HSE·AG

2023

Annual Report

Agile Collaboration

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«Technological progress cannot be stopped, nor should it be. It can sometimes be delayed, and the arc can often be bent by the first movers. Although tech has dangers, if we stopped all technological development, we'd all just be waiting for the next asteroid.»

Sam Altman, CEO, OpenAI

Hans Noser,
Chairman HSE·AG

Michael Collasius,
CEO HSE·AG

We are agile to ensure our customers' innovation

Hans Noser and Michael Collasius can look back on an extremely successful 2023 as Chairman of the Board and CEO of HSE·AG. Another major customer, the entry into CAR-T cell technologies, the launch of an OEM spectroscopy platform for liquid handlers, success in finding excellent talent and the high level of CSR activities right from the start are among the highlights of the year. Now that the diagnostics industry has overcome the post-pandemic dip, the outlook for the future is promising.

Strong growth figures despite difficult industry environment

Hans Noser (H.N.): 2023 fits in seamlessly with the results of recent years. Together with our employees, we achieved another record year and were able to increase our sales by 16 % and profit by as much as 26 %.

Michal Collasius (M.C.): The strong figures are all the more rewarding given that the extraordinary pandemic boom of last year left a noticeable mark on the laboratory automation and analytics industry as a whole. However, most manufacturers in our customer segments have since recovered from this slump.

Another major customer and word-of-mouth expansion

H.N.: The acquisition of another major customer will have a positive impact on our future business. We are now development partners for ten industry heavyweights. We are building long-term customer relationships with them.

M.C.: Word of mouth works particularly well with our major customers. Talk of successful projects gets around companies and we are increasingly being asked by other departments of the same company. These indirect follow-up projects within key accounts are now one of our most important growth drivers.

First port of call for excellent talent and little fluctuation

M.C.: Personally, I was particularly pleased with how many excellent talents we were able to attract in 2023. Although the job market in the fields of engineering and life sciences is considered dry, we also receive many very attractive unsolicited applications. This shows that word of our special corporate culture and exciting project portfolio is also getting around at universities.

H.N.: Our extremely low fluctuation rate also shows that we are an attractive employer. With around 80 employees, we only had one departure in 2023 and the vast majority of people on the employer rating portal Kununu gave us the maximum number of points.

OEM development FluorEye meets with great market interest

H.N.: The market launch of our FluorEye innovation by Hamilton Robotics marks a milestone for HSE·AG. The fluorescence detection module for determining the quality of nucleic acid samples, which can be integrated into the liquid handling robots, has met with an exceptionally high level of interest from Hamilton customers.

M.C.: We are pleased with FluorEye's market success, and not just for economic reasons. Seeing how one of our innovations precisely meets the needs of users is also a great motivation for us. This is only possible because we have a very good understanding of the application.

From a standing start to a silver CSR rating

H.N.: Sustainability is practically part of HSE·AG's DNA. The fact that we were immediately awarded a silver medal by the EcoVadis assessment agency underlines the fact that these are not just words. This means that we are among the top 15 % of all companies surveyed.

M.C.: This good rating is a solid basis on which we can now further improve our CSR (Corporate Social Responsibility) activities. In 2023, we revised our organizational regulations and introduced a Code of Conduct and a Compliance Committee. In doing so, we are also meeting a growing need on the part of our customers. We want them to be able to fully rely on the quality of our services in this respect too. This includes, in particular, the reliable protection of all customer data.

First foray into the field of CAR-T cell technologies

M.C.: We are constantly monitoring technology trends. Among other things, we have identified CAR-T cell technologies as an upcoming growth area. For the first time, it appears that biology's ability to learn can be used to sustainably cure even metastatic cancer. In 2023, we have already succeeded in acquiring our first customer in this area.

Successful completion of major projects brings new orders

H.N.: We successfully completed several of our first major projects in 2023. However, this has not led to a decline in our order volume. On the contrary: the success of these projects opened additional doors for us with customers and we were able to tackle new projects in other business areas.

HSE·AG resources are available for innovation

M.C.: The fact that many diagnostics and analytics manufacturers have reduced their internal development capacities in the wake of the post-pandemic slump could have a positive impact on HSE·AG. In contrast, we have expanded during this time. As a result, we can now provide resources to manufacturers who want to return to growth and tackle new topics.

Integrated project management further increases efficiency and quality

M.C.: In order to improve the quality and efficiency of our development projects even more effectively, we introduced a project portfolio management system in 2023. It seamlessly integrates the entire development process from A to Z. Our customers will benefit from this in the form of more accurate quotes and more reliable forecasts, among other things. We can also improve our continuous learning in project management and optimize resource allocation. This will reduce costs and shorten lead times.

Whether agile or V-model (this model summarizes the most important steps that must be carried out to validate the development of the project life cycle) - maximum flexibility and efficiency in any case

H.N.: The project portfolio management system will also further increase our flexibility in terms of our customers' project methodology. Every manufacturer has its own USPs (Unique Selling Points) and its own history. Product development is organized in different ways.

M.C.: We have structured our internal development processes so flexibly that they can be seamlessly integrated into any project organization. We can work according to V-model-specifications and still be highly agile. But we can just as easily integrate ourselves in an agile way and still adhere precisely to the time and budget targets.

Expansion of production capacities for pilot and small series

H.N.: We expanded and professionalized our in-house production capacities in 2023. We can now use them to produce not only prototypes, but also pilot and small series that meet the requirements of a market product 100 %.

M.C.: This means that we can provide our customers with finished devices for pilot customers and sales demonstrations much more quickly. We can also provide the customer's production department or OEM partner with a ready-to-use development product that can be implemented on a one-to-one basis. During manufacturing, we build up detailed practical production expertise from which they can also benefit.

The industry has overcome the coronavirus slump and is investing again

M.C.: In the last two years, many diagnostics manufacturers have been confronted with speed effects. The rapid growth caused by coronavirus triggered a subsequent dip, during which overcapacity had to be reduced. Over the course of the last year, however, most of them have now overcome this low and sales have risen above the pre-pandemic level.

H.N.: As investments are now being made in new products again, we expect further growth in 2024. However, we are generally rather defensive in our forecasts. We therefore do not expect the trees to grow back into the sky for the industry in this turnaround year.

Colibri becomes the basis for an entire OEM product family

H.N.: In the coming years, we have high hopes for a whole family of detection solutions that we will make available to liquid handler manufacturers in the OEM model. This will enable them to offer a comprehensive portfolio of specialized modules for the quality measurement of DNA or protein samples and also for fluorescence emission or cytometry with their devices.

M. C.: The basis of the new platform is the intelligent cuvette transport mechanism that we developed for the Colibri module launched in 2023 to determine the quality of DNA samples in the NGS environment.

Faster to market thanks to a unique combination of expertise

H.N.: For me, our decisive USP (Unique Selling Point) is the combination of our first-class engineering expertise in the key technologies of laboratory automation with an extremely in-depth understanding of applications, which we very consciously cultivate. Together, these two skills enable us to develop extremely efficiently. Our customers benefit from a significantly shorter time-to-market and from devices that optimally address the specific needs of their users.

Future prospects:
New growth momentum on the horizon

M.C.: In general, we see many attractive growth opportunities in the future. In addition to CAR-T cell technologies, the CRISPR method should also open new doors. At the end of 2023, the U.S. Food and Drug Administration (FDA) approved a gene therapy based on the gene scissors for the treatment of sickle cell anemia for the first time.

H.N.: And that is certainly not the end of the story. Analytics and therapy will continue to grow together over the next few years and enable ever more personalized treatment methods. This will also increase the need for automation of methods.

OUR VISION

is to enable the next breakthrough in the life sciences.

OUR MISSION

is to create tools to unravel the principles of life, by combining our applications and engineering know-how. We create and maintain systems and workflows in-line with our customers' needs.

OUR ASPIRATION

Enjoyment
We like what we do and we enjoy working with the people around us.

Usefulness
Whatever we do should be useful to our customers, colleagues, and society. We continuously improve as individuals and as a company.

Ambition
We strive for excellence and continuously push past our limits to build something that is greater than ourselves. This is the source of our satisfaction.

Sense of reality
We utilize deliberate, fact-driven, decision-oriented thinking. We explore the harsh realities, draw conclusions, and focus on optimal execution. Time constraints do not compromise excellence.

Search for the best solution
We are curious and open-minded. Truth and transparency guide us. We encourage feedback and use this to learn quickly.

Fairness and respect
We treat everyone fairly and with respect. We communicate openly and honestly. This forms the basis for thoughtful disagreement.

Michael Steck,
Senior Project Manager HSE·AG

Felix Westhoff,
Head of Project & Quality Management, HSE·AG

Agile in the organization and in mindset

Agile methods promise more flexibility. That is why they are ideally suited to dealing with the constantly changing requirements of analytical and laboratory equipment, even during their development phase. Despite the obstacles, more and more companies have recently been taking the agile route. However, the process models must be adapted to specific conditions.

The world is changing faster and faster. This is challenging the economy at all levels. Analytical devices also have to be constantly adapted to new market needs and regulatory conditions. This means that requirements often change during the development of first prototypes. The better an organization can deal with this rapid pace of change, the better it can adapt its products to the current market and the more successful the devices will be.

Obstacles: project complexity and regulation

It is precisely these uncertainties in projects that are addressed by agile methods, which are now standard operating procedure, particularly in software development. A solution is developed in iterative cycles. At the end of each cycle, there is a functional version that can be tested and then further optimized step by step.

In contrast to the software environment, however, agile approaches are not yet widespread in the development of analytical devices. This is partly due to the often-complex organization of projects, in which numerous different internal and external teams of technology specialists have to be coordinated. Sometimes highly regulated environments of

the life sciences industry can stand in the way of a flexible approach.

On the agile path despite obstacles

According to Felix Westhoff, Head of Project and Quality Management at HSE·AG, the rest of the company often slows down agile development approaches: "Especially in larger companies, most other functions with which development interfaces, such as purchasing, finance or production, work on the basis of V-models. This can lead to friction."

Despite these obstacles, however, more and more analytical equipment manufacturers are now taking the agile route with their development departments, including industry heavyweights. The pressure for more flexibility is too strong and the benefits that an agile organization of development teams brings to the bottom line are too great.

Partnership requires mindset and communication

According to Westhoff, for a development partnership between agile teams and engineering specialists to be successful, the mindset must be right throughout the organization. The interface between the customer and the partner must also work. "Communication must be conducted on four levels," explains the experienced project specialist, "between the technicians, the project managers, the core teams and the steering committee." Depending on the size of the organization, one person can fill several roles.

In any case, the exchange between the project managers on both sides is crucial. Ideally, they are sparring partners who, as a tandem, recognize problems early on and find solutions together. "Many clients underestimate the importance of having a competent and decisive project manager on their side," says Westhoff. One consequence is unfulfilled expectations because these were never formulated in the first place. Agile approaches lay the foundation for close and effective coordination between the partners.

What is agile working?

In 1943, aircraft manufacturer Lockheed Martin was tasked with developing the first jet fighter for the US Air Force in just 180 days in response to German prototypes. By bringing the specialists together in one room and allowing them to organize their work independently in iterative steps, the first airworthy prototype was ready after just 143 days.

NASA and IBM then began to systematically use iterative procedures as early as the 1950s with IID (Incremential Iterative Development). However, the agile train only really took off at the end of the 1980s. In 1986, the so-called Rugby approach caused a stir with a comparative study with the V-model in the Harvard Business Review. Scrum – the special form of tackling in rugby, in which the players fight for possession of the ball while packed into each other – has become the name for the most widely used process model today.

When influential US software developers propagated their ideas of modern team-based, step-by-step development in the agile manifesto in 2001, the methods in software programming quickly spread worldwide. And now they are returning to their mechatronic roots. Some of the largest development organizations in the field of life sciences analytics are taking the agile path of the future.

Agility in action: undogmatic and with defined goals

The development of analytics devices is very different from software projects. Accordingly, the agile frameworks familiar from IT cannot simply be applied. Felix Westhoff, Head of Project and Quality Management at HSE·AG, explains where agile methods make most sense, where they make less sense and where the stumbling blocks lie.

Mr. Westhoff, do agile methods make sense in every device development project in the analytics and life sciences sector?

Felix Westhoff: An agile mindset certainly has advantages in every project. However, the sensible proportion of agile methods varies greatly. This can range from a practically completely agile approach to an approach in which only the collaboration in individual teams is agile, while all project goals are specified as typical milestones. In addition to many external conditions, such as company structures and regulations, the requirements and goals to be achieved are also decisive.

What would be a typical example that is best implemented in a completely agile way?

We have a start-up customer who wanted to bring their innovative product to market as quickly as possible in order to generate sales. They therefore set themselves a time limit of one year to make the pilot device marketable. Our task was to incorporate as many of the most important additional requirements from the initial user feedback as possible within this time frame. To do this, we jointly chose a completely agile approach in which we implemented the extensions and adaptations step by step in close mutual coordination based on a list of priorities. On the one hand, this allowed us to move forward extremely quickly. On the other hand, we were also able to start immediately and set the priorities in parallel and update them flexibly again and again.

When does agility make less sense?

If the requirements, budget, and time frame are already very precisely defined at the start, there is little room for agile project management. However, this does not mean that individual tasks and challenges cannot be mastered in an agile manner. In V-model-projects, for example, we always segment the milestones set by the customer internally and set additional checkpoints. At these checkpoints, the team reviews the achievement of objectives. As part of an agile retrospective, we also regularly analyze

Felix Westhoff,
Head of Project & Quality Management, HSE·AG

what went well and what went less well. However, we do not adhere to the guidelines of agile frameworks such as SAFe, but have established our own procedure tailored to device development. Checkpoints and feedback rounds are mandatory in all our projects and the results of the reviews are always openly available to everyone in the company. In this way, everyone can learn from all experiences.

In this case, are you not adhering to an agile framework?

No, SAFe and the like cannot simply be transferred to device development in general. Many adaptations are necessary, and the methods must be used undogmatically. For example, the roles and sprint lengths are fundamentally different to those in software projects. In the same way, the testable products of the iterations must be redefined in each project. In addition, there is always a defined end point of development for a laboratory device. The device must be certified and after that, every change means a great deal of additional work, which must be avoided if possible. In addition, the delivery of materials and components takes time and must be planned well in advance.

Do you often work in agile partnerships?

We practically always work agile internally, but the interface to the customer still marks V-model-milestones in the vast majority of cases. This is even the case when the customer itself takes an agile approach internally. The main reason for this is the contracts that the customer's purchasing and finance departments draw up with us. These practically always give us V-model-milestones against which our performance is measured. In a fixed-price contract, it is almost impossible to do otherwise.

The HSE·AG Team
working in an agile way

Doesn't friction automatically arise at these interfaces between V-model organizations and agile teams?

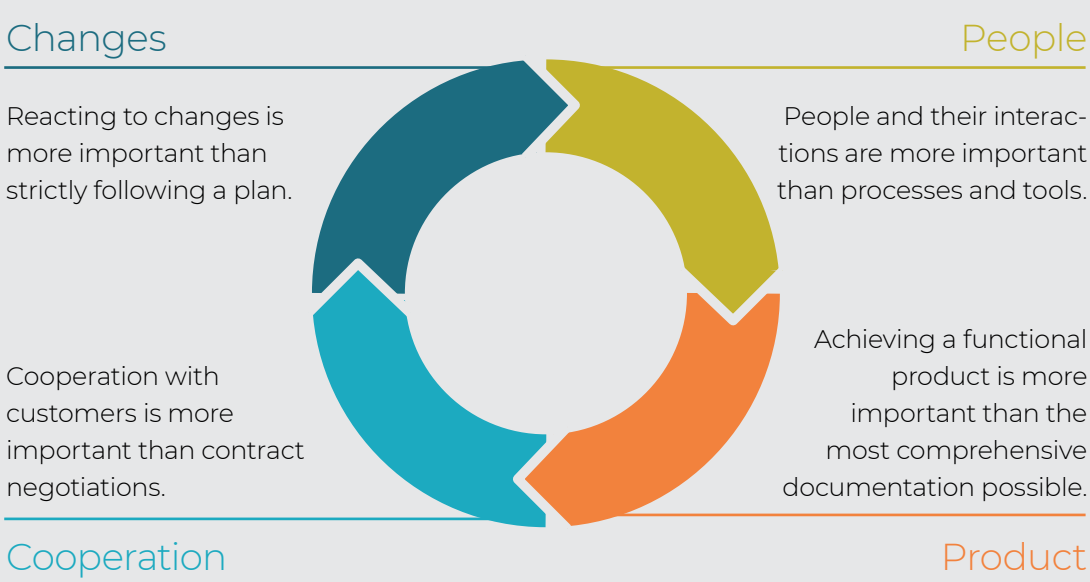
Certainly, if mutual understanding is not actively promoted, the potential for conflict arises. It is important that the agile teams understand why purchasing, production and finance need clearly defined milestones. However, they must also be able to understand the needs of agile developers. For example, we have a large corporate customer who has specifically built up this mutual understanding. The interfaces work noticeably more productively as a result. Here, too, it certainly helps if both sides do not insist on the dogmas of their approaches but are prepared to adapt flexibly to the specific situations.

What are the principles of agile working?

Principles, roles and iterations

The foundation of all agile methods is formed by four principles that were laid down in the "Agile Manifesto" in 2001.

Based on this, the SAFe toolbox (Scaled Agile Framework) defines how the teams and the iterative steps should be organized. While the sprint iterations of the individual teams last a few weeks, the time frame of a program increment (PI) is a few months. At the end of a PI, there is always a testable product.



The project organization itself becomes an agile project

The recipes for converting device development to agile methods cannot simply be pulled out of a drawer. Many things must be adapted to the specific individual case or developed from scratch. HSE·AG project manager Michael Steck explains what is important and what benefits arise for the project teams.

The transition from a V-model organization to agile procedures affects both the processes and organizational structures as well as culture. On the one hand, project team members have to take on more responsibility and, on the other, the hierarchy levels have to relinquish responsibility. At the same time, however, a higher-level function is required in the usually complex device development projects to act as product owner and ensure that everything the agile teams develop fits into the big picture.

Own definition of testable sprint results

The adaptation of agile frameworks such as Scrum to the special conditions in the development of diagnostic devices poses a particular challenge. So far, there are no best practices that are easy to copy. The length of sprints or program increments (PI), but above all what constitutes a functioning and testable version, must be redefined in each project.

As a rule, the work packages comprise individual device components, but they can also be important project documents. The sprint and PI lengths can be assumed to be two and ten weeks, respectively.

Michael Steck, who as project manager at HSE·AG has worked with several agile customers, explains: “The best approach is to use a try-and-error process and optimize the procedure iteratively. The project organization itself becomes an agile project.”

Risk of accumulating project debt eliminated

One of the great advantages of agile procedures: By discussing any discrepancies that arise on an ongoing basis, the dreaded risk in V-model projects of a project debt that is only noticed late and has therefore already grown considerably can be eliminated as it arises.

“In the traditional approach, relatively long phases are typical, and they are not checked by milestones. It takes a long time for problems to become visible,” explains Steck. In addition, the long phases mean that many

minor discrepancies remain completely hidden and can therefore add up unnoticed.

Trust is necessary in interfaces to V-model units

The interfaces to other corporate functions require special attention. From quality management to finance and purchasing through to production, these continue to function according to V-model principles. And this cannot be changed so quickly, as Steck explains. V-model corresponds to the basic principle of production processes, at the end of which there must be a finished product with clear specifications.

In the same way, milestone targets are usually set for external development partners through fixed-price contracts. These are synchronized with the manufacturer's agile approach through a well-considered link to PI planning. To this end, HSE·AG adapts its own work cycle as flexibly as possible to the customer's agile PI planning.

Special task force for fundamental changes

Steck emphasizes how important transparency and mutual trust are for smooth collaboration: "An agile approach always brings to light new findings that change the requirements for the device. This makes change request processes necessary within the contractually defined V-model framework. Although they always involve additional work, they can be carried out much more efficiently if both sides pull in the same direction."

Additional instruments must be activated if, for example, an architecture problem arises at a late stage of the project that necessitates fundamental changes. The formation of a task force in which the customer and partner exchange information several times a week has proven its worth. This close cooperation makes it possible to find a sustainable solution quickly.

The mood turns 180 degrees with practice

However, agile methods are not a sure-fire success, especially at the beginning of a changeover, Steck points out: "In the beginning, I often find that the customer's employees have a very negative attitude. However, this usually changes after just a few months, when the benefits become noticeable for everyone in their day-to-day work. Then the mood turns 180 degrees."

Agile methods also improve internal communication. Thanks to regular meetings, everyone is always up to date with the latest information, and responsibilities are also more clearly defined. In addition, ongoing adjustments to the planning to reflect the reality of the project lead to more accurate estimates of the workload. This makes it much easier to prevent the overloading of employees that is common in many projects.

Michael Steck,
Senior Project Manager HSE·AG

Michael Collasius in
team meeting

The fundamental goal is to minimize risk

Although development projects are being managed in an increasingly agile manner, Michael Collasius sees a trend towards fixed contracts and thus the specification of clearly defined V-model targets. For the CEO of HSE·AG, however, this is not a contradiction in terms. It allows companies to minimize both their financial and project risks. In order to be able to function flexibly within the milestones framework, however, an engineering partner must master more than just the technologies.

Mr. Collasius, is the impression correct that agile methods are now also becoming more and more widespread in the development of analytical and laboratory equipment?
Michael Collasius: In our projects, we are actually working more and more with teams on the customer side that no longer function rigidly according to V-model principles, but instead take an iterative approach. Whether this is called agile or not, if the requirements are not fixed from the outset, a flexible approach is quite simply common sense for me. Today, technologies and market conditions almost always change during the course of a project.

Is this trend towards greater flexibility also reflected in the contracts that your customers conclude with you?
It may come as a surprise at first glance, but we are seeing a trend in the opposite direction when it comes to contracts. As soon as the range of requirements becomes foreseeable, almost all customers want to conclude a fixed-price contract. Time-and-materials agreements, which in principle would be much better suited to an agile approach, are actually only used for initial feasibility studies. The focus here is clearly on minimizing risk. With a fixed-price contract, we assume a large part of the financial risks. In the same way, agile methods also serve to minimize risk in projects to a large extent.

Can fixed-price contracts be implemented in practice?
It is clear to everyone that the implementation of a fixed-price contract without any customization almost always remains an illusion. But firstly, it still offers many advantages, for example by making offers comparable. Secondly, there are always change request mechanisms that make changes possible. However, these always involve a certain amount of effort. We are set up in

such a way that we can adapt to the customer as flexibly as possible, regardless of how they want to deal with changes in the project.

But doesn't the contradiction between the milestones in the contracts and the agile way of working lead to tensions?
In any case, not to additional ones. The bottom line is that milestones in device development are inevitable one way or another. The goal is practically always a certified device, and this forces agility into a defined framework. However, an important question is how flexibly adaptations to changing requirements are possible within this predefined framework. This requires flexibility on our part as a partner and on the part of the purchasing department so that pragmatic solutions can be found together time and time again.

How can you actually ensure this flexibility within fixed-price contracts on your side?
To be able to bear the risks of change in fixed-price contracts, an engineering company must understand exactly what impact changes in the project will have on the bottom line. It is not enough just to know the technologies. Engineers also need to understand the laboratory application of the device and the underlying biology. In my view, fixed-price contracts in the engineering sector also separate what makes sense and what not.

What is the "secret of success" of HSE·AG in this respect?
In my opinion, this is where the corporate culture comes into play. For us, it is a fundamental requirement that we not only master the technical aspects of the devices, but that we also want to understand the biology and chemistry of the analysis methods. By looking at the project not only through engineering glasses, we also realize in which areas engineering precision only plays a subordinate role. This helps us to find more efficient and cost-effective solutions for our customers.

Prerequisite for agile working: mutual understanding

A key interface in an agile device development project is the handover to production. By definition, device production is not agile, but is based on clearly defined specifications and targets. Finally, the procurement of materials and components must be planned for the long term.

"The mutual understanding between development engineers and the production team is crucial for a smooth transition between agile development and production that functions according to clearly defined goals," says Michael Steck, who has already transferred various HSE·AG development projects to production as a project manager.

If both sides understand the basics of the other's work, solutions can be found much more quickly and constructively when complications arise. On the one hand, the developers must understand why production needs stable definitions and cannot keep making changes, and on the other hand, production must understand why the developers must still be able to make regular changes.

A regular cycle that makes sense for both sides must be defined in which technology changes can be implemented. In between, additional software update windows can be set up if necessary.

Developers' production expertise facilitates communication

An important advantage that HSE·AG can throw into the balance for the benefit of its customers at the transition to production is its own professionally developed production capacities. HSE·AG can produce the entire range of functional samples of individual components in-house, from prototypes of varying degrees of maturity to small batches of finished customer versions.

By continuously producing more detailed functional samples and pilot devices themselves, HSE·AG's specialists are acquiring more and more detailed know-how about the manufacturing-related specialties of the device. As part of the handover, the customer's or contract manufacturer's production can benefit from this knowledge, for example because HSE·AG knows where best to start troubleshooting.

HSE production is also the ideal place for the customer's production managers to familiarize themselves with the device

The HSE·AG team preparing for a call with customers

and its specifics using a largely production-ready prototype before incorporating it into their own production processes.

Diverse experience with a wide range of production models

In addition, HSE·AG has always been responsible for production in many projects. As a result, the engineers know exactly what original manufacturers value and what needs to be taken into particular consideration in the contract manufacturer relationship. For example, HSE deliberately creates its own templates in flexibly structured Word files. This allows them to be quickly and easily adapted to the specific requirements of customers.

"A lot of time and effort can be saved if the formalities of the design output from development are coordinated as early as possible with the framework that is used in production," Steck knows from experience.

Production experience in all shades

HSE has always assumed responsibility for production in development projects. This ranges from targeted support for a customer's internal production after the scheduled handover of the designs, to the search for suitable suppliers and the management of the entire supply chain, through to full responsibility for device production by a suitable contract manufacturer.

In a project with the liquid handling specialist Hamilton, for example, HSE·AG was responsible for handing over the design to the customer's internal production. The entire supply chain of a device was organized for a customer and HSE·AG was responsible for the entire production of a sample preparation device for the protein analysis start-up PreOmics.

HSE·AG can rely on an extensive network of suppliers built up over the years, who reliably meet the quality requirements for analytical instruments. HSE·AG's special quality comes to the fore at the interface between customers and suppliers. The company cultivates an extremely solution-oriented internal organizational culture. When frictions almost inevitably arise at such interfaces, the focus is always on finding the most sensible solution. Hierarchies or mutual recriminations play no role in this.

Facts and Figures of HSE•AG

More than 10 major clients in a variety of countries in Europe and North America used HSE•AG's services in the financial year 2023.

Revenues increased from CHF 15.34 million to CHF 16.06 million. The service business grew by 16 %. The ratio of gross profit to operating profit (EBITDA) is 11 %.

The financial strength of HSE•AG increased further, with the equity ratio rising from 33 % to 47 %. During 2023, HSE•AG had no liabilities and the capitalised goodwill was written off in full.

The calculation includes normal accruals and depreciations, where necessary.

Proposal for the appropriation of retained earnings

(in CHF)	2023	2022
Retained earnings, beginning of period	2,390,544.85	2,011,857.15
Profit for the year	790,185.70	565,687.70
Available retained earnings	**3,180,730.55**	**2,577,544.85**

The Board of Directors proposes to the Annual General Meeting the following appropriation of profit:

Payment of a dividend of	190,000.00	187,000.00
Allocation to the statutory reserves	0.00	0.00
Allocation to free reserves	0.00	0.00
Carried forward to new account	2,990,730.55	2,390,544.85
Subtotal	**3,180,730.55**	**2,577,544.85**

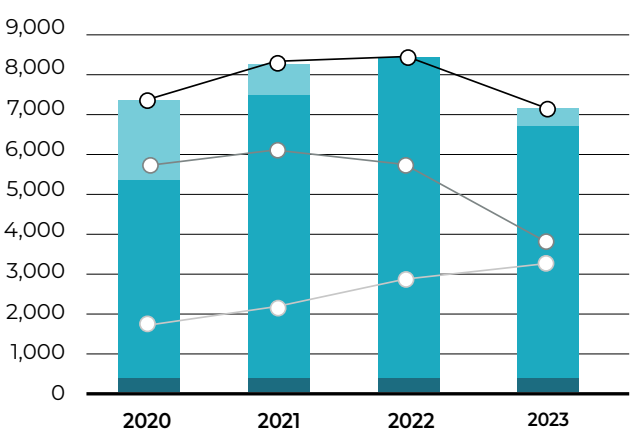
Audit of the financial statements

The annual financial statements of Hombrechtikon Systems Engineering AG for the financial year 2023, which covers the period from January 1, 2023 through December 31, 2023, were audited on 20 April 2024 by Treucontrol AG as external auditors in accordance with the Swiss Standard on Limited Audits.

Risk assessment

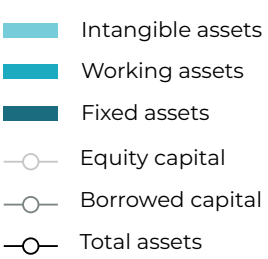
In the first year of its existence, HSE•AG established a quality management system in accordance with ISO 13485:2016 for the development of IVD (in vitro diagnostic) systems. This was successfully recertified in November 2023. Risk management is an integral part of this system. To identify both risks and opportunities at an early stage, HSE•AG regularly reviews internal and external factors across the entire corporate environment. The financial data determined for the financial statements in accordance with the Swiss Code of Obligations and the risk-related financial figures in accordance with the regulatory requirements form the basis for this review.

Balance sheet figures



47 %

Equity quote, previous year: 33 %



The following figures are in CHF thousands	2020	2021	2022	2023
Working assets	4949	7053	8007	6641
Fixed assets	380	367	425	415
Intangible assets	1986	836	6	6
Total assets	7315	8257	8437	7061
Borrowed capital	5512	6097	5675	3740
Credits	3960	3338	0	0
Equity capital	1653	2159	2762	3321
Equity quote	23 %	26 %	33 %	47 %

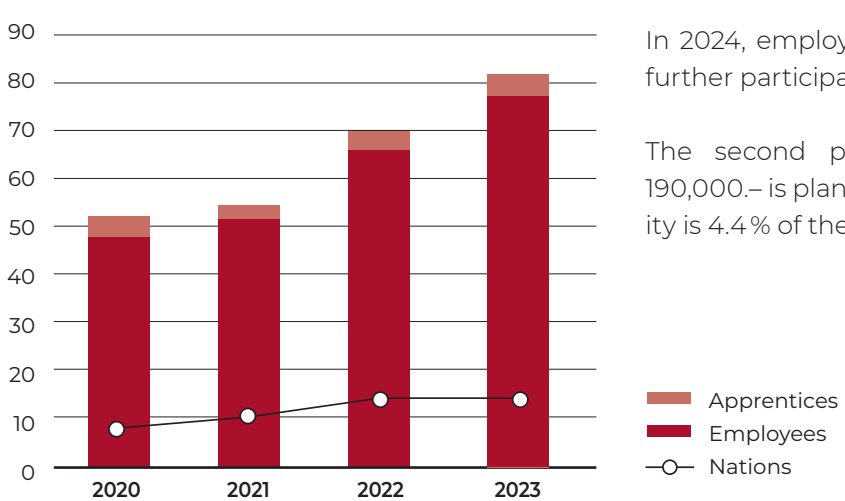
Employee competencies

HSE•AG has an exceptional breadth and depth of expertise among its staff. Its employees come from twelve different countries. Their competencies cover the entire spectrum of technology and project implementation requirements for the development of life sciences and diagnostic solutions based on molecular biology. In combination with many years of experience, they represent a crucial competitive advantage for HSE•AG.

Employee development

In 2023, the workforce increased from 65 to 81 employees. Four of these are apprentices. The turnover rate remained below 10 %. The fact that additional employees could be hired shows that HSE•AG is well positioned in the extremely competitive international labor market for highly skilled professionals.

Employees



80 %

of employees own shares in HSE•AG

Employee participation program

An important pillar for the long-term business success of HSE•AG is the employee participation program. This enables selected employees to acquire participation certificates. Their value is strongly linked to the company's success. To date, around 80 % of employees own shares in HSE•AG. This high proportion shows that employees also have great confidence in the sustainability of HSE•AG's business model.

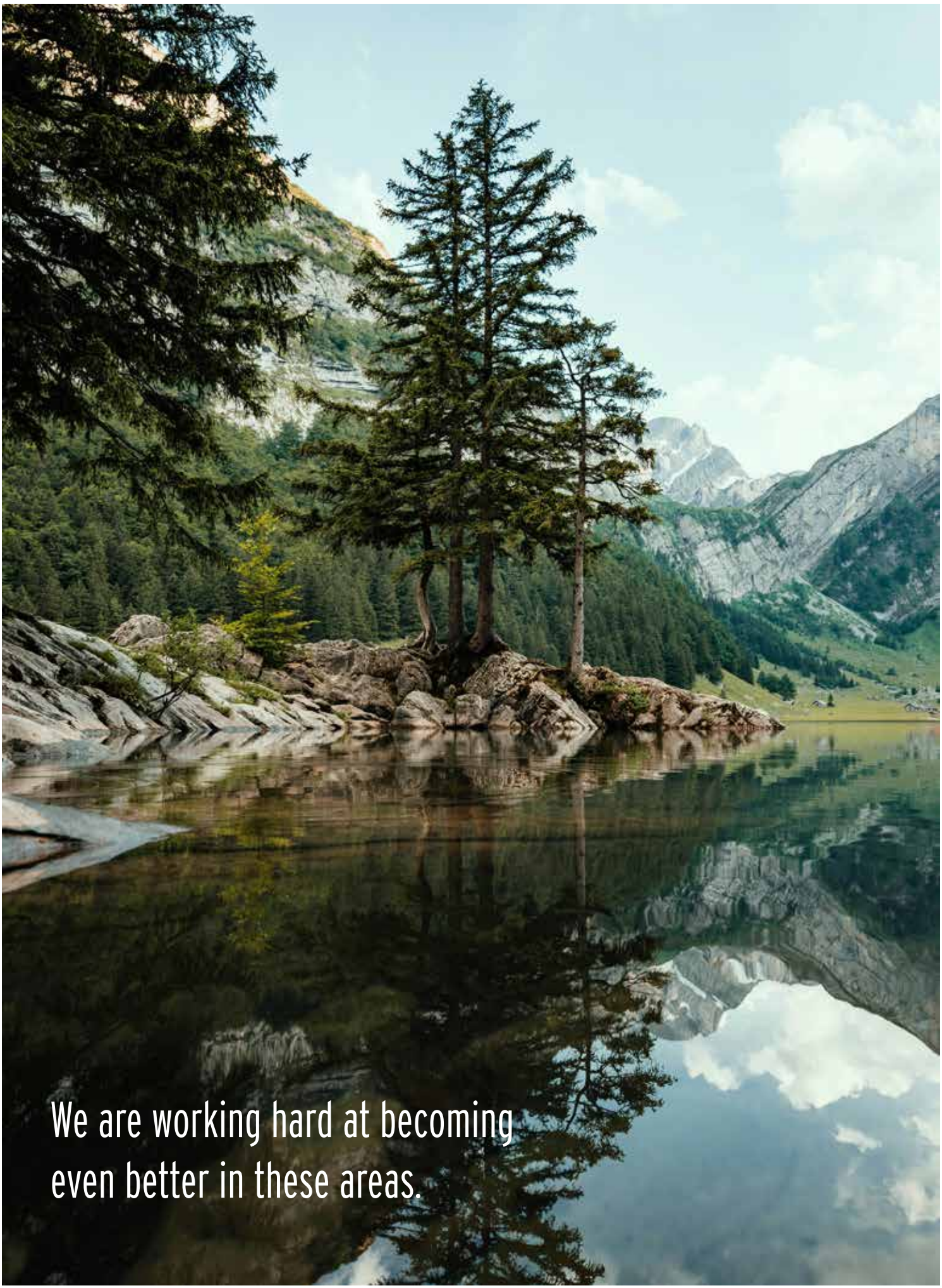
Development of PS value

After the fourth financial year, the value of the participation certificates corresponds to a factor of 33.25 (2022: 32.46) of the originally set nominal value of CHF 0.01.

In 2024, employees will be able to acquire further participation certificates.

The second profit distribution of CHF 190,000.– is planned for 2023. The profitability is 4.4 % of the net asset value of HSE•AG.


HSE-A


We are working hard at becoming
even better in these areas.

Sustainability is key

We take our responsibility for people and the environment seriously. That is why, for the first time, we are working with EcoVadis, a globally recognized assessment platform that evaluates the sustainability of companies based on four key categories: environment, labor and human rights, ethics and sustainable procurement. We are very proud to have received the silver award in our first attempt to be assessed by an external expert. At the same time, we are aware that there are areas where we can improve and we will focus on these categories in the coming year, while striving to improve in all relevant areas. With EcoVadis, we now have a process and a structured method to assess and measure our improvements on an annual basis.

Overall rating 60/100 points

Agile Collaboration

We love it!

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Gender-neutral pronouns and role descriptions have been used whenever possible and are to be understood in all cases.

For environmental reasons, our annual report is carbon neutral and printed on FSC-certified paper.

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