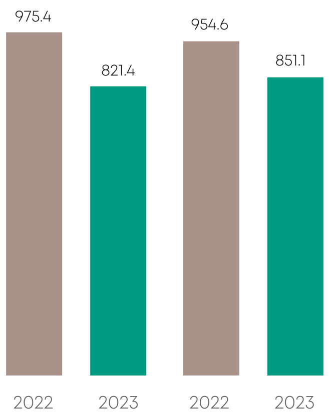
Management Report

Key Facts at a glance

Order intake   Net sales

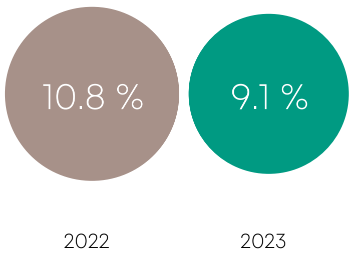


In CHF million

Organic decline of 6.3 % in net sales after record high of previous year – book-to-bill rate of 0.97

Cash flow from operating activities of CHF 116 million – increase in net liquidity despite high investments

EBIT margin



At 9.1 %, EBIT margin remains within the medium-term target range

Slower momentum in Industry – marked drop in volumes in Communication – turnaround in Transportation confirmed by profitable growth

Net income

In CHF million

Net income margin of 7.6 % – dividend of CHF 1.70 proposed

Growth initiatives make positive contribution overall

HUBER+SUHNER maintains solid EBIT margin despite the marked decline in the communications market

Urs Kaufmann (Chairman) and Urs Ryffel (CEO)

In an environment beset by various challenges and despite lower volumes, HUBER+SUHNER closed the year 2023 as a whole with a solid result within the medium-term EBIT target range of 9–12 %.

At CHF 821.4 million, order intake in 2023 was 15.8 % below the very high prior-year level (CHF 975.4 million) and remained 3.5 % below net sales, resulting in a book-to-bill rate of 0.97 (PY 1.02). After a very strong start to the year, supported by the continuing momentum from the previous year, the business volume situation then changed in many target markets. This was attributable to high inventories at customers and throughout the entire supply chain, as well as declining 5G rollouts in the North American market. Over the course of the second half of the year, business volume stabilised at a lower level. At the end of the year, the order backlog amounted to CHF 271.9 million, remaining above the long-term average.

In the first half of 2023, net sales reached the same level as in the previous year. From the third quarter, net sales developed in line with order intake and, by the end of the year, amounted to CHF 851.1 million, representing a decline of 10.8 % year on year (PY CHF 954.6 million). Net sales were also negatively impacted by the significant strengthening of the Swiss franc during the reporting period, which became even stronger towards the end of the year. Adjusted for currency, copper price and portfolio effects, the shortfall in net sales amounted to 6.3 %. While net sales in Europe and Asia changed only marginally compared to the previous year, by −4 % and +2 % respectively, the aforementioned downturn in the American market (–36 %) resulted in a marked shift in net sales share by region: 55 % (PY 51 %) in EMEA, 26 % (PY 23 %) in APAC, 19 % (PY 26 %) in the Americas.

The operating profit (EBIT) of CHF 77.6 million (PY CHF 103.2 million) corresponds to an EBIT margin of 9.1 % (PY 10.8 %). Given the challenging environment, the company considers the result within the medium-term EBIT target range to be solid. The basis for this is the strategy of balanced diversification. Thanks to another very low tax rate, net income as a percentage of net sales reached 7.6 % (PY 8.9 %).

The gross margin recovered slightly over the course of the year and, at 35.3 % (PY 35.7 %), almost matched the previous year's level. With investments in research and development reaching CHF 57.4 million, the company continued to invest heavily in the future with a particular focus on strengthening the five growth initiatives. Thanks to active cost management, selling expenses were reduced almost in step with business volume development. The number of employees worldwide in the reporting year fell to 4,109 (PY 4,469). In the same period, the number of employees in Switzerland went down to 1,153 (PY 1,190).

High inventories and unfavourable exchange rate developments represent a challenge

High inventory levels resulting from the long replenishment times following the pandemic both delayed the placement of orders by customers throughout the supply chain and resulted in value adjustments in the company's own inventories.
Appreciation of the Swiss franc against key local currencies resulted in a shortfall in net sales of around CHF 40 million, while the currency impact on costs showed only effect to a lesser extent.

Reduced momentum and lower profitability in Industry market segment

In the Industry market segment, the continued depletion of inventories at customers over the entire reporting year had an impact on the awarding of new orders. Order intake declined by 16.9 % to CHF 258.1 million (PY CHF 310.5 million). Organically, net sales remained around the previous year's level. Effectively, there was a 4.3 % decline to CHF 285.3 million (PY CHF 298.0 million).
Compared to 2022, development in the subsegments was completely reversed with aerospace and defense reporting double-digit percentage growth while the three other subsegments, test and measurement, general industrial, and high power charging, experienced a decline in the double-digit range. Demand for high power charging experienced a distinct decline in the US market due to uncertainties about the future charging standard. The decline in the EBIT margin to 16.4 % (PY 21.3 %) can be explained by a change in the product mix in most subsegments.

Declining volumes in Communication market segment – falling EBIT margin stabilised by cost measures

The much weaker communications market resulted in significantly lower volumes around the world, which impacted the entire industry. Compared to the very strong net sales from the previous year, the Communication segment suffered a significant slump, especially in the second and third quarters, due to declining 5G rollouts in North America and the continued depletion of high inventories throughout the supply chain. Order intake declined by 25.6 % to CHF 283.4 million (PY CHF 380.6 million), while net sales decreased by 27.4 % to CHF 280.3 million (PY CHF 385.9 million). In this environment, which was characterised by significantly lower demand, business picked up towards the end of the reporting period with the securing of new mobile communication rollouts in Asia in particular and in the data center growth initiative. Thanks to measures to reduce the cost base and adjust capacities to the lower volumes, the EBIT margin was improved in the second half of the reporting year compared to the first half and stabilised at 4.9 % for the year as a whole (PY 8.9 %).

Net sales growth in Transportation market segment – four percentage point increase in profitability

The Transportation market segment achieved the desired turnaround in the reporting year. It ended the year with almost the same order intake as the previous year, at CHF 279.9 million (PY CHF 284.4 million), and 5.5 % growth in net sales to CHF 285.5 million (PY CHF 270.6 million).
After a three-year lean period, there was a marked upturn in demand in the railway subsegment, which made a positive contribution to net sales in the reporting period. The automotive subsegment also reported growth in net sales

thanks to a positive contribution from the electric vehicle and advanced driver assistance system growth initiatives. The EBIT margin in the Transportation market segment increased significantly in the reporting year to 9.1 % (PY 5.1 %).

Sustainability reporting

HUBER+SUHNER connectivity solutions serve society's needs for personal safety, seamless communication and environmentally friendly mobility, and combine high customer value with sustainability criteria. The 2023 Non-financial Report describes the progress being made by the HUBER+SUHNER Group in its sustainability strategy and includes the obligations formulated under Article 964b of the Swiss Code of Obligations and the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO). It also includes a section on responsible supply chains in accordance with the DDTrO. The entire 2023 Non-financial Report can be found at https://reports.hubersuhner.com/2023/ar/

Elections to the Board of Directors

At the 2023 Annual General Meeting, Marina Bill and Kerstin Günther, two proven leaders with in-depth knowledge in strategically important markets for HUBER+SUHNER, were newly elected to the Board of Directors.

Risk management

At its meeting on 6 December 2023, the Board of Directors assessed the business risks as part of its ongoing risk management and approved the 2023 risk report including the defined measures.

Share buyback programme completed successfully

The share buyback programme that was launched at the end of October 2021 was successfully completed on 30 March 2023. The shares acquired under this programme amount to 5 % of the share capital and will be proposed for cancellation by means of a capital reduction at the next Annual General Meeting on 27 March 2024.

Dividend

The Board of Directors proposes to the Annual General Meeting a payout of CHF 1.70 (PY CHF 2.10) per share, resulting in a payout ratio of 49 %.

Outlook

With an operating profit margin within the medium-term target range, HUBER+SUHNER achieved a solid result in the 2023 financial year in view of the difficult business environment. The organic growth of the five strategic growth initiatives (aerospace and defense; data center, advanced driver assistance system, electric vehicles, rail communications) as a whole shows that the company is focusing on the right end markets and has the right solutions with high customer benefits. The key to the company's future success lies in its high level of innovation, which is deeply rooted in the HUBER+SUHNER corporate culture and is supported by correspondingly high levels of investment. This in turn will make the company even more resilient to changes in the market environment or more difficult economic conditions in the future.

Looking ahead and based on the lively bidding activity, the Industry segment has probably bottomed out. The increasingly normalising inventory levels point to a recovery in the second half of the current year. Incoming orders in the communications market have already picked up in recent weeks and concrete signs of a gradual recovery are increasing. This should enable the Communication segment to return to growth compared to the second half of 2023. The growth initiatives should provide additional impetus for the Transportation segment, particularly in the second half of 2024, which would continue the positive trend.

In terms of net sales, HUBER+SUHNER has set itself the goal of returning organically to a growth path in 2024.
The medium-term target range of 9–12 % for the operating profit margin remains unchanged. For the current financial year, the company is aiming for an operating profit margin in the lower half of the target range. A prerequisite for achieving the EBIT guidance is that key influencing factors such as inflation, exchange rates and geopolitical tensions do not have an excessively negative impact on sales volumes.

Thank you

On behalf of the Board of Directors and the Executive Group Management, we would like to thank our employees around the world for their tremendous dedication and commitment in a year characterised by many uncertainties and challenges. Thanks to their unrivalled commitment, together we have managed to steer the company through these volatile times largely unscathed. Special thanks are also due to our shareholders, customers and suppliers for their excellent cooperation, loyalty and the trust they have placed in us.

Urs Kaufmann
Chairman of the Board of Directors

Urs Ryffel
Chief Executive Officer

Key Figures and Financial Calendar

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

Alternative Performance Measures (APM) are key figures not defined by Swiss GAAP FER. HUBER+SUHNER uses APM as guidance parameters for both internal and external reporting to stakeholders. For the definition of APM please visit the website under www.hubersuhner.com/en/company/investors/publications

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Financial calendar

Annual General Meeting (Rapperswil SG)	27.03.2024
Half-year Report 2024	20.08.2024
Media and analysts' conference (webcast)	20.08.2024
Sales and order intake (9 months) 2024	22.10.2024
Sales and order intake (12 months) 2024	23.01.2025
Annual Report 2024	11.03.2025

The management report in English and German is also available in the Download Center and on the website at www.hubersuhner.com/en/company/investors/publications. The German version is binding.

Reduced momentum and lower profitability in Industry market segment

In the Industry market segment, the continued depletion of inventories at customers over the entire reporting year had an impact on the awarding of new orders. Order intake declined by 16.9 % to CHF 258.1 million (PY CHF 310.5 million). Organically, net sales remained around the previous year's level. Unadjusted, there was a 4.3 % decline to CHF 285.3 million (PY CHF 298.0 million).
Compared to 2022, development in the subsegments was completely reversed with aerospace and defense reporting double-digit percentage growth while the three other subsegments, test and measurement, general industrial and high power charging, experienced a decline in the double-digit range. Demand for high power charging experienced a distinct decline in the US market due to uncertainties about the future charging standard. The decline in the EBIT margin to 16.4 % (PY 21.3 %) can be explained by a change in the product mix in most subsegments.

"The segment benefited from the positive development in aerospace and defense and our consistent focus on refining our solutions in recent years. Rising defense budgets also contributed to this development. Development proved more challenging for the other industrial subsegments, which were impacted, in part, by customer overstocking, the general economic slowdown and delays in infrastructure development. Profitability did not quite reach the high of the previous year but was maintained at an attractive level."

Reto Bolt, COO Industry segment

Broad base of the segment helps to mitigate downturn – geopolitical tensions increase focus on defense capability

Following the prior-year decline, the aerospace and defense growth initiative picked up well in the reporting year. The impact of increased defense budgets slowly began to be felt and the growing importance of communication solutions within the armed forces was borne out.

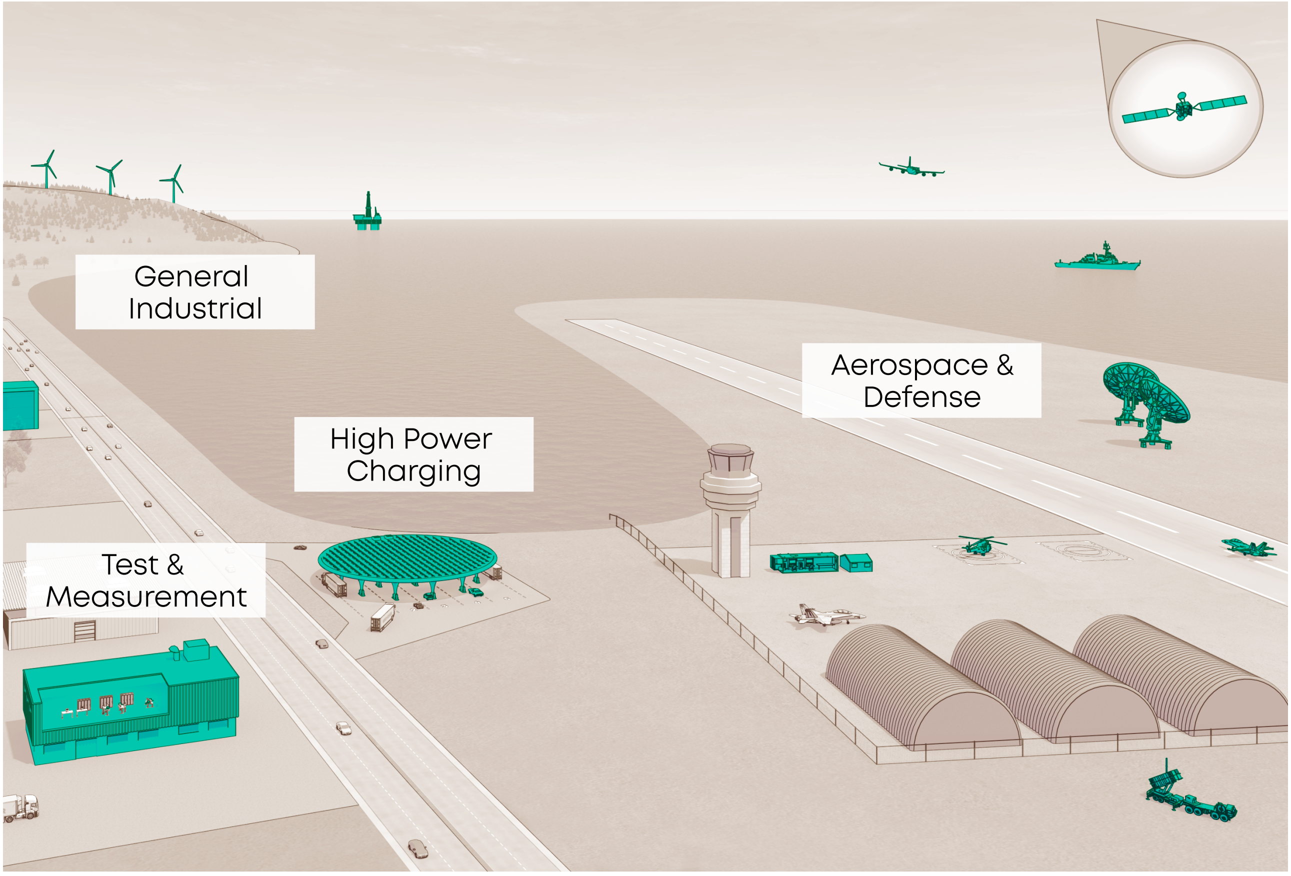
In the high power charging subsegment, the further buildout of high power charging points only developed at a very slow pace across Europe and Asia. In the previously booming US market, regulatory uncertainties temporarily halted market momentum: partly, due to lengthy negotiations between vehicle manufacturers and charging infrastructure operators on the interface standard and also due to state investment incentives linked to local value creation targets.

The test and measurement core market, whose cycles are known to be closely linked to those of the communications market, also reported lower volumes on account of this.

Key figures

		2023	2022	%
Order intake	CHF million	258.1	310.5	(16.9)
Net sales	CHF million	285.3	298.0	(4.3)
Operating profit (EBIT)	CHF million	46.8	63.4	(26.1)
EBIT margin	%	16.4	21.3	

Our solutions for the Industry market



Declining volumes in Communication market segment – falling EBIT margin stabilised by cost measures

The much weaker communications market resulted in significantly lower volumes around the world, which impacted the entire industry. Compared to the very strong net sales from the previous year, the Communication segment suffered a significant slump, especially in the second and third quarters, due to declining 5G rollouts in North America and the continued depletion of high inventories throughout the supply chain. Order intake declined by 25.6 % to CHF 283.4 million (PY CHF 380.6 million), while net sales decreased by 27.4 % to CHF 280.3 million (PY CHF 385.9 million). In this environment, which was characterised by significantly lower demand, business picked up towards the end of the reporting period with the securing of new mobile communication rollouts in Asia in particular and in the data center growth initiative. Thanks to measures to reduce the cost base and adjust capacities to the lower volumes, the EBIT margin was improved in the second half of the reporting year compared to the first half and stabilised at 4.9 % for the year as a whole (PY 8.9 %).

"Following the completion of the first wave of 5G network rollout in North America and Europe in 2022, the market environment in these regions was extremely challenging in 2023, with reduced investments by communication service providers and the continued depletion of high inventories. In contrast, the Asian market developed positively for HUBER+SUHNER at the end of the year, mainly thanks to India and Australia. The shortfall in net sales forced us to implement drastic cost-cutting programmes to adapt our cost base to the changed market environment in a sustained manner. Through active cost management, we succeeded in stabilising our margin in the second half of the year. The continuing exponential growth of data traffic and the emergence of artificial intelligence applications are increasing demand for high performance, high density and low latency in data centers and communication networks. This represents a significant opportunity for us and our innovative solutions in the field of optical interconnects, WDM transport systems and optical switches."

Jürgen Walter, COO Communication segment

Signs of recovery in globally depressed communications industry toward year end

The very high volumes of the previous two years, especially in North America, had been attributable to major investments in mobile communications infrastructure in the wake of the coronavirus pandemic. In addition, declining demand was exacerbated by high inventories in the supply chains. These two effects led to an unanticipated slump, which was even more pronounced for component suppliers such as HUBER+SUHNER.

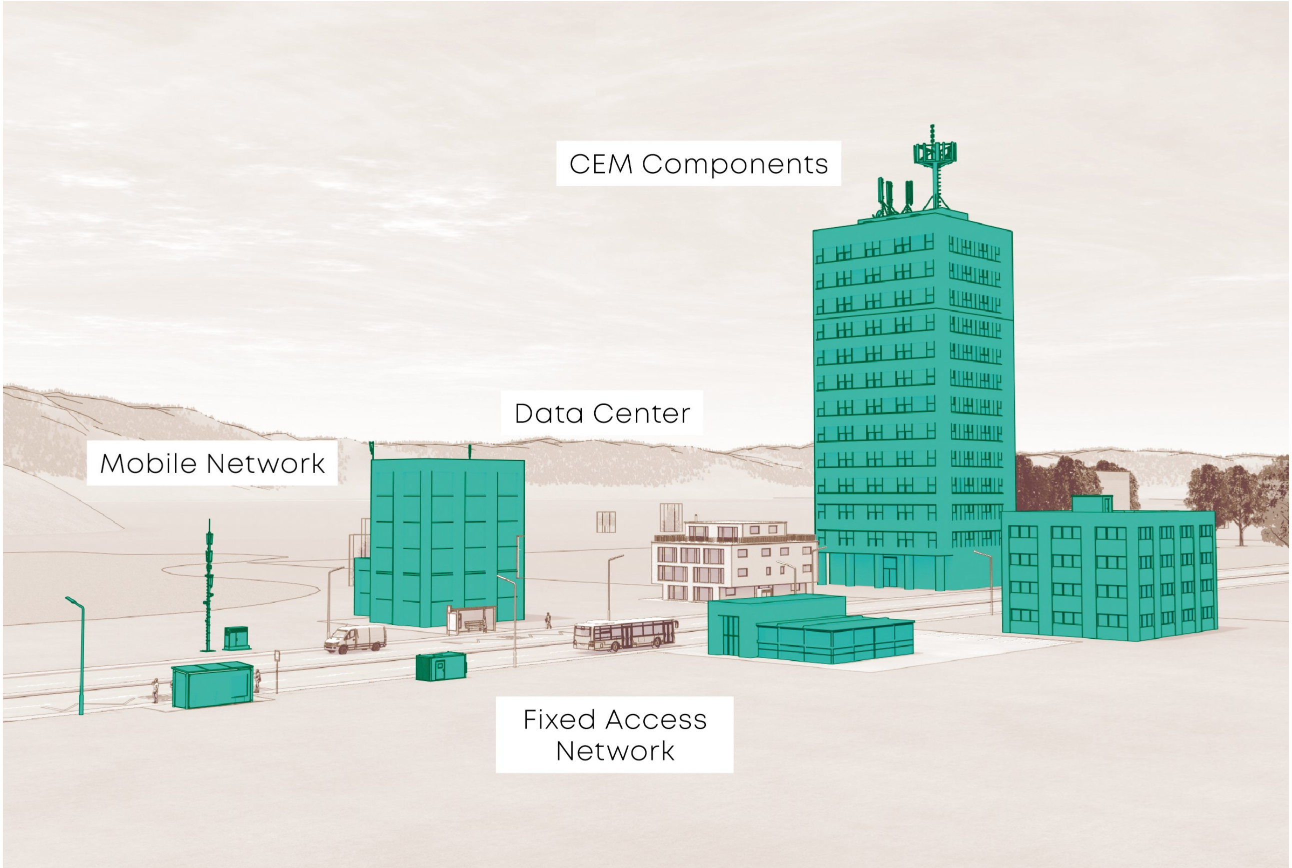
In addition, the risks of insufficient energy supplies, especially in Europe, made it difficult for operators of energy-intensive data centers to obtain new construction permits, often resulting in project delays.

By contrast, the rapid and wide-scale emergence of artificial intelligence applications brought new demands on data center architecture, which breathed new life into this growth initiative towards the end of the year. The company has unique solutions in its portfolio to address these customer requirements.

Key figures

		2023	2022	%
Order intake	CHF million	283.4	380.6	(25.6)
Net sales	CHF million	280.3	385.9	(27.4)
Operating profit (EBIT)	CHF million	13.7	34.2	(59.8)
EBIT margin	%	4.9	8.9	

Our solutions for the Communication market



Net sales growth in Transportation market segment – four percentage point increase in profitability

The Transportation market segment achieved the desired turnaround in the reporting year. It ended the year with almost the same order intake as the previous year, at CHF 279.9 million (PY CHF 284.4 million), and 5.5 % growth in net sales to CHF 285.5 million (PY CHF 270.6 million).
After a three-year lean period, there was a marked upturn in demand in the railway subsegment, which made a positive contribution to net sales in the reporting period. The automotive subsegment also reported growth in net sales thanks to a positive contribution from the electric vehicle and advanced driver assistance system growth initiatives. The EBIT margin in the Transportation market segment increased significantly in the reporting year to 9.1 % (PY 5.1 %).

"More favourable market conditions, our two growth initiatives in the automotive sector (electric vehicles and advanced driver assistance systems) and the resurgent railway market all helped to drive growth in net sales. Growth was focused primarily in Europe, while the Asian and American markets developed less dynamically for HUBER+SUHNER. In the commercial vehicles market, we saw the further development of new electric drive designs and platforms. Against this backdrop, we have also received additional partner nominations, which should help drive growth in net sales from 2025 onwards. We won additional projects in Europe for our advanced driver assistance system growth initiative and were also able to enter the Asian market with our first partner nomination."

Drew Nixon, COO Transportation segment

Segment turnaround completed successfully – considerable potential for electromobility on rail and road

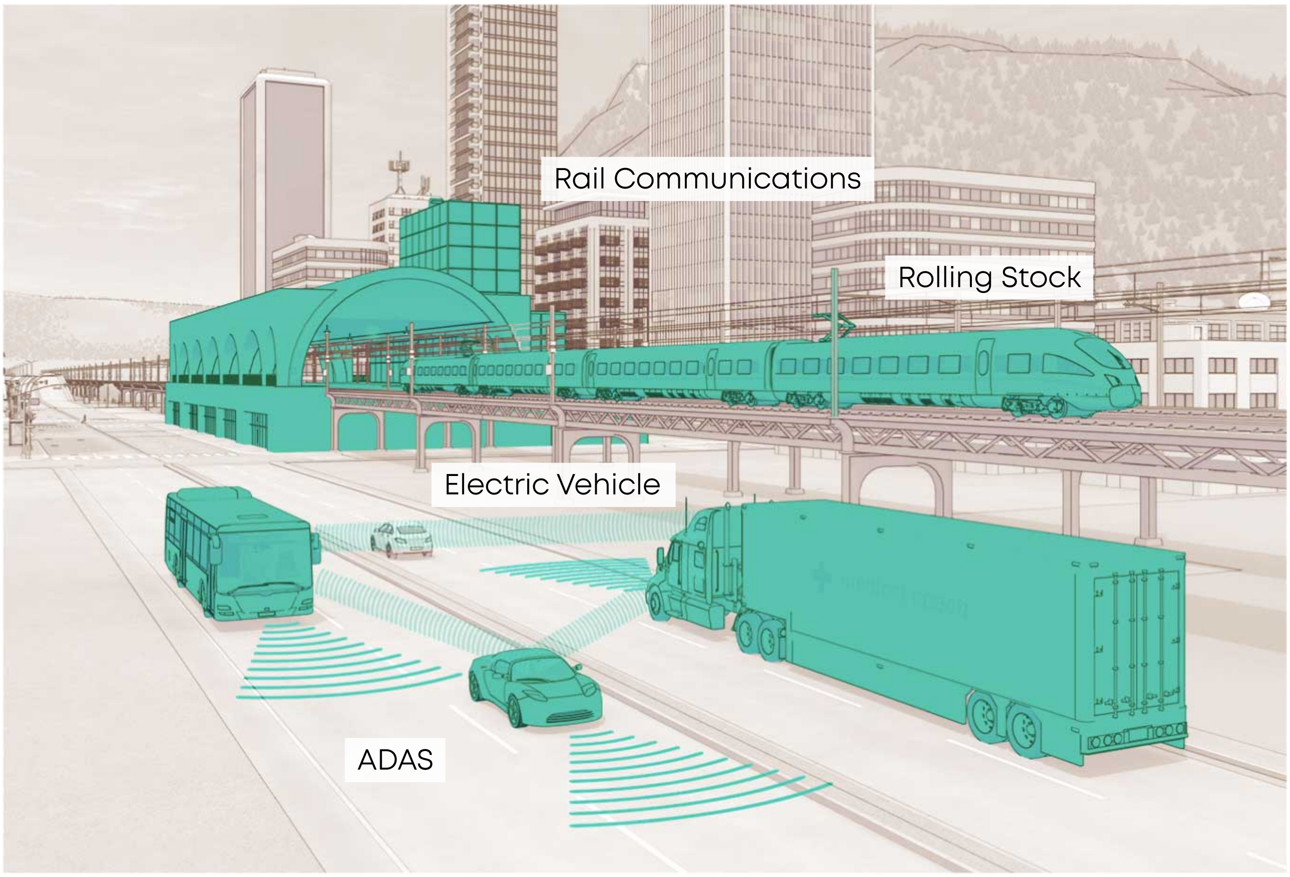
In the global railway business, following a market cycle with lower volumes, demand increased in the reporting year, especially in Europe. Customer projects also increasingly included applications in the rail communications growth initiative. In addition to enabling passengers to make efficient use of their time on public transport, HUBER+SUHNER solutions also reliably connect the moving train to the fixed rail infrastructure.

The automotive subsegment also reported net sales growth. In the electric vehicle growth initiative, new customer projects to supply high-voltage cable systems for commercial vehicles were won. The advanced driver assistance system growth initiative, in which radar antennas are developed for automated driving in passenger cars in particular, showed strong momentum, already contributing a small plus in net sales.

Key figures

		2023	2022	%
Order intake	CHF million	279.9	284.4	(1.6)
Net sales	CHF million	285.5	270.6	5.5
Operating profit (EBIT)	CHF million	25.9	13.7	89.5
EBIT margin	%	9.1	5.1	

Our solutions for the Transportation market



Financial performance from the CFO's perspective

Ivo Wechsler, CFO

Solid financial performance and high cash flow generation

After two excellent years with strong top-line growth, HUBER+SUHNER had to manage a decline in volumes in 2023 in a challenging business and negative currency environment. Thanks to our strong market vertical diversification and proactive cost management, we were still able to achieve a satisfying profitability of 9.1 %, i.e. within our EBIT medium-term target range of 9–12 %. In the reporting period, the Swiss franc appreciated against all the world's major currencies. This fact remains a challenge for our business model and will trigger further optimisation programmes. The effective tax remained at a low level thanks to the high business substance in Switzerland and other tax benefits from various countries.

The CHF 116 million cash flow from operating activities is very strong evidence of resilient cash conversion ability. As of 31 December 2023, net liquidity amounted to CHF 163 million. This cash foundation provides the basis for further investments in innovation, production equipment, or acquisitions.

Performance, resilience and sustainability in global sourcing

After two consecutive years with substantial price increases, the sourcing organisation was able to reduce overall material costs (currency neutral) compared to the previous year. Further improvements were achieved by extending payment terms with suppliers and by reducing critical dependencies from single-source suppliers. During 2023, we onboarded more than 600 additional production material suppliers to our IntegrityNext sustainability platform as part of a qualification process. With this process, HUBER+SUHNER was able to confirm that more than 75 % of our production material spend is in line with applicable due diligence obligations.

Stable dividend policy

The solid financing based on a strong balance sheet lays the foundation for a sustainable profit-oriented dividend policy with a targeted payout ratio of 40–50 % of the Group's net income attributable to HUBER+SUHNER shareholders. The proposed dividend per share for the reporting year 2023 amounts to CHF 1.70, corresponding to a payout ratio of 49 %.

Share buyback programme successfully completed

On 30 March 2023, HUBER+SUHNER concluded its share buyback programme by reaching the targeted buyback of HUBER+SUHNER shares in the amount of 5 % of the share capital. The shares acquired under this programme will be proposed for cancellation by means of a capital reduction at the Annual General Meeting on 27 March 2024.

People and culture from the CHRO's perspective

Patricia Stolz, CHRO

Leadership development and agile mindset

Despite a challenging environment in 2023, our Human Resources (HR) teams continuously nurtured a workplace where people are truly valued and supported. Leadership development remains key and is reflected in new training modules for leaders globally. “Leading Myself” and “Leading Teams” aim to foster effective leaders and teams, aligning with our organisational goals. One important focal topic of the modules is the retention of our employees, with our leaders playing a major role because they can most influence our talents and professionals. We believe that being an attractive employer for new talents is just as important as being the employer of choice for employees already working for us.

Our embrace of an agile mindset, evidenced by new roles like facilitator, agile coach, and product owner, initially took root in Information Technology (IT) and then permeated our segments. This transformative shift represents a commitment to continuous learning and adaptability, which are essential in navigating our ever-changing business landscape.

Talent development and attraction – the foundation of our success

As we celebrated anniversaries in Australia, Malaysia, and China and received honours for the “best career management policy” in Tunisia, we reaffirmed our dedication to creating an environment of professional growth.

Our commitment to learning is also evident in our apprenticeship and trainee programmes. Our apprenticeships in Switzerland and Germany clearly demonstrate that vocational training is as multifaceted as it is appealing. A robust vocational education forms the foundation for tomorrow's skilled workforce and their professional future. The hands-on training we provide in countries like India and Malaysia open up numerous possibilities, specifically preparing young individuals for the demands of the modern working world.

In the realm of talent attraction and especially retention, our benefits and programmes aim for adaptability through our locations worldwide. Tailored programmes reflect our commitment to the ongoing development of our workforce, including those aged 50 and above. Diversity, equality, and inclusion aren't just goals; they're integral to our spirit.

In essence, our employees and their skills and motivation are the foundation of our success. Our investments in their development, well-being, and work environment are a testimony to our firm commitment to their success and the company’s success.

Risk management

As a global company, HUBER+SUHNER is exposed to a diverse set of risks. Managing these risks is an integral part of our business. Our risk management framework allows us to identify, assess, and mitigate risks in a continuous and iterative process.

Risk management framework and risk policy

Our global risk policy defines our goals and principles for effective corporate risk management. Through our risk management framework, HUBER+SUHNER assesses actual risks and identifies potential risks. Risks are assessed in a two-dimensional risk matrix based on likelihood and impact on operations. Taking diverse types of risks into account has become crucial for companies because non-financial risks associated with business activities or business relationships, products, and services can lead to major financial loss OR jeopardize our financial position . Sustainability-related risks have become an increasingly relevant driver for other risk categories with significant financial implications

Risk management process and risk governance

For each identified risk topic, a "sponsor" is assigned from the extended Executive Group Management (EGM) or other senior management. Each sponsor analyses the risk within her/his area of responsibility. This includes the following:

- Identifying the relevant risk drivers
- Developing a set of conclusions from a Group perspective with regards to the respective risk
- Proposing a set of high-level actions to hedge the risk
- Define for each of the actions a timeline and the assignment of the relevant people within the organisation.

Each year, the risks are being reviewed and assessed for their materiality and re-prioritized where necessary. Risks which are deemed irrelevant are removed from the risk map, whereas newly emerging risks are assessed and, if qualified material for the company, are added to the risk map. The designated sponsor is in charge of identifying risk drivers, drawing conclusions, and proposing mitigating actions for the respective risk. With the annual risk report, HUBER+SUHNER provides an overview of the company's risk position, risk profile, and top risks identified as well as mitigating actions. This report is submitted to the Board of Directors for review and approval and made available to the extended EGM including the general legal counsel, area compliance officers, and the global process owners.

Top nine risks

Risks are prioritised based on their significance with regards to the financial impact they could have on the company, and according to their probability of occurrence. The top nine risks identified in 2023 are the following (in alphabetical order):

Climate change: Climate change was added to the list of top risks in 2023. Tackling climate-related risks arising from increasing compliance obligations, growing customer expectations and requirements, and ever-higher raw material prices has become a priority for HUBER+SUHNER. This is reflected in our climate targets and transition planning, which mitigate these risks. Furthermore, we continue to monitor the evolving compliance landscape and define measures in response to regulatory changes. While our assets are currently less exposed to physical risks, such as floods, wildfires, and heatwaves, these risks need to be monitored continuously, as this may change in the medium to long term.

Cybercrime: In addition to the increasing number of "commercial" cybercriminals, government-backed criminals have entered the picture and are pursuing attacks on intellectual property (IP) and data. Next to effective information technology (IT) governance, such threats are mitigated by ensuring that information security risks at HUBER+SUHNER are identified, evaluated, and mitigated for each application level.

Disaster: Interruption of the delivery of goods to our customers is a major risk. The reasons for such interruptions can be many, including natural disaster, fire, power/gas outage, IT breakdown, strike, worldwide pandemic, geopolitical decisions, wars, or terroristic actions. We mitigate these risks through business continuity plans and emergency procedures, which are in place globally. Our global operations network supports these efforts.

Energy supply shortage and interruptions: Power shortages and interruptions have mainly been a European concern driven by the Russian invasion of Ukraine, the ongoing war, and Western countries' sanctions against Russia. However, since the beginning of the war on Ukraine, the countries of the European Union have been able to become largely independent from Russian energy supplies. In addition to mitigating this risk, we have implemented measures at our largest European production sites to ensure energy security.

Exposure to currency fluctuation: HUBER+SUHNER conducts a large part of our business in Swiss francs. With the strong Swiss franc, the currency currently trades at a premium. Foreign exchange accounting is one important measure to hedge against these risks related to currency fluctuations.

Exposure to geopolitical conflicts: Unstable global geopolitical situations threaten global supply chains and operations. As a risk mitigation measure, we closely monitor regulatory and political developments in relevant countries and adjust our sales and procurement strategy in line with these developments.

Non-compliance with internal and external standards: Growing compliance requirements present an increasing challenge for multinational companies operating in an environment of unprecedented complexity. In particular, the area of trade, compliance, tax, and transfer pricing has grown in complexity in the past year. To mitigate this risk, HUBER+SUHNER follows stringent processes to determine and monitor adequate transfer pricing and tax risks and maintains a compliance programme that ensures constant monitoring of relevant regulations and continuous education of our employees.

Serial defects: Serial defects of products may occur because of design and/or manufacturing flaws; Such defects can lead to exhaustive dismantling and replacement actions and – in the event of safety concerns – to product recalls. To mitigate this risk, we maintain a quality-centric mentality at HUBER+SUHNER and implement processes accordingly.

Worldwide pandemic: The Covid-19 pandemic led to global business disruptions and supply chain shortages. Although the actual risk of a pandemic is judged moderate at this time, a potential risk remains. Lessons learned from the Covid-19 pandemic and a comprehensive pandemic plan increase our resilience to confront potentially emerging health crisis.

THE HUBER+SUHNER GROUP IN BRIEF

Founded
1969

Employees globally
More than 4,100

Employees in Switzerland
Close to 1,200

Listed
SIX Swiss Exchange: HUBN

What we do
We design and create connectivity solutions for data and power transmission.

Global presence

Locations	Countries	Production sites
39	20	18

Customers
Around 4,500

Net sales
CHF 851.1 million

EBIT
CHF 77.6 million

Connecting – today and beyond

The Swiss company HUBER+SUHNER, founded through the merger of two Swiss companies, R. & E. HUBER and SUHNER & Co. AG in 1969, has its headquarters in Herisau (Appenzell Ausserrhoden) and Pfäffikon (Zurich). The company designs and creates connections for data and power transmission. We specialise in electrical and optical connectivity components and system solutions that deliver high performance, quality, reliability, and a long service life – even under the toughest of conditions. Connections between humans, places, and systems are a prerequisite for the functioning of our society. The need to being connected is driven by the fundamental human needs to:

- Communicate
- Be mobile
- Feel safe
- Act sustainably

With its connectivity solutions, HUBER+SUHNER helps customers bring people closer together and addresses global megatrends such as security, safety, connectivity, and mobility.

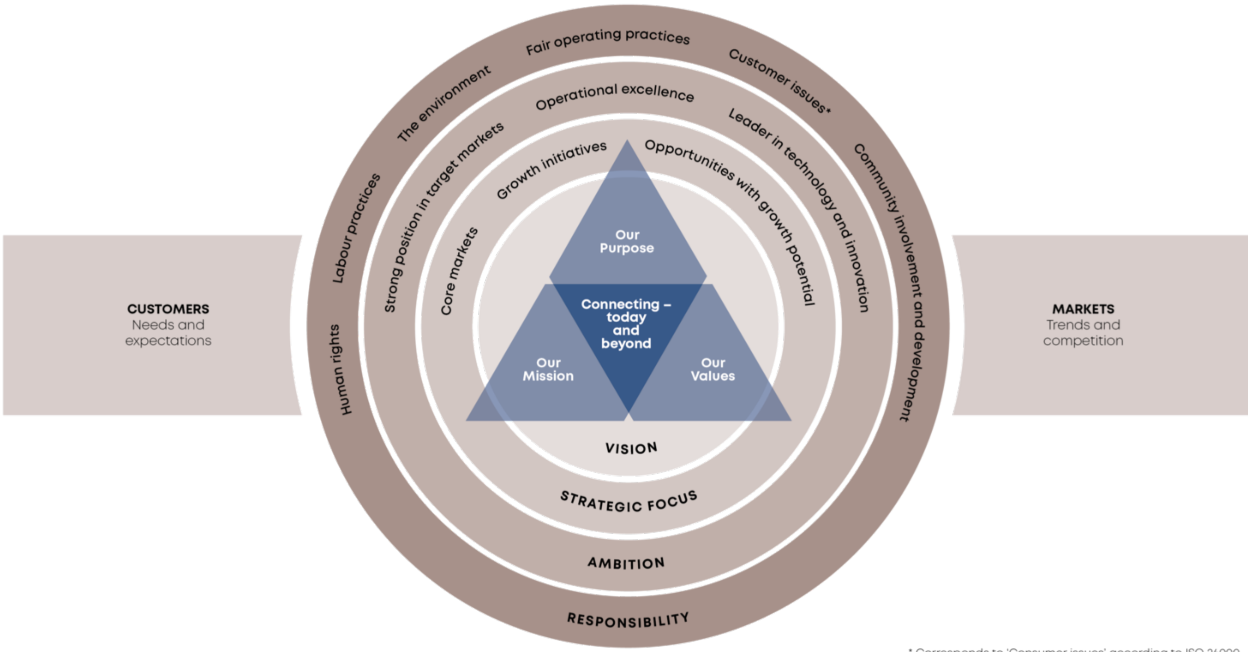
Every day, more than 4,100 employees work in 20 countries and 39 locations to fulfil the HUBER+SUHNER purpose. The global production network includes 18 sites. And through its own sales force complemented by agencies and distributors, HUBER+SUHNER is close to its customers in over 80 countries. Its employees live up to the five company values, namely trust, care, passion, transparency, and accountability which promote the entrepreneurial spirit and are based on respect for people.

Since 2021, HUBER+SUHNER has oriented itself towards three market segments: Industry (33 % of net sales), Communication (33 %) and Transportation (34 %). These three dimensions of our business are addressed with applications from the three technologies of radio frequency, fiber optics, and low frequency. Currently, HUBER+SUHNER serves over 4,500 buying customers in Europe, Middle East and Africa (EMEA) with 55 % of net sales, the Americas with 19 %, and Asia-Pacific (APAC) with 26 %.

HUBER+SUHNER is listed on the SIX Swiss Exchange and has around 7,400 shareholders (as per 31 December 2023) of which three major shareholders are above the reporting threshold of 3 %. In 2023, net sales amounted to CHF 851.1 million and operating profit (earnings before interest and taxes [EBIT]) was CHF 77.6 million.

Our fundamentals

"Connecting – today and beyond" is the cornerstone of everything we do. Our world is based on connections between humans, places, and systems. Connections are essential to the functioning of our society – and our customers make them happen by transporting data and power in networks. Our strategic focus makes it possible for humans everywhere to stay in touch with one another, to be mobile and safe, and contribute to a more sustainable world. As a company, we engage with our employees, customers, shareholders, suppliers, authorities, the financial community, and others. Each stakeholder group has its own requirements and expectations of our organisation. With "Connecting – today and beyond," we articulate a vision that precisely addresses our stakeholders' needs and our commitment to meeting these needs today and well into the future.



* Corresponds to 'Consumer issues' according to ISO 26000

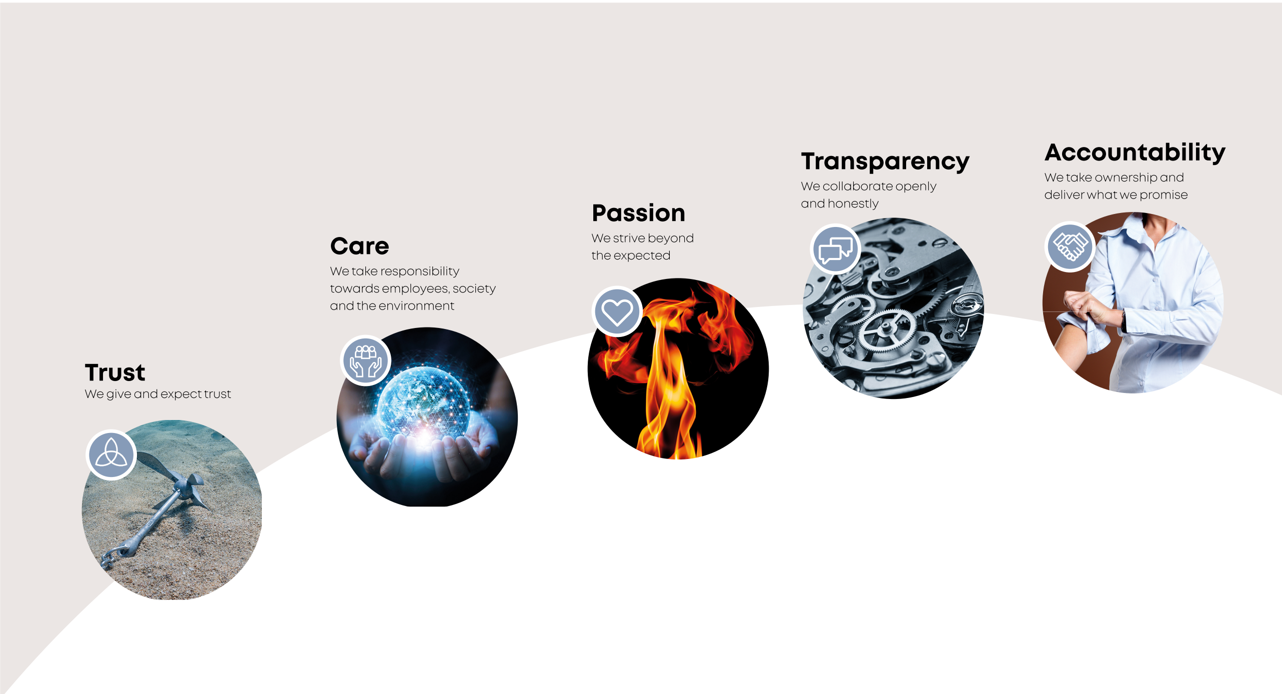
Our purpose

Our purpose, "We help customers bring people closer together," expresses how HUBER+SUHNER positively contributes to global issues in a variety of markets with often-invisible products that, despite their sometimes small size, ensure highest precision and connectivity. Considering the social and environmental impacts, we are fully dedicated to going far beyond solely selling products or solutions: We are our customers' reliable partner, helping them keep their networks running with stable and applicable connectivity solutions that contribute to personal security, seamless communication, environmentally friendly mobility, and responsible business conduct. HUBER+SUHNER constantly monitors market trends and competition and drives innovative connectivity solutions that meet customers' needs. As an employer, we strive to create a workplace where employees can make an impact and experience how meaningful their contributions are. This is how we help people connect with one another every second, every minute, every day: Connecting – today and beyond.

Our guiding principles

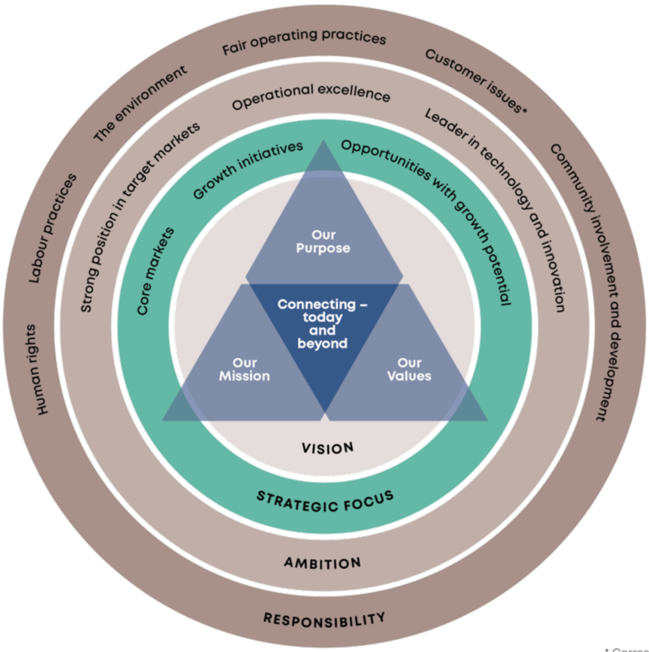
Our values and leadership principles guide us as we pursue our purpose, reminding us every day of what is important when interacting with one another and with external stakeholders and of our aspirations in terms of behaviour and attitude. They provide direction on how to succeed in a continuously evolving business environment.

Read more about our values.



Strategic focus

HUBER+SUHNER builds its sustainable growth on a diversified but focused business approach with market verticals which form a highly attractive portfolio. They can be grouped in three different states of maturity : core markets and focused market verticals, growth initiatives, and opportunities with growth potential.



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Core markets are the basis of today's business. Their turnover is crucial to secure the company's current size and setup. Our aim is to be in attractive core markets which allow HUBER+SUHNER to use all its strengths to maintain a strong position. Their contributions are essential to reach today's goals and fund the growth initiatives.

Our five core markets are:

- Test and measurement (Industry segment)
- Communication equipment manufacturer (CEM) components (Communication segment)
- Mobile network (Communication segment)
- Fixed access network (Communication segment)
- Rolling stock (Transportation segment)

Growth initiatives have been identified based on their potential for significant sales potential, profitable growth, and their strategic fit:

- Aerospace and defense (Industry segment)
- Data center (Communication segment)
- Advanced driver assistance system (ADAS) (Transportation segment)
- Electric vehicle (Transportation segment)
- Rail communications (Transportation segment)

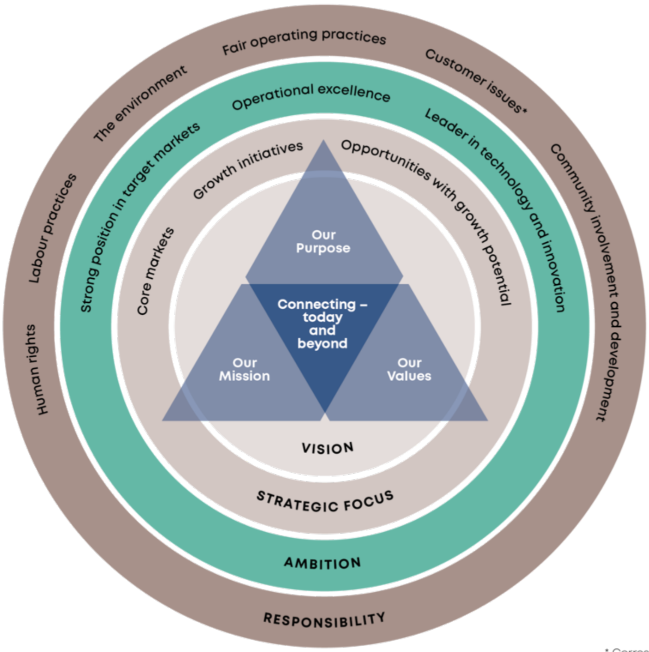
Focused market verticals include a range of highly attractive niche applications in smaller-sized markets such as:

- General industrial (Energy, Industrial automation, Medical device, Process industries) (Industry segment)
- High power charging (Industry segment)

Opportunities with growth potential are attractive business ideas at an early stage. The company identifies these business ideas by following megatrends associated with basic human needs and then providing connectivity solutions that help satisfy those needs. The business ideas either develop into growth initiatives or interesting niche businesses or – if the opportunity is not sustainable – they are not further pursued. Therefore, the company strives to always have a broad range of such opportunities in the pipeline.

Our ambition

We have three strengths that form our ambition and which navigate us in our daily work and interaction with our customers:



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Three strengths form our ambition:

1. Leader in technology and innovation

Mastery of the applicable technologies and the necessary innovative strength are essential to open new markets and defend existing markets. At HUBER+SUHNER, innovation takes place in three areas to ensure a high degree of differentiation of the company's solutions: exploring new technologies and business fields, developing new product generations and applications, and improving existing products in terms of cost and performance.

2. Operational excellence

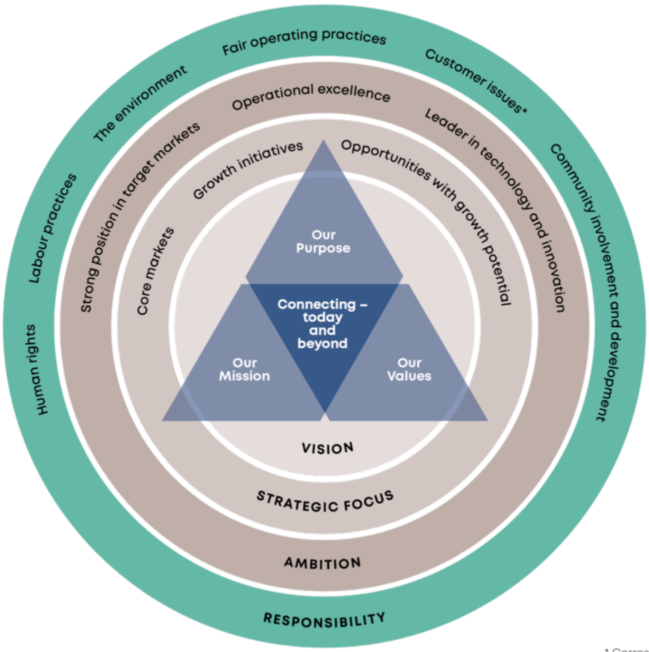
Through operational excellence spanning production processes as well as logistics and the supply chain, HUBER+SUHNER sustains and extends its market positions. By continuously optimising our operations and entire supply chain, we ensure a superior end-to-end customer experience, which is essential to establish long term partnerships with customers. Our production sites' geographical proximity to key customers is better for the environment due to the shorter transport distances in outbound logistics and at the same time is a competitive advantage.

3. Strong position in target markets

HUBER+SUHNER uses its strong position, long-lasting relationships, and solid reputation in existing market verticals to tap into new, related markets. We capitalise on our innovative strength to offer customers added value while supporting them in becoming relevant market players.

Responsibility

Our efforts and plans for advancing our strategy and performance are linked to our commitment to conducting business responsibly with regard to our material sustainability topics:



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- The environment
- Human rights and labour practices (including occupational health & safety)
- Customer relations / issues
- Community involvement and development
- Fair operating practices (Governance)

Our continuous journey and commitments are to improve our economic performance and to analyse and transform existing business and production processes. The topic of product and transport packaging is also part of operational excellence. Here, the focus of HUBER+SUHNER is on reusable packaging and packaging materials with a low environmental and a low carbon footprint.

We have set ambitious goals based on our sustainable business model and we regularly measure our performance. Only by further embedding and connecting our ambitious sustainability and business goals on management level and with every single employee, can we work towards becoming a truly sustainable business. Read more in our Non-financial Report.