)**	**(73 805)**
Net book value at 1.1.2022	**20 766**	**1 165**	**21 931**
Net book value at 31.12.2022	**25 200**	**1 050**	**26 250**
Net book value at 31.12.2023	**27 904**	**916**	**28 820**

Other intangible assets include amongst others the land use right in Changzhou, China.

Theoretical movement schedule for goodwill

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The theoretical amortisation of goodwill is based on the straight-line method over the useful life of five years. Goodwill from new acquisitions is set in Swiss francs and calculated based on the closing rate at the acquisition date. This procedure means that the movement schedule no longer has to include foreign exchange differences. The impact of the theoretical capitalisation and amortisation of goodwill is presented below:

Cost

	2023	2022
Balance at 1.1.	146 980	141 127
Additions from acquisitions	–	5 853
Reduction of goodwill	(277)	–
Balance at 31.12.	**146 703**	**146 980**

For the changes in goodwill see note 3.

Accumulated amortisation

	2023	2022
Balance at 1.1.	(124 332)	(115 328)
Amortisation expense	(9 948)	(9 004)
Balance at 31.12.	**(134 280)**	**(124 332)**
Theoretical net book value at 31.12.	**12 423**	**22 648**

Impact on balance sheet

	31.12.2023	31.12.2022
Equity according to the balance sheet	609 628	606 652
Theoretical capitalisation of goodwill	12 423	22 648
Theoretical equity incl. net book value of goodwill	**622 051**	**629 300**

Impact on income statement

	2023	2022
Net income	64 847	85 192
Amortisation of goodwill	(9 948)	(9 004)
Theoretical net income	**54 899**	**76 188**

22 Financial assets

	31.12.2023	31.12.2022
Assets from employer contribution reserves	17 913	17 902
Others	5 790	5 306
Total financial assets	**23 703**	**23 208**

Others include rental deposits and re-insurance from retirement plan obligations.

23 Restrictions on the title to assets

In 2022, an asset with a carrying amount of CHF 1.1 million was pledged to secure a bank loan and was relieved beginning of 2023. The pledged asset consisted of a building.

24 Other short-term liabilities

	31.12.2023	31.12.2022
Accrual for personnel expenses	27 797	32 678
Advance payments from customers	1 056	2 122
Derivative financial instruments	130	333
Current income tax liabilities	11 010	15 015
Other liabilities	9 917	16 115
Total other short-term liabilities	**49 910**	**66 263**

Other liabilities include indirect tax liabilities and advance payments from other third parties (not customers).

25 Provisions

	Retirement plan obligations	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.2022	**1 613**	**5 495**	**14 049**	**4 617**	**25 774**
Additions	111	924	2 972	235	4 242
Releases	(89)	(240)	(738)	(2)	(1 069)
Utilisation	(83)	(1 579)	(1 656)	(380)	(3 698)
Change in consolidation scope	–	–	–	–	–
Currency translation differences	(71)	(56)	(155)	(14)	(296)
Balance at 31.12.2022	**1 481**	**4 544**	**14 472**	**4 456**	**24 953**
Additions	173	251	489	33	946
Releases	(75)	(570)	(1 630)	(2)	(2 277)
Utilisation	(90)	(916)	(4 771)	(2)	(5 779)
Change in consolidation scope	–	–	–	–	–
Currency translation differences	(70)	(57)	(111)	(14)	(252)
Balance at 31.12.2023	**1 419**	**3 252**	**8 449**	**4 471**	**17 591**
Short-term provisions	–	1 844	13 349	1 982	17 175
Long-term provisions	1 481	2 700	1 123	2 474	7 778
Total provisions at 31.12.2022	**1 481**	**4 544**	**14 472**	**4 456**	**24 953**
Short-term provisions	–	763	7 415	1 980	10 158
Long-term provisions	1 419	2 489	1 034	2 491	7 433
Total provisions at 31.12.2023	**1 419**	**3 252**	**8 449**	**4 471**	**17 591**

Retirement plan obligations include liabilities in connection with defined contribution plans (pension plans without own assets) and primarily concern specific former employees.
Employee-related provisions mainly include length-of-service rewards and obligations to employees.
Order-related provisions are directly related to services arising from product deliveries and projects, and are formulated based on the experience and estimation of each project. Order-related provisions relate to warranties, customer claims, penalties and other guarantees.
Other provisions include obligations which do not fit into the aforementioned categories, such as current or possible litigations arising from divestments, licence agreements or duties as well as other constructive or legal obligations.

Due to the nature of the long-term provisions, the timing of the cash outflows is uncertain. However, a partial cash outflow can be expected within two to three years, on average.

In both the reporting and the prior-year period, there were no restructuring provisions.

26 Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities
Balance at 1.1.2022	**10 267**	**17 485**
Additions	1 572	1 485
Releases / utilisation	(1 045)	(1)
Releases through equity	–	–
Reclassifications	–	–
Change in consolidation scope	51	–
Currency translation differences	(351)	(52)
Balance at 31.12.2022	**10 494**	**18 917**
Additions	5 753	2 394
Releases / utilisation	(1 456)	–
Releases through equity	–	–
Reclassifications	–	–
Change in consolidation scope	–	–
Currency translation differences	(792)	(28)
Balance at 31.12.2023	**13 999**	**21 283**

HUBER+SUHNER is subject to the provisions of BEPS Pillar 2.0 as of 1 January 2024 (15% minimum taxation). Due to the uncertainties in adjusting and implementing the local tax laws in several countries, it is currently not yet possible to quantify the impact. Within the scope of right to vote in Swiss GAAP FER, deferred taxes in relation to BEPS Pillar 2.0 are not recognized.

27 Share capital

As at 31.12 2023, 20 200 000 (previous year: 20 200 000) registered shares, with a nominal value of CHF 0.25, were outstanding. The Company has no authorised or conditional capital. Reserves which are not disposable or distributable amount to CHF 2.5 million as at 31 December 2023 (previous year: CHF 2.5 million).

The following table shows transactions and balances relating to treasury shares:

	Quantity	Transaction price (Ø) in CHF	Purchase cost	Quantity	Transaction price (Ø) in CHF	Purchase cost
		2023			2022	
Balance at 1.1.	**1 655 799**		**75 231**	**893 140**		**13 834**
Purchases of treasury shares	115 941	77.27	8 959	786 584	80.27	63 140
Disposals of treasury shares	(23 100)	78.39	(1 811)	(23 925)	72.89	(1 744)
Balance at 31.12.	**1 748 640**		**82 379**	**1 655 799**		**75 231**

Out of the total purchases of treasury shares of 115 941 (previous year: 786 584), in 2023 81 916 (previous year: 786 584) treasury shares have been purchased as part of the share buyback programme and 34 025 treasury shares for remuneration purposes (previous year: 0).

In total 1 010 000 treasury shares have been purchased as part of the share buyback programme, at an average share price of CHF 80.61, amounting to CHF 81.4 million, which are 5.0 % of registered shares. Per 30 March 2023 the share buyback programme, launched in October 2021, has been completed. The shares acquired under this programme will be proposed for cancellation by means of capital reduction at the next Annual General Meeting on 27 March 2024.

As at the balance sheet date, foundations related to the HUBER+SUHNER Group hold 274 716 shares in HUBER+SUHNER AG (previous year: 274 716). Pension funds connected with the HUBER+SUHNER Group hold no shares in HUBER+SUHNER AG.

28 Earnings per share

	2023	**2022**
Net income attributable to shareholders of HUBER+SUHNER AG	64 221	84 253
Average number of outstanding shares	18 476 202	18 832 614
Undiluted / diluted earnings per share (CHF)	**3.48**	**4.47**

The average number of outstanding shares is calculated based on issued shares less the weighted average of treasury shares. There are no conversion or option rights outstanding; therefore, there is no dilution of earnings per share.

29 Future commitments

The Group companies have committed to various capital expenditures essential for the day-to-day business operations. At year-end there were commitments for the purchase of property, plant and equipment and intangible assets amounting to CHF 30.0 million (previous year: CHF 23.4 million).

30 Contingent liabilities

As at 31 December 2023 parent guarantees in the amount of CHF 7.9 million (previous year: CHF 8.5 million) exist in favour of a third party for a long-term lease agreement and in favour of a third party repayment of an advance payment. This amount represents the maximum amount of the obligation assumed. HUBER+SUHNER Group has not given any other guarantees in respect of its business relationships with third parties.

31 Events after the balance sheet date

No events occurred between the balance sheet date and the date these consolidated financial statements were approved by the Board of Directors (28 February 2024) which affect the annual results or require any adjustments to the Group's assets and liabilities.

Group Companies

Companies at 31.12.2023 (all fully consolidated)		Domicile		Capital stock in 1 000	Ownership	Purpose
Switzerland	HUBER+SUHNER AG	Herisau	CHF	5 050	parent company	▲ ■
Australia	HUBER+SUHNER (Australia) Pty Ltd.	Frenchs Forest, New South Wales	AUD	5 000	100%	▲ ■
Brazil	HUBER+SUHNER América Latina Ltda.	São José dos Campos	BRL	39 197	100%	—
Canada	HUBER+SUHNER (Canada) Ltd.	Ottawa	CAD	2 350	100%	—
China	HUBER+SUHNER (Hong Kong) Ltd.	Hong Kong	HKD	12 325	100%	◆ ■
	HUBER+SUHNER (Shanghai) Co. Ltd. [1]	Shanghai	CNY	19 970	100%	■
	HUBER+SUHNER CCT (Shanghai) Co. Ltd. [1]	Shanghai	CNY	27 854	100%	■
	HUBER+SUHNER CCM (Changzhou) Co. Ltd. [1]	Changzhou	CNY	126 246	100%	▲
Costa Rica	HUBER+SUHNER Astrolab Costa Rica S.r.l. [2]	San José	USD	0	100%	▲
France	BKtel photonics SAS [3]	Lannion	EUR	10	57%	▲ ■
	HUBER+SUHNER (France) SAS	Voisins-le-Bretonneux	EUR	200	100%	■
Germany	HUBER+SUHNER BKtel GmbH	Hückelhoven	EUR	600	100%	▲ ■
	HUBER+SUHNER GmbH	Taufkirchen	EUR	3 068	100%	◆ ■
	HUBER+SUHNER Cube Optics AG [4]	Mainz	EUR	590	100%	▲ ■
India	HUBER+SUHNER Electronics Pvt. Ltd. [5]	New Delhi	INR	170 000	100%	▲ ■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd [6]	Kuala Lumpur	MYR	2 500	100%	▲ ■
Netherlands	HUBER+SUHNER B.V.	Rosmalen	EUR	200	100%	—
Poland	HUBER+SUHNER Sp. z o.o.	Tczew	PLN	5 600	100%	▲
	HUBER+SUHNER Polatis Sp. z o.o. [7]	Nawojowa Góra	PLN	5	100%	▲
Singapore	HUBER+SUHNER (Singapore) Pte Ltd.	Singapore	SGD	3 000	100%	◆ ■
Spain	HUBER&SUHNER (Spain) [8]	Madrid	EUR	3	100%	▲
Tunisia	HUBER+SUHNER (Tunisie) SARL	Sousse	TND	100	100%	▲
United Kingdom	HUBER+SUHNER (UK) Ltd. [9]	Bicester	GBP	4 000	100%	▲ ■
	HUBER+SUHNER Polatis Ltd.	Cambridge	GBP	8 700	100%	▲ ■
	HUBER+SUHNER Phoenix Dynamics Ltd. [10]	Staffordshire	GBP	10	100%	▲ ■
USA	HUBER+SUHNER (North America) Corp.	Charlotte, North Carolina	USD	1	100%	◆
	HUBER+SUHNER, Inc. [11]	Charlotte, North Carolina	USD	50	100%	▲ ■
	HUBER+SUHNER Astrolab, Inc. [11]	Warren, New Jersey	USD	12 000	100%	▲ ■

1) Subsidiary of HUBER+SUHNER (Hong Kong) Ltd.
2) Subsidiary of HUBER+SUHNER Astrolab, Inc.
3) Subsidiary of HUBER+SUHNER BKtel GmbH
4) Subsidiary of HUBER+SUHNER GmbH
5) Subsidiary of HUBER+SUHNER AG and of HUBER+SUHNER B.V.
6) Subsidiary of HUBER+SUHNER (Singapore) Pte Ltd.
7) Subsidiary of HUBER+SUHNER Polatis Ltd. and HUBER+SUHNER Sp. z o.o. (founded in December 2023)
8) Subsidiary of HUBER+SUHNER Cube Optics AG
9) HUBER+SUHNER Phoenix Dynamics Ltd., a subsidiary of Phoenix Dynamics Group Ltd., was sold to HUBER+SUHNER (UK) Ltd. in November 2023 and Phoenix Dynamics Group Ltd. was liquidated.
Phoenix Dynamics (Lake) Ltd. and Phoenix Dynamics Optics Ltd. were liquidated in 2023.
10) Subsidiary of HUBER+SUHNER (UK) Ltd.
11) Subsidiary of HUBER+SUHNER (North America) Corp.

◆ Holding/Finance companies
▲ Production and assembly plants
■ Sales organisations
— Dormant / in liquidation

Ernst & Young Ltd
Aeschengraben 27
P.O. Box
CH-4002 Basle

Phone: +41 58 286 86 86
www.ey.com/en_ch

To the General Meeting of
Huber+Suhner AG, Herisau

Basle, 28 February 2024

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of HUBER+SUHNER AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of equity for the year then ended and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 70 to 93) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 70 to 93).

Valuation of inventories	
Areas of focus	As of 31 December 2023, inventories amounted to CHF 163.2 million, representing 21.0% of the Group's total assets. As indicated in Note 2.7 to the consolidated financial statements, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the Group recognizes an inventory allowance based on the inventory turnover. Due to the significance of the carrying values of inventories and the degree of management judgment involved in determining production costs, write-downs and fair value less cost to sell, this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst other: • We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied. • On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs. • We challenged the estimates made by Management regarding write-downs by assessing whether they are in line with historical experience. • We reviewed inventory ratio's and audited underlying data of the inventory ageing list. • We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds. Our audit procedures did not lead to any reservations regarding to the valuation of inventories.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the HUBER+SUHNER Group Financial Statements, the Financial Statements of HUBER+SUHNER AG, the tables on page 59 to 65 in the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is 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 Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
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 to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Iwan Zimmermann
(Qualified Signature)

Licensed audit expert
(Auditor in charge)

Erik Zeller
(Qualified Signature)

Licensed audit expert

Five-Year Financial Summary

in CHF million	2019	2020	2021	2022	2023
Order intake	**800.9**	**748.2**	**995.6**	**975.4**	**821.4**
change in % over prior year	(12.5)	(6.6)	33.1	(2.0)	(15.8)
Order backlog as of 31.12.	**213.6**	**195.5**	**323.4**	**320.0**	**271.9**
change in % over prior year	(13.5)	(8.5)	65.4	(1.1)	(15.0)
Net sales	**830.6**	**737.9**	**862.9**	**954.6**	**851.1**
change in % over prior year	(6.1)	(11.2)	16.9	10.6	(10.8)
Gross margin	**36.2%**	**35.4%**	**38.2%**	**35.7%**	**35.3%**
EBITDA	**111.8**	**89.3**	**137.6**	**135.3**	**110.5**
as % of net sales	13.5	12.1	16.0	14.2	13.0
EBIT	**80.5**	**61.2**	**104.6**	**103.2**	**77.6**
as % of net sales	9.7	8.3	12.1	10.8	9.1
change in % over prior year	(2.4)	(24.0)	70.9	(1.3)	(24.8)
Financial result	**(1.7)**	**(0.6)**	**(2.3)**	**(1.8)**	**(2.9)**
Net income	**62.8**	**52.3**	**87.3**	**85.2**	**64.8**
as % of net sales	7.6	7.1	10.1	8.9	7.6
change in % over prior year	2.3	(16.7)	66.9	(2.4)	(23.9)
Purchases of PP&E and intangible assets	**37.5**	**37.7**	**50.7**	**45.3**	**51.4**
change in % over prior year	38.9	0.4	34.6	(10.8)	13.6
Cash flow from operating activities	**129.1**	**86.5**	**101.7**	**87.3**	**115.7**
change in % over prior year	29.7	(33.0)	17.5	(14.1)	32.5
Free operating cash flow	**45.1**	**50.2**	**56.6**	**37.7**	**63.7**
change in % over prior year	(37.1)	11.3	12.7	(33.4)	69.1
Net liquidity as of 31.12.	**190.2**	**202.9**	**219.8**	**151.1**	**163.1**
change in % over prior year	(4.3)	6.7	8.3	(31.3)	7.9
Return on invested capital (ROIC) in % [1]	–	–	**23.2%**	**20.9%**	**15.8%**
Equity as of 31.12.	**587.7**	**591.6**	**643.8**	**606.7**	**609.6**
as % of balance sheet total	78.4	79.9	77.2	74.4	78.5
Employees at year-end (permanent employees)	**4 823**	**4 410**	**4 588**	**4 469**	**4 109**
change in % over prior year	8.2	(8.6)	4.0	(2.6)	(8.1)
Employees, yearly average (permanent employees)	**4 636**	**4 726**	**4 466**	**4 608**	**4 279**

[1] as from 2021 onwards ROIC is disclosed as an additional KPI (see APM ROIC).

Alternative Performance Measures

HUBER+SUHNER uses alternative performance measures as guidance parameters for both internal and external reporting to stakeholders. HUBER+SUHNER uses the following definitions, which may differ from the one other companies use.

This document has been prepared in conformity with the Directive on the Use of Alternative Performance Measures issued by SIX Exchange Regulation Ltd.

Organic sales development

The organic sales development is calculated by adjusting the reported net sales for the impact of currency effects, copper price effects as well as portfolio effects (acquisitions and disposals). When determining the currency effects, the functional currency that is valid in the respective country is used.

Order intake

A new order is recognised as an order intake only when the contract creates enforceable obligations between the Group and its customer. When this condition is met, the order is recognised at the contract value.

Book-to-bill

The book-to-bill is the ratio of total order intake third to total net sales third.

Order backlog

The order backlog represents the amount of booked orders not yet delivered/invoiced at a closing date. The order backlog is calculated as follows:

- order backlog at the beginning of the year;
- plus order intake during the reporting period;
- less cancellations of orders recorded;
- less sales recognised during the reporting period.

EBIT

EBIT is calculated by subtracting cost of goods sold and operating expenses from net sales.

	2023	**2022**
Net sales	851.1	954.6
Cost of goods sold	(550.5)	(614.1)
Gross profit	**300.6**	**340.5**
Selling, administrative and research and development expense	(226.6)	(239.8)
Other operating expense / income	3.6	2.5
EBIT (= operating profit)	**77.6**	**103.2**

Alternative Performance Measures — All amounts are in CHF million 98

EBITDA

The EBITDA corresponds to the operating profit (EBIT) before depreciation of property, plant and equipment and amortisation of intangible assets.

	2023	2022
EBIT (= operating profit)	**77.6**	**103.2**
Depreciation of property, plant and equipment	28.6	27.7
Amortisation of intangible assets	4.4	4.4
EBITDA	**110.5**	**135.3**

Return on invested capital (ROIC)

The return on invested capital (ROIC) measures how efficiently the invested capital is used. It is defined as net operating profit after taxes (NOPAT) divided by the average invested capital. The average is calculated by adding the invested capital at the beginning of the period to that at the end of the period and dividing the sum by two.

Invested capital and NOPAT are defined as follows:

	31.12.2023	31.12.2022
Trade receivables	131.1	162.2
Other short-term receivables (excl. derivative financial instruments)	20.6	28.2
Inventories	163.2	193.9
Accrued income	5.1	4.1
Property, plant and equipment (excl. undeveloped property)	224.5	211.9
Intangible assets	28.8	26.3
Deferred tax assets	14.0	10.5
Operating assets	**587.3**	**637.2**
Trade payables	(60.6)	(76.1)
Other short-term liabilities (excl. derivative financial instruments)	(49.8)	(65.9)
Short-term provisions	(10.2)	(17.2)
Accrued liabilities	(15.7)	(19.5)
Other long-term liabilities	(2.3)	(2.7)
Long-term provisions (excl. retirement plan obligations)	(6.0)	(6.3)
Deferred tax liabilities	(21.3)	(18.9)
Operating liabilities	**(165.8)**	**(206.5)**
Invested capital	**421.4**	**430.6**
	2023	**2022**
Average invested capital	**426.0**	**415.3**
EBIT (= operating profit)	**77.6**	**103.2**
Effective income tax rate	13.1%	16.0%
Income taxes	(10.2)	(16.5)
NOPAT (= net operating profit after taxes)	**67.4**	**86.7**
Return on invested capital (ROIC) in % = NOPAT / average invested capital	**15.8%**	**20.9%**

Alternative Performance Measures — All amounts are in CHF million

Free operating cash flow

Free operating cash flow is defined as cash flow from operating activities (excl. purchases of marketable securities) less cash flow from investing activities.

	2023	2022
Cash flow from operating activities	115.7	87.3
Cash flow from investing activities (excl. marketable securities)	(52.0)	(49.7)
Free operating cash flow	**63.7**	**37.7**

Free cash flow

	2023	2022
Free operating cash flow	63.7	37.7
Payment of dividend	(38.8)	(38.2)
Payment of dividend to minority interests	(0.3)	(0.6)
Purchase of treasury shares	(9.0)	(63.1)
Free cash flow	**15.6**	**(64.4)**

Net liquidity

	2023	2022
Cash and cash equivalents	108.1	151.1
Marketable securities	55.0	0
Short-term financial liabilities	0	0
Net liquidity	**163.1**	**151.1**

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and deltas are calculated using the underlying amount rather than the presented rounded amount.

Alternative Performance Measures — All amounts are in CHF million 100

Financial Report

Financial Statements HUBER+SUHNER AG

Income Statement

in CHF 1 000	**Notes**	**2023**	**2022**
Net Sales		455 493	461 207
Other operating income	3.1	24 499	27 770
Change in semi-finished and finished goods		(8 342)	6 251
Total operating income		**471 650**	**495 228**
Material expenses		(205 179)	(218 338)
Personnel expenses		(146 755)	(148 582)
Other operating expenses		(65 533)	(67 138)
Depreciation and amortisation		(22 552)	(28 762)
Total operating expenses		**(440 019)**	**(462 820)**
Operating profit (EBIT)		**31 631**	**32 408**
Financial income		4 883	1 772
Financial expense		(3 441)	(3 674)
Income from investments	3.2	30 938	44 821
Non-operating income		1 248	1 048
Non-operating expenses		(969)	(638)
Income before taxes		**64 290**	**75 737**
Income taxes		(3 771)	(3 741)
Net Income		**60 519**	**71 996**

Balance Sheet

in CHF 1 000	Notes	31.12.2023	%	31.12.2022	%
Assets					
Cash and cash equivalents		67 116		96 571	
Marketable securities		55 000		–	
Trade receivables third party		22 339		23 146	
Trade receivables group companies		30 266		42 819	
Other short-term receivables third party		4 910		7 674	
Other short-term receivables group companies		2 152		2 122	
Inventories	3.3	34 750		51 900	
Accrued income		3 418		2 031	
Current assets		**219 951**	**41.4**	**226 263**	**43.6**
Property, plant, equipment and intangible assets	3.4	105 327		103 695	
Investments in subsidiaries	3.5	163 670		149 161	
Long-term loans group companies		42 046		39 924	
Non-current assets		**311 043**	**58.6**	**292 780**	**56.4**
Assets		**530 994**	**100.0**	**519 043**	**100.0**
Liabilities and equity					
Trade payables third party		24 530		23 406	
Trade payables group companies		8 341		10 635	
Other short-term liabilities third party		16 115		18 933	
Short-term provisions		561		1 463	
Accrued liabilities		5 294		4 656	
Current liabilities		**54 841**		**59 093**	
Long-term provisions		30 514		28 662	
Other long-term liabilities		2 345		2 590	
Non-current liabilities		**32 859**		**31 252**	
Liabilities		**87 700**	**16.5**	**90 345**	**17.4**
Share capital	3.6	5 050		5 050	
Legal reserves		40 271		40 271	
General reserves		90 991		90 993	
Retained earnings		389 366		367 620	
Treasury shares	3.7	(82 384)		(75 236)	
Equity		**443 294**	**83.5**	**428 698**	**82.6**
Liabilities and equity		**530 994**	**100.0**	**519 043**	**100.0**

Notes to Financial Statements

1 General

The financial statements of HUBER+SUHNER AG, domiciled in Herisau, are prepared in accordance with the Swiss Code of Obligations (OR).

2 Accounting policies

2.1 General

These financial statements were prepared in accordance with the commercial accounting provisions of the Swiss Code of Obligations. The accounting of major balance sheet and income statement positions is disclosed hereinafter.

2.2 Foreign currency translation

All assets and liabilities denominated in foreign currencies are converted into Swiss francs at the year-end exchange rates according to the imparity principle. Income and expenses as well as transactions in foreign currencies are converted at the conversion rate valid at the transaction date. The resulting foreign exchange differences are recognised in the income statement.

2.3 Revenue recognition

Revenues from the sale of products are recognised when the risks and rewards of the products sold have been transferred to the customer.

2.4 Trade receivables

Trade receivables are measured at nominal value less allowances. Indications of impairment are substantial financial problems on the customer side, a declaration of bankruptcy or a material delay in payment. In addition, a fiscally permitted allowance is recognised in the remaining trade receivables.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of goods comprises direct material and production costs and related production overheads. The valuation of the inventory is based on standard costs that are verified annually. Slow-moving and obsolete stock that have insufficient inventory turns are systematically revaluated, either partly or fully. In addition, a fiscally permitted allowance is recognised in the remaining inventories.

2.6 Property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets are stated at the purchased or manufactured cost less fiscally permitted accumulated depreciation. If there are indications that the carrying amount is overstated, property, plant, equipment and intangible assets are reviewed for impairment and, where necessary, written down to the recoverable amount.

2.7 Investments in subsidiaries

Investments are initially recognised at cost. Investments are assessed annually and individually.

2.8 Provisions

Provisions are made for warranties, personnel expenses, restructuring costs, as well as legal and other miscellaneous operational risks that meet the recognition criteria. They are recognised when the company has a present legal or constructive obligation as a result of past events and if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Warranty provisions are generally measured and recognised based on experience values. Additional provisions may be made if permitted under tax regulations.

2.9 Treasury shares

Treasury shares are stated at acquisition cost and presented as a negative position in the shareholders' equity. No subsequent valuation is made. If the treasury shares are disposed of later, the resulting gain or loss is recognised in the reserves.

3 Details to individual positions

3.1 Other operating income

Other operating income includes income from other activities such as the sale of scrap, miscellaneous services, the capitalisation of internally produced capital goods, the release of provisions and miscellaneous, not periodical, operating revenues from third parties.

3.2 Income from investments

Income from investments includes dividend payments from subsidiaries in the amount of KCHF 30 938 (previous year: KCHF 44 821). No impairments of investments were recognised (previous year: no impairment) or reversed (previous year: no reversal).

3.3 Inventories

in CHF 1 000	**31.12.2023**	**31.12.2022**
Raw materials and supplies	20 173	18 069
Work in progress	6 095	8 795
Semi-finished and finished goods	59 553	67 895
Inventory provision	(51 071)	(42 859)
Total	**34 750**	**51 900**

3.4 Property, plant, equipment and intangible assets

in CHF 1 000	31.12.2023	31.12.2022
Land	6 225	6 225
Buildings	43 107	44 200
Technical equipment and machinery	17 946	16 889
Other equipment	688	746
Assets under construction	7 824	7 933
Investment property	2 080	2 080
Intangible assets	27 457	25 622
Total	**105 327**	**103 695**

3.5 Investments in subsidiaries

Directly and indirectly held subsidiaries are listed in chapter Group Companies of the Group Financial Statements.

3.6 Share capital

Both at 31 December 2023 and at 31 December 2022 the share capital was composed of 20 200 000 registered shares, with a nominal value of CHF 0.25 each.
The composition of capital stock is disclosed in the Notes to the Group Financial Statements (see Note 27).

The company holds 1 748 640 treasury shares (726 640 treasury stock, 1 010 000 treasury shares as part of the concluded share buyback programme 2021, and 12 000 other treasury shares for remuneration purposes).

On 29 October 2021 HUBER+SUHNER AG launched a share buyback programme over a maximum period of three years, for up to 5 % of the registered shares. The programme was successfully concluded by 30 March 2023 via a second trading line on the SIX Swiss Exchange. The shares acquired under this programme will be proposed for cancellation by means of a capital reduction at the next Annual General Meeting on 27 March 2024.

3.7 Treasury shares

	2023	2022
Number at 1.1.	1 655 799	893 140
Purchases	115 941	786 584
Allotment	(23 100)	(23 925)
Number at 31.12.	1 748 640	1 655 799

For details of transactions and balances relating to treasury shares see note 27 of the Notes to Group Financial Statements.

4 Contingent liabilities

in CHF 1 000	31.12.2023	31.12.2022
Parent guarantee for long-term lease	5 971	6 489
Parent guarantee for repayment of an advance payment	1 888	1 973

5 Liabilities to pension funds

in CHF 1 000	31.12.2023	31.12.2022
Total liabilities to pension funds	–	–

6 Net release of undisclosed reserves

in CHF 1 000	2023	2022
Total net release of undisclosed reserves	–	–

7 Allotted Shares

Allotted number of shares to:

	2023	2022
Board of Directors	7 600	6 400
Executive Group Management	11 800	11 800
Employees	4 500	4 900

Allotted shares

in CHF 1 000	2023	2022
Expensed amount in Income Statement	1 625	1 994

The expense amount excluding social security is based on the market price of CHF 78.30 at date of allotment for 1 600 shares allotted during the year and the 2023 year-end share price of CHF 68.00 for outstanding shares (previous year: CHF 86.30). For members of Board of Directors and Executive Group Management, the assignment is subject to approval by the Annual General Meeting. The 1 600 shares that were allotted during the year were assigned to the Board of Directors in turn of the Annual General Meeting held in 2023.

8 Full-time positions

As in the previous year, HUBER+SUHNER AG had over 250 employees (full-time-equivalent) in 2023.

9 Equal pay analysis

HUBER+SUHNER AG has performed an equal pay analysis based on the reference month March 2021, as required by Article 13a of the Gender Equality Act. The analysis concluded that the employee pay-related gender effect is clearly within the tolerance threshold.

10 Leasing obligations not recorded in the balance sheet

At the balance sheet date there are neither short-term obligations with a duration of less than one year (previous year: KCHF 0.0) nor obligations in excess of one year (previous year: none).

11 Events after the balance sheet date

There were no events after the balance sheet date which affect the annual results or would require an adjustment to the carrying amounts of the HUBER+SUHNER AG assets and liabilities.

12 Additional disclosures, cash flow statement and management report

Pursuant to Article 961d para. 1 of the Swiss Code of Obligations, no additional disclosures are made, as HUBER+SUHNER AG prepares Group Financial Statements in accordance with generally accepted accounting principles (Swiss GAAP FER).

Recommendation for Appropriation of Earnings

The Board of Directors of HUBER+SUHNER AG recommends to the Annual General Meeting the following appropriation of available earnings for the year 2023:

in CHF 1 000	**2023**	**2022**
Prior-year retained earnings	328 847	295 624
Net income for the year	60 519	71 996
Total retained earnings	**389 366**	**367 620**
Dividend	(31 367)	(38 773)
Total appropriation	**(31 367)**	**(38 773)**
Retained earnings carried forward	**357 999**	**328 847**

If this recommendation is accepted the following amounts will be valid for each registered share, with a nominal value of CHF 0.25 each:

	CHF	**CHF**
Gross dividend	1.700	2.100
Less 35 % withholding tax	0.595	0.735
Net dividend	**1.105**	**1.365**

Ernst & Young Ltd
Aeschengraben 27
P.O. Box
CH-4002 Basle

Phone: +41 58 286 86 86
www.ey.com/ch

To the General Meeting of
Huber+Suhner AG, Herisau

Basle, 28 February 2024

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of HUBER+SUHNER AG (the Company), which comprise the balance sheet as at 31 December 2023, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 102 to 109) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements (pages 102 to 109).

Building a better working world

Valuation of inventories

Area of Focus	As of 31 December 2023, inventories amounted to CHF 34.8 million, representing 6.5% of HUBER+SUHNER AG's total assets. As indicated in Note 2.5 of the notes to the stand-alone financial statements of HUBER+SUHNER AG, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the entity recognizes an inventory allowance based on the inventory turnover. Due to the significance of the carrying values of inventories and the degree of Management judgment involved in determining production costs, write-downs and fair value less cost of sales, this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst other: • We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied. • On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs. • We challenged the estimates made by Management regarding write-downs by assessing whether they are in line with historical experience. • We reviewed inventory ratio's and audited underlying data of the inventory ageing list. • We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds. Our audit procedures did not lead to any reservations regarding to the valuation of inventories

Valuation of investments to subsidiaries and loans to group companies

Area of Focus	As of 31 December 2023, the HUBER+SUHNER AG holds investments in subsidiaries of CHF 163.7 million and loans to group companies of CHF 42.0 million, which corresponds to 30.8% and 7.9% respectively of total assets. The investments in subsidiaries are disclosed in the note "Group Companies" of the consolidated financial statements of HUBER+SUHNER AG. Investments in subsidiaries and loans to group companies are material to the entity and may be subject to changes in value. Accordingly, Management performs regular impairment considerations and calculations to determine the value of each investment and loan. The investments in subsidiaries and the loans to group companies were considered significant to our audit as the amounts concerned are material and the assessments involve judgment in preparing the underlying key assumptions for the valuation.

Our audit response	Our audit work for the valuation of the investments in subsidiaries and loans to group companies consisted of auditing Management's valuation assessments and the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and long-term business plans. Our audit procedures did not lead to any reservations regarding to the valuation of investments in subsidiaries and loans to group companies

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the HUBER+SUHNER Group Financial Statements, the Financial Statements of HUBER+SUHNER AG, the tables on page 59 to 65 in the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Iwan Zimmermann
(Qualified Signature)

Licensed audit expert
(Auditor in charge)

Erik Zeller
(Qualified Signature)

Licensed audit expert

Share Data

HUBER+SUHNER AG is a company listed in Switzerland and whose shares are traded on the SIX Swiss Exchange, and which has the following listing details:

Registered office	9100 Herisau, Switzerland
Listing	SIX Swiss Exchange, Swiss Reporting Standard
Security number	3'038'073
ISIN	CH0030380734
Security symbol	HUBN
Nominal value	CHF 0.25

Registered shares at 31.12. (nominal value CHF 0.25)	**2019**	**2020**	**2021**	**2022**	**2023**
Number of issued shares	20 200 000	20 200 000	20 200 000	20 200 000	20 200 000
Number of shares entitled to a dividend	19 464 860	19 472 360	19 306 860	18 544 201	18 451 360
Number of shareholders at 31.12.	4 702	5 365	6 861	6 054	7 353
Stock market price (in CHF)					
high	85.90	78.80	88.00	95.60	92.40
low	60.80	44.80	69.00	71.50	59.90
year-end	76.80	69.90	87.00	86.30	68.00
Amounts per registered share[1] (in CHF)					
Net income	3.22	2.66	4.45	4.47	3.48
Dividend	1.60	1.30	2.00	2.10	1.70[3]
Pay-out ratio	50%	49%	45%	47%	49%
Market capitalisation[2]					
in CHF million	1 495	1 361	1 680	1 600	1 255
as % of net sales	180	184	195	168	147
as % of shareholders' equity	254	230	262	265	207

1) Based on the average outstanding shares
2) Stock market price at year-end × number of shares entitled to a dividend
3) Proposed dividend

For further information on the HUBER+SUHNER Group, please visit www.hubersuhner.com.