Risk Factors Comparison 2024-02-09 to 2023-02-10 Form: 10-K

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

Factors Affecting Our Future Operating Results Operational Risks The COVID- 19 pandemic has adversely...... and financial condition could be material. We sell primarily to companies in developed countries. An economic downturn in these countries could hurt our operating results. Most of our business is derived from companies in developed countries. Economic uncertainty in many parts of the world, including the impact ~~from~~ **of high inflationary environments and** governmental monetary policies and related rising interest rates to combat inflation, the war in Ukraine, ~~regional effects of~~ the ~~COVID~~ **escalation of the conflict in the Middle East related to the Israel** - ~~19 pandemic~~ **Hamas war**, international trade disputes, and sovereign debt levels in the European Union and the United States, are situations that we monitor closely. If developed countries were to experience slow growth or recession, we could see the following effects: • a drop in demand for our products; • companies being unable to finance their businesses; • difficulty in obtaining materials and supplies; • potential devaluation and / or impairment of assets; • difficulty in collecting accounts receivables; • an increase in accounts receivable write- offs; and • greater foreign exchange rate volatility affecting our profitability and cash flow. Economic downturns or recessions adversely affect our operating results because our customers often decrease or delay capital expenditures. Customers may also purchase lower- cost products made by competitors and not resume purchasing our products even after economic conditions improve. These conditions would reduce our revenues and profitability. In addition, a potential financial crisis on financial institutions globally would likely have an adverse effect on the global capital markets and our business. We are subject to certain risks associated with our international operations, including our significant concentration of business in China ~~,~~ and ongoing developments related to Russia ~~and~~ **,** Ukraine **, and the Middle East**. We conduct business in many countries, including emerging markets in Asia, Latin America, and Eastern Europe, and these operations represent a significant portion of our sales and earnings. ~~For example, our Chinese operations accounted for 21 % of sales to external customers, approximately 36 % of our global production, and 36 % of total segment profit during 2022.~~ In addition to the currency risks discussed below, **our** international operations pose other **potential** substantial risks and problems for us, including the following: • **current reduced market demand in our core segments in** China ~~' s COVID- 19 re- opening~~ and **the current economic conditions in this region;** ~~related easing of its" zero COVID" policy (see page 14)~~ • local tariffs and trade barriers; • additions or revisions to a country' s legal and regulatory requirements; • difficulties in staffing and managing local operations and / or mandatory salary increases; • credit risks arising from financial difficulties facing local customers and distributors; • difficulties in protecting intellectual property; • nationalization of private enterprises which may result in the confiscation of assets, as we hold significant assets around the world in the form of property, plant, and equipment, inventory, and accounts receivable, as well as $ ~~50~~ **19** . ~~7~~ **8** million of cash at December 31, ~~2022~~ **2023** in our Chinese subsidiaries; • restrictions on investments and / or limitations regarding foreign ownership; • adverse tax consequences, including tax disputes and imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries ~~; • the adoption of new or expansion of current travel restrictions or the intensification of trade wars~~ ; • domestic purchasing requirements that could favor local competition; • other uncertain local economic, political, and social conditions, including inflation, hyper- inflation, and other decreases in purchasing power, or periods of low or no productivity growth; • **reduced foreign investment and / or demand; •** credit tightening or reduction in credit availability for local customers; and • ~~results in China and~~ emerging markets can be volatile and change quickly **. China represents a significant portion of our business and financial results and has an important role in our global supply chain. For example, our Chinese operations accounted for 19 % of sales to external customers, 32 % of total segment profit, and approximately 34 % of our global production during 2023. In recent years, geopolitical tensions have increased, particularly between the United States and China. Among other issues, these geopolitical topics have resulted in increased tariffs and trade restrictions. The Chinese government and other governments have also increased their focus on domestic purchasing requirements. In addition, as a result of the significant supply chain disruptions during the COVID- 19 pandemic, many companies are seeking increased flexibility in their supply chains that may result in reduced foreign investment in China. The Chinese economy also has recently slowed and is impacted by challenges with the country' s real estate market that affects domestic consumption and has historically been a source of funds for government stimulus. These risks could lead to reduced sales in China, as well as higher costs. After benefiting from significant growth in 2022 and 2021, market demand in China declined significantly during the second half of 2023, resulting in a 10 % decrease in local currency net sales during 2023. We also expect net sales in China to decrease during the first half of 2024. Our business is significantly impacted by market demand in our core segments of pharma / biopharmaceutical, food manufacturing, and chemical. Market conditions also can be volatile and change quickly, as experienced in 2023**. We must also comply with regulations regarding the conversion and repatriation of funds earned in local currencies. For example, we need government approval to convert earnings from our operations in China into other currencies and to repatriate these funds. If we cannot comply with these or other applicable regulations or these regulations are amended to make it more difficult to repatriate the funds, we may face increased difficulties in using cash generated in China. We are required to comply with various import, export control, and economic sanctions laws, which may affect our transactions with certain customers, business partners, and other persons, including in certain cases dealings with or between our employees and subsidiaries. We address below the topic of economic sanctions laws related to Russia' s invasion of Ukraine, which commenced in February 2022. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services, and technologies, and in other circumstances, we may be required to obtain an export license before exporting a controlled item. Failure to comply with any regulations and sanctions could result in civil and criminal actions, monetary and non- monetary penalties, disruptions to our business, limitations on our ability to import and export products and services, and damage to our reputation. In response to Russia' s invasion of Ukraine in 2022, and as referenced above, the U. S., the European Union, and certain other countries imposed economic sanctions on Russian financial institutions, businesses in Russia, and ~~on~~ Russian interests and individuals, and the Russian government implemented sanctions and regulations in response. We continue to monitor the ongoing developments related to Ukraine, as well as the status of all applicable sanctions. We have remained in close contact with our employees in Ukraine and have provided financial assistance and supplies to them. We suspended all shipments to Russia since the beginning of the invasion in February 2022. For historical reference, in 2021, approximately 1 % of our net sales were in Russia and Ukraine, and we had an immaterial amount of assets and liabilities in both countries as of December 31, **2023,** 2022 **,** and 2021. We also do not have manufacturing in Russia or Ukraine. Due to the impact of reduced energy supplies from Russia, the Council of the European Union (EU Council) proposed that all European member states **extend their** ~~strive for a~~ voluntary 15 % reduction **target** in gas consumption compared to their average consumption ~~over~~ **for** the ~~last~~ five years **ended March 31, 2022** . The **extended** reduction timeframe commenced ~~August~~ **April** 1, ~~2022~~ **2023** and is expected to continue through March 31, ~~2023~~ **2024** . Accordingly, the availability and cost of energy may be impacted **. While we do not conduct manufacturing operations in the Middle East, we do sell products into the region, which represents less than 1 % of total sales. Our customer base and demand in and nearby the region and worldwide may be affected by the Israel- Hamas war and the effects it is having in the region. In addition, the recent Houthi attacks on commercial shipping vessels in the Red Sea and Suez Canal, which are related to the Israel- Hamas war, have disrupted global supply chains, resulting in increased shipping costs, freight surcharges, shipment delays, reduced shipping capacity, and other significant supply chain impacts to companies that could negatively impact our financial results. These events may also negatively impact our customers which could result in reduced sales. The ongoing and potential future impacts of escalating global conflicts, including those between Russia and Ukraine and the Israel- Hamas war, have heightened global economic and geopolitical uncertainty** . While it is difficult to estimate the impact of the ongoing **Ukraine** invasion **and the Israel- Hamas war** on the global economy, including increased inflation, higher energy and transportation costs **, global supply chain disruptions,** and potential energy shortages, the invasion of Ukraine **and the Israel- Hamas war** could adversely impact our financial results and ~~presents~~ - **present** several risks to our business. Also, uncertainties related to ~~this~~ **these** ~~conflict~~ **conflicts exist,** and the resulting impact to the global economy and market conditions can change quickly **. We continue to monitor the ongoing developments related to these conflicts, as well as the advent of any applicable sanctions** . Our business and financial performance may be adversely affected by a cybersecurity attack. We rely on our technology infrastructure to interact with suppliers, sell our products and services, fulfill orders, support our customers, and bill, collect, and make payments. Our internally developed system and processes, as well as those provided by third- party vendors, may be susceptible to damage or interruption from cybersecurity incidents, such as terrorist or hacker attacks, the introduction of malicious computer viruses, ransomware, falsification of banking and other information, insider risk, or other security breaches. If there is a cybersecurity incident, we may suffer interruptions in service, loss of assets or data, or reduced functionality. Many of our systems are not redundant, and our disaster recovery planning ~~is~~ **may** not **be** sufficient for every eventuality a cybersecurity incident could cause. Security breaches of our systems which allow inappropriate access to or inadvertent transfer of information and misappropriation or unauthorized disclosure of confidential information belonging to us or to our employees, customers, or suppliers could result in our suffering significant financial and reputational damage. Customers may use our products and / or software to generate or manage critical information. Though we take steps to ensure our products and / or software are secure, it is possible that a cyber attack could result in the loss or compromise of critical information. If a customer alleges that a cyber attack causes or contributes to a loss or compromise of critical information, whether or not caused by us, we could face harm to our reputation and financial condition **. The techniques and sophistication used to conduct cyberattacks and compromise information technology infrastructure, as well as the sources and targets of these attacks, change and are often not recognized until such attacks are launched or have been in place for some time. In addition, there has been an increase in state- sponsored cyberattacks which are often conducted by capable, well- funded groups. The rapid evolution and increased adoption of artificial intelligence technologies amplify these concerns** . While we attempt to mitigate cybersecurity risks by employing a number of proactive measures, including mandatory quarterly ongoing employee training and awareness, technical security controls, enhanced data protection, and maintenance of backup and protective systems, our systems remain potentially vulnerable to cybersecurity threats, any of which could have a material adverse effect on our business. We believe our mitigation measures reduce, but cannot eliminate, the risk of a cybersecurity incident. Despite any precautions we may take, a cybersecurity incident could harm our reputation and financial condition and cause us to incur legal liability and increased costs to respond to such events. Our cyber liability insurance may not be sufficient to compensate us for losses that may result from interruptions in our services or asset or data loss as a result of cybersecurity incidents. In addition, regulatory or legislative action related to cybersecurity, privacy, and data protection worldwide, such as the European General Data Protection Regulation which went into effect in May 2018, may increase the costs to develop, implement, or secure our products or services. We expect cybersecurity regulations to continue to evolve and be costly to implement. If we violate or fail to comply with such regulatory or legislative requirements, we could be fined or otherwise sanctioned, and such fines or penalties could have a material adverse effect on our business and operations. We are vulnerable to system failures and data loss risks, which could harm our business. We rely on our technology infrastructure to interact with suppliers, sell our products and services, support our customers, fulfill orders, and bill, collect, and make payments. Our systems are vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, malicious employees or employee negligence, computer viruses, and other events. When we upgrade or change systems, we may suffer interruptions in service, loss of data, or reduced functionality. A significant number of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Despite any precautions we may take, such problems could result in interruptions in our services, fraudulent or negligent loss of assets, or unauthorized disclosure of confidential information, which could harm our reputation and financial condition. Our business interruption insurance may not be sufficient to compensate us for losses that may result from interruptions in our services or data loss as a result of system failures. Customers may use our products and / or software to generate or manage confidential information. Though we take steps to ensure our products and / or software are secure, it is possible customers could lose confidential information stored on our products. If a customer alleges system failures in our products and / or software cause or contribute to a loss, whether or not caused by us, we could face harm to our reputation and our financial condition and legal liability. We have also been implementing our Blue Ocean program to globalize our business processes and information technology systems that includes the implementation of a Company- wide enterprise resource planning system. This has been proceeding on a staggered basis over a multi- year period. We have implemented the program in our operations in the U. S., China, most of Asia Pacific, and a significant portion of Europe including Switzerland, Germany, U. K., Benelux, **France,** and Spain. We estimate that we have more than ~~85~~ **90** % of our users on the program and will continue to implement additional locations and functionality over the coming years. If our implementation is flawed, we could suffer interruptions in operations and customer- facing activities that could harm our reputation and financial condition or cause us to lose data, experience reduced functionality, or have delays in reporting financial information ~~. It may take us longer to implement the program than we have planned, and the project may cost us more than we have estimated, either of which would negatively impact our ability to generate cost savings or other efficiencies~~ . In addition, the program has increased our reliance on a single information technology system, which would have greater consequences should we experience a system disruption. Our ability to manufacture and deliver products and services may be disrupted. We have key manufacturing facilities located in China, Europe, and the United States. Many of our products are developed and manufactured at single locations, with limited alternate facilities. In addition, a large portion of our products and spare parts are distributed through regional logistics centers, in which certain logistics activities are outsourced to third parties. If we experience any significant disruption in these facilities for any reason, such as ~~the COVID- 19 pandemic described on page 14,~~ global supply chain and production issues **, changes in third- party service providers** , strikes or other labor unrest, power interruptions, cybersecurity attacks, fire, earthquakes, hurricanes, floods, rising water levels, other weather events or natural disasters (including the potential impacts of climate change), or other events beyond our control, we may be unable to satisfy customer demand for our products or services resulting in lost sales. It may be expensive to resolve these issues, even though some of these risks are covered by insurance policies. More importantly, customers may switch to competitors and may not return to us even if we resolve the interruption. Our business would suffer if we were unable to obtain supplies of material. We purchase most of our raw materials, components, and supplies from multiple suppliers. Some items are purchased from a limited or single source of supply, and disruption of these sources whether as a result of issues with our suppliers' operation or the timely availability of shipments from freight carriers could affect our ability to manufacture products. ~~The COVID~~ **For example, the recent Houthi attacks on commercial shipping vessels in the Red Sea and Suez Canal, which are related to the Israel** - **Hamas war, have disrupted global** ~~19 pandemic has caused numerous disruptions to~~ supply chains, ~~often~~ resulting in ~~delivery~~ **increased shipping costs, freight surcharges, shipment** delays, **reduced** ~~inflated costs, and increases in~~ shipping ~~rates~~ **capacity, and other significant supply chain impacts to companies that could negatively impact our financial results** . Even where multiple sources of materials and components are available, the quality of the alternative materials, regulatory and contractual requirements to qualify materials for use in manufacturing, and the time required to establish new relationships with reliable suppliers could result in manufacturing delays and possible loss of sales. If we are unable to obtain materials or components for an extended time, this could damage our customer relationships and harm our financial condition or results of operations. Our product development efforts may not produce commercially viable products in a timely manner. If we do not introduce new products and enhancements, our products could become technologically obsolete over time, which would harm our operating results. To remain competitive, we must continue to make significant investments in research and development, sales and marketing, customer service and support, and operational excellence throughout our supply chain. We cannot be sure that we will have sufficient resources to continue to make these investments. In developing new products, we may be required to make substantial investments before we can determine their commercial viability **. In addition, as we develop new products and services, we could be required to comply with additional regulations. If we fail to comply with the new regulations, it could affect the launch of the new product and service, in particular, and our company, as a whole. For instance, it is expected that laws and regulations around the use of AI and machine learning tools will increase over the next few years, but it is unknown at this time what these laws and regulations will address and how and whether they will be adopted globally. As we introduce AI and machine learning into our technology platform (as well as those of our customers through provision of our services), we could become subject to these new regulations, which may be difficult to comply with. Some of our competitors may not be required to comply, which would put us at a competitive disadvantage. Further, if we fail to adopt these new technologies, we may face price pressure from competitors using lower- cost AI systems** . As a result, we may not be successful in developing new products and we may never realize the benefits of our research and development activities. We face risks related to sales through distributors and other third parties that we do not control, which could harm our business. We sell some products through third parties, including distributors and value- added resellers. This exposes us to various risks, including competitive pressure, concentration of sales volumes, credit risks, and compliance risks. We may rely on one or a few key distributors for a product or market, and the loss of these distributors could reduce our revenue and net earnings. Distributors may also face financial difficulties, including bankruptcy, which could harm our collection of accounts receivables. Violations of the FCPA or similar anti- bribery laws by distributors or other third- party intermediaries could materially impact our business. In addition to financial risk, actions of some of our distributors could cause reputational harm, especially if our products are involved. Risks related to our use of distributors may reduce sales, increase expenses, and weaken our competitive position. Departures of key employees could impair our operations. Key employees could leave the Company. If any key employees stopped working for us, our operations could be harmed. Important R & D personnel may leave and join competitors, which could substantially delay or hinder ongoing development projects. We have no key man life insurance policies with respect to any of our senior executives. The COVID- 19 pandemic ~~has~~ adversely affected ~~,~~ and may continue to adversely affect ~~,~~ various aspects of our business,such as our workforce and supply chain,and make it more difficult and expensive to meet our obligations to our customers,and has adversely affected the global economy,which in turn can adversely affect our global business,results of operations,and financial condition.Our global operations expose us to risks associated with public health crises that could have an adverse effect on our business results and financial condition.For instance,the coronavirus pandemic (COVID- 19) ~~has~~ spread globally in all countries where we do business ~~.COVID- 19 continues to evolve~~ and ~~has~~ led to the implementation of various responses,including government- imposed quarantines,stay- at- home orders and lockdowns,travel restrictions,vaccination and testing requirements,and other public health safety measures. ~~The emergence~~ **While the impact** of COVID- 19 ~~variants and subvariants,such as Omicron,~~ has **diminished** ~~presented particular challenges to the global economy given the high level of transmissibility~~ , ~~which can cause many people to be affected at the same time or~~ **our** ~~over a short period of time.For example,the Chinese government eased its" zero COVID" policy in December 2022,and China has experienced a significant increase in COVID- 19 cases.Our~~ global operations could be negatively affected if our employees ~~,such as in China,~~ become ill as a result of exposure to COVID- 19 **or another pandemic illness** ,are subject to governmental stay- at- home orders,lockdowns,facility closures,reduction in operating hours,staggered shifts or other social distancing efforts, **or** labor shortages,or ~~if they~~ are quarantined. ~~The~~ **COVID- 19 or another** pandemic may ~~continue to~~ interfere with general commercial activity related to our supply chain and **customer base.The COVID- 19 pandemic resulted in significant disruptions to the global economy,as well as to businesses and capital markets globally.If COVID- 19 resurges or another pandemic develops,we may experience volatility in our results,including reduced global sales volume from lower customer demand and supply chain challenges,including the availability of certain components,material shortages,supplier delays,transportation delays,and higher transportation and material costs.** Our business involves certain operating risks, and our insurance may not be adequate to cover all insured losses of liabilities we might incur in our operations. We have procured various insurance policies for certain types of insurance coverage and in varying coverage amounts. Our insurance may not be adequate to cover all losses or liabilities that we might incur in our operations. Furthermore, our insurance may not adequately protect us against liability from all of the hazards of our business. As a result of market conditions, premiums and deductibles for certain of our insurance policies may substantially increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. We also are subject to the risk that we may be unable to maintain or obtain insurance of the type and amount we desire at a reasonable cost. If we were to incur a significant liability for which we were uninsured or for which we were not fully insured, it could have a material adverse effect on our financial position, results of operations, and cash flows. Strategic Risks A prolonged downturn or additional consolidation in the **pharma /** ~~pharmaceutical~~ **biopharmaceutical** , food **manufacturing** ~~and beverage~~ , and chemical industries could adversely affect our operating results. A reduction in the capital resources or government funding of our customers could reduce our sales. Our products are used extensively in the **pharma /** ~~pharmaceutical~~ **biopharmaceutical** , food **manufacturing** ~~and beverage~~ , and chemical industries. **We experienced reduced demand in these segments, which negatively impacted our net sales in 2023. Market demand in pharma / biopharmaceutical was particularly impacted in 2023 after significant growth during the COVID- 19 pandemic over the past few years.** Consolidation in these industries **also** hurt our sales in the past. A prolonged global economic downturn, a downturn affecting one or more of these industries, or ~~additional~~ consolidation in any of these industries could adversely affect our operating results. In addition, the capital spending policies of our customers in these and other industries are based on a variety of factors we cannot control, including the resources available for purchasing equipment, the spending priorities among various types of equipment, and policies regarding capital expenditures. Any decrease or delay in capital spending by our customers would cause our revenues to decline and could harm our profitability. A decline in government funding of research or education could reduce some customers’ ability to purchase our products. We operate in highly competitive markets, and it may be difficult for us to preserve operating margins, gain market share, and maintain a technological advantage. Our markets are highly competitive. Many are fragmented both geographically and by application, particularly the industrial and food retailing markets. As a result, we face numerous regional or specialized competitors, many of which are well established in their markets. In addition, some of our competitors are divisions of larger companies with potentially greater financial and other resources than our own. There has also been an increase in the consolidation of precision instrument companies in recent years. Any consolidation within our market could result in competitors becoming larger and having greater financial and other resources than our own. Some of our competitors are domiciled or operate in emerging markets and may have a lower cost structure than ours. We are confronted with new competitors in emerging markets which, although relatively small in size today, could become larger companies in their home markets. Given the sometimes significant growth rates of these emerging markets, and in light of their cost advantage over developed markets, emerging market competitors could become more significant global competitors. Taken together, the competitive forces present in our markets could harm our operating margins. We **also** expect our competitors to continue to improve the design and performance of their products and to introduce new products with competitive prices **. In addition, our competitors are expected to continue to improve their technology infrastructure, as well as the technology services offered to their customers, including the use of artificial intelligence and machine learning solutions, to interact with suppliers, sell their products and services, and support and grow their customer base. Our ability to innovate our own technology infrastructure and appropriately address user experience could affect our ability to compete** . Although we believe that our products and services have advantages over our competitors, we may not be able to realize and maintain these advantages. We may face risks associated with future acquisitions. We may pursue acquisitions of complementary product lines, technologies, or businesses. Acquisitions involve numerous risks, including difficulties in integrating the acquired operations, technologies, and products; diversion of management' s attention from other business concerns; and potential departures of key employees of the acquired company. If we successfully identify acquisitions in the future, completing such acquisitions may result in new issuances of our stock that may be dilutive to current owners, increases in our debt and contingent liabilities, and additional amortization expense related to intangible assets. Any of these acquisition- related risks could have a material adverse effect on our profitability. Larger companies have identified life sciences and instruments as businesses they will consider entering or expanding their presence, which could change the competitive dynamics of these markets. In addition, we may not be able to identify, successfully complete, or integrate potential acquisitions in the future. Even if we can do so, we cannot be sure that these acquisitions will have a positive impact on our business or operating results. We are also required to estimate the fair value of certain assets acquired or liabilities assumed. Such fair values may be based on valuation models which are subject to inherent uncertainties and our judgments regarding certain assumptions. Financial Risks Currency fluctuations affect our operating profits. Our earnings are affected by changing exchange rates. We are particularly sensitive to changes in the exchange rates between the Swiss franc, euro, Chinese renminbi, and U. S. dollar. We have more Swiss franc expenses than we do Swiss franc sales because we develop and manufacture products in Switzerland that we sell globally and have a number of corporate functions located in Switzerland. When the Swiss franc strengthens against our other trading currencies, particularly the U. S. dollar and euro, our earnings go down. We also have significantly more sales in the euro than we do expenses. When the euro weakens against the U. S. dollar and Swiss franc, our earnings also go down. We estimate a 1 % strengthening of the Swiss franc against the euro would reduce our earnings before tax by approximately $ ~~1~~ **2** . ~~8~~ **0** million to $ 2. ~~0~~ **3** million annually. We also conduct business throughout the world, including Asia Pacific, the United Kingdom, Eastern Europe, Latin America, and Canada. Fluctuations in these currency exchange rates against the U. S. dollar can also affect our operating results. The most significant of these currency exposures is the Chinese renminbi. The impact on our earnings before tax of the Chinese renminbi weakening 1 % against the U. S. dollar is a reduction of approximately $ 3. ~~7~~ **2** million to $ ~~4~~ **3** . ~~2~~ **5** million annually. In addition to the effects of exchange rate movements on operating profits, our debt levels can fluctuate due to changes in exchange rates, particularly between the U. S. dollar, the Swiss franc, and euro. Based on our outstanding debt at December 31, ~~2022~~ **2023** , we estimate that a 5 % weakening of the U. S. dollar against the currencies in which our debt is denominated would result in an increase of $ ~~34~~ **39** . ~~6~~ **8** million in the reported U. S. dollar value of our debt. Inflation can impact our operating results and the global economy. Inflation affects the costs of goods and services that we use, including raw materials to manufacture our products, as well as transportation and logistical costs and other external costs and services. Inflation also affects labor costs, which are a significant element of our overall cost structure **. If these costs cannot be passed on to customers, our margins could be reduced** . Inflation also leads to increased interest rates as country monetary policies combat inflation. This can result in reduced economic growth and recessionary conditions, as well as higher borrowing costs. Global inflation significantly increased in 2022 and 2021 related to the COVID- 19 economic recovery and associated disruptions in global demand, supply chains / logistics, and labor markets, as well as the war in Ukraine and related significant increase in energy costs **. While the global inflation rate began to ease in 2023 as a result of central bank policy tightening, core inflation has proved persistent as a result of the preceding factors, in addition to others such as the escalating number of significant geopolitical conflicts throughout the world** . These inflationary conditions could have a greater impact on our operating results in future years, including the impact of a potential European energy crisis, which could also negatively impact demand in certain customer segments that are more energy dependent such as customers in the chemical industry. The pace of inflationary changes can also occur more quickly than our ability to respond with corresponding price increases ~~,~~ and cost optimization or reduction measures. In addition, there may be differences in inflation rates between countries where we incur the major portion of our costs and other countries where we sell products, which may limit our ability to recover increased costs. The competitive environment in which we operate may also limit our ability to recover higher costs through increased selling prices. Historically, we also have experienced higher inflation in China, Eastern Europe, India, and Brazil. To date, these inflationary conditions have not had a material effect on our operating results. However, ~~as~~ **given** our presence in China, Eastern Europe, India, and Brazil ~~increases~~ , these inflationary conditions could have a greater impact on our operating results. We may experience impairments of goodwill or other intangible assets. As of December 31, ~~2022~~ **2023** , our consolidated balance sheet included goodwill of $ ~~660~~ **670** . ~~2~~ **1** million and other intangible assets of $ ~~306~~ **285** . ~~1~~ **4** million. Our business acquisitions typically result in goodwill and other intangible assets, which affect the amount of future period amortization expense and possible impairment expense. We make estimates and assumptions in valuing such intangible assets that affect our consolidated financial statements. In accordance with U. S. GAAP, our goodwill and indefinite- lived intangible assets are not amortized, but are evaluated for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation may be based on valuation models that estimate fair value. In preparing the valuation models, we consider a number of factors, including operating results, business plans, economic conditions, future cash flows, and transaction and market data. There are inherent uncertainties related to these factors and our judgment in applying them to the impairment analyses. The significant estimates and assumptions within our fair value models include sales growth, controllable cost growth, perpetual growth, effective tax rates, and discount rates. Our assessments to date have indicated that there has been no impairment of these assets. Should any of these estimates or assumptions change, or should we incur lower- than- expected operating performance or cash flows, including from a prolonged economic slowdown, we may experience a triggering event that requires a new fair value assessment for our reporting units, possibly prior to the required annual assessment. These types of events and resulting analysis could result in impairment charges for goodwill and other indefinite- lived intangible assets if the fair value estimate declines below the carrying value. Our amortization expense related to intangible assets with finite lives may materially change should our estimates of their useful lives change. Concerns regarding the Eurozone debt levels and market perception related to the instability of the euro could affect our operating profits. We conduct business in many countries that use the euro as their currency (the Eurozone). In the past, there have been concerns regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations. In addition, concerns in recent years have existed regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These concerns could lead to the re- introduction of individual currencies in one or more Eurozone countries or, in more extreme circumstances, the possible dissolution of the euro currency entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro- denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of our euro- denominated assets and obligations. In addition, concerns over the effect of this type of financial crisis on financial institutions in Europe and globally could have an adverse effect on the global capital markets and, more specifically, on the ability of our Company, our customers, suppliers, and lenders to finance their respective businesses and to access liquidity at acceptable financing costs, if at all, on the availability of supplies and materials, and on the demand for our products. For information on the impact of the United Kingdom' s withdrawal from the European Union, see" Risk Factors — The United Kingdom' s withdrawal from the European Union could adversely impact our results of operations." Legal, Tax, Regulatory, and Other Risks Unanticipated changes in our tax rates or additional income tax liabilities could impact our profitability. We are subject to income taxes in the United States and various other jurisdictions, and our domestic and international tax liabilities are subject to allocation of expenses among different jurisdictions. Our effective tax rates and tax obligations could be adversely affected by changes in tax laws or rates (including the potential implementation of various U. S. tax proposals), changes in the mix of earnings by jurisdiction, changes in the valuation of deferred tax assets and liabilities, and material adjustments from tax audits. In particular, the carrying value of deferred tax assets, which are predominantly in the U. S., is dependent upon our ability to generate future taxable income in the U. S. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability. Our tax expense and tax obligations could increase as a result of changing application of tax law. Governments are facing greater pressure on public finances, which could lead to their more aggressively applying existing tax laws and regulations. Governments also periodically change tax laws and regulations. The Organization for Economic Co- Operation and Development (OECD) has recently proposed changes to the current transfer pricing arm' s length standard for allocating profit as well as a 15 % minimum tax by jurisdiction. While the provision to alter the way profit is allocated by jurisdiction is not expected to impact the Company, the 15 % minimum tax by jurisdiction may adversely impact the Company' s global tax provision. Any changes in corporate income tax rates or regulations, on repatriation of dividends, earnings, share repurchases, or capital, or on transfer pricing, as well as changes in the interpretation of existing tax laws and regulations in the jurisdictions in which we operate, could adversely affect our cash flow and increase our overall tax burden, which would negatively affect our profitability. Potential OECD changes impacting consumer businesses could also have an unfavorable effect on some of our key customer segments such as pharmaceutical and food **manufacturing** ~~and beverage~~ , which could result in a decline or delay in capital spending by our customers and a resulting decline in our revenues and profitability. We may be adversely affected by failure to comply with regulations of governmental agencies or by the adoption of new regulations. United States trade policy, including the imposition of tariffs and the resulting consequences, as well as other political policies in the United States, China, the U. K., and certain European countries, may also impact global trade or create uncertainty impacting our business. Our products are subject to regulation by governmental agencies. These regulations govern a wide variety of activities relating to our products, including design and development, product safety, labeling, manufacturing, promotion, sales, and distribution. We also operate a global business and are subject to various laws and regulations in the many markets where we do business, including those relating to competition, employment and labor practices, international trade, and corruption. If we fail to comply with these regulations, or if new regulations are adopted that substantially change existing practice or impose new burdens, we may have to recall products and cease their manufacture and distribution. In addition, we could be subject to investigation costs, reputational harm, fines, criminal prosecution, and other damages that could impact our profitability. Political policy in the United States, China, the U. K., and certain European countries may impact global trade and domestic purchasing or create uncertainty. In recent years, the United States government has adopted a new approach to trade policy and in certain cases has sought to renegotiate, or possibly terminate, certain existing trade agreements. The United States government has also initiated tariffs on certain foreign goods, particularly those produced in China. As a result, certain foreign governments, including the Chinese government, have imposed retaliatory tariffs on goods that their countries import from the United States. Certain governments **, such as China,** also have implemented domestic purchasing requirements that could favor local competition and result in reduced sales. These various trade policy and regulatory actions described above may restrict our access to lower- cost countries in certain circumstances or otherwise create uncertainty, negatively impact global markets, and make it more difficult or costly for us to import our products into certain countries. The adoption and expansion of trade restrictions or other governmental action related to tariffs or trade agreements or policies could also lead to an economic downturn and / or could create unfavorable fluctuations in currency exchange rates (see above description" Currency fluctuations affect our operating profits."). In times of uncertainty, some customers delay investments or defer normal replacement cycles, which could have an adverse impact on our sales. The adoption and expansion of trade restrictions or other governmental action related to tariffs or trade agreements or policies have the potential to adversely impact our business and financial performance. The United Kingdom' s withdrawal from the European Union could adversely impact our results of operations. On January 31, 2020, the U. K. formally left the E. U. (commonly referred to as Brexit). After a transition period, on December 24, 2020, the U. K. and E. U. agreed to a trade deal (the Trade and Cooperation Agreement), which was ratified by the U. K. on December 30, 2020. This Trade and Cooperation Agreement came into effect on May 1, 2021 after it was ratified by both the European Parliament and Council of the European Union. The Trade and Cooperation Agreement allows the U. K. and E. U. to continue trading without tariffs or quotas; however, the movement of goods between the U. K. and the remaining member states of the E. U. may be subject to additional inspections and documentation checks, leading to possible delays at ports of entry and departure. In addition, there are still a number of areas of uncertainty in connection with the future of the U. K. and its relationship with the E. U. and the application and interpretation of the Trade and Cooperation Agreement, and Brexit- related matters may take several years to be clarified and resolved. At this time, we cannot predict the potential impact of Brexit on our business. However, Brexit could adversely affect our operating results and financial condition. If we cannot protect our intellectual property rights, or if we infringe or misappropriate the proprietary rights of others, our operating results could be harmed. Our success depends on our ability to obtain, maintain, and enforce patents on our technology, maintain our trademarks, and protect our trade secrets. Our patents may not provide complete protection or may expire, and competitors may develop similar products that are not covered by our patents. Our patents may also be challenged by third parties and invalidated or narrowed. We may experience a decline in sales and / or profitability if any of these things occur. Competitors sometimes seek to take advantage of our trademarks or brands in ways that may create customer confusion or weaken our brand. Improper use or disclosure of our trade secrets may still occur. We may be sued for infringing on the intellectual property rights of others. The cost of any litigation could affect our profitability regardless of the outcome, and management attention could be diverted. If we are unsuccessful in such litigation, we may have to pay damages, stop the infringing activity, and / or obtain a license. If we fail to obtain a required license, we may be unable to sell some of our products, which could result in a decline in our revenues. We may be adversely affected by environmental laws and regulations. We are subject to various environmental laws and regulations and incur expenditures in complying with environmental laws and regulations. We have corporate programs in place to manage compliance and stakeholder expectations related to environmental matters, but increasing public interest in climate change topics may result in the enactment of additional governmental laws and regulations related to this subject area. We are currently involved in, or have potential liability with respect to, the remediation of past contamination in various facilities. In addition, some of our facilities are or have been in operation for many decades and may have used substances or generated and disposed of wastes that are hazardous or may be considered hazardous in the future. These sites and disposal sites owned by others to which we sent waste may in the future be identified as contaminated and require remediation. Accordingly, it is possible that we could become subject to additional environmental liabilities in the future that may harm our results of operations or financial condition. We may be adversely affected by regulations and market expectations related to sourcing and our supply chain, including conflict minerals. The SEC has adopted disclosures and reporting requirements for companies whose products contain certain minerals and their derivatives, namely tin, tantalum, tungsten, or gold, known as conflict minerals. Companies must report annually whether or not such minerals originate from the Democratic Republic of Congo (DRC) and adjoining countries. These requirements could adversely affect the sourcing, availability, and pricing of materials used in the manufacturing of our products. In addition, we have incurred additional costs to comply with the disclosure requirements, including cost related to determining the source of any of the relevant minerals used in our products. Since our supply chain is complex, due diligence procedures we have implemented to understand the origins of the minerals we use in our operations may not enable us to ascertain with sufficient certainty the origins for these minerals or determine that these minerals are DRC conflict free, which may harm our reputation. We may also face difficulties in satisfying customers and other stakeholders who may require that our products be certified as DRC conflict free, which could harm our relationships with these customers and / or lead to a loss of revenue. These requirements also could have the effect of limiting the pool of suppliers from which we source these minerals, and we may be unable to obtain conflict- free minerals at prices similar to the past, which could increase our costs and adversely affect our manufacturing operations and our profitability. Future laws, regulations, or customers may make additional demands on supply chain transparency. These demands can include more transparency into the activities of our suppliers with regard to human rights and sustainable sourcing. We have significant protections in place to ensure we partner with responsible suppliers, but increased demands may cause us to incur increased supply chain costs. If we cannot satisfy customers' demands, we may lose business, and if we cannot meet new regulatory requirements, we may have to alter our sourcing at increased expense. Our ability to generate and repatriate cash depends in part on factors beyond our control. Our ability to make payments on our debt and to fund our share repurchase program, planned capital expenditures, and research and development efforts depends on our ability to generate and repatriate cash in the future. This is subject to factors beyond our control, including general economic, financial, competitive, legislative, regulatory, governmental, and other factors described in this section. We cannot ensure that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot ensure that we will be able to refinance any of our debt, including our credit facility and the senior notes, on commercially reasonable terms or at all. Our ability to fund our share repurchase program is also dependent on our ability to repatriate our international cash flows. Changes in governmental cash repatriation policies, restrictions, or tax laws could impair our ability to continue our share repurchase program. Risks Related to Our Debt We have debt and we may incur substantially more debt, which could affect our ability to meet our debt obligations and may otherwise restrict our activities. We have debt and we may incur substantial additional debt in the future. As of December 31, ~~2022~~ **2023** , we had total indebtedness of approximately $ ~~1~~ **2** . ~~9~~ **0** billion, net of cash of $ ~~96~~ **69** . ~~0~~ **8** million. Our debt instruments allow us to incur substantial additional indebtedness. The existence and magnitude of our debt could have important consequences. For example, it could make it more difficult for us to satisfy our obligations under our debt instruments; require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures, product development, and other corporate requirements; increase our vulnerability to general adverse economic and industry conditions, including changes in raw material costs; limit our ability to respond to business opportunities; limit our ability to borrow additional funds, which may be necessary; and subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our debt instruments. The agreements governing our debt impose restrictions on our business. The note purchase agreements governing our notes and the agreements governing our credit facility contain covenants imposing various restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities. The restrictions these covenants place on us include limitations on our ability to incur liens and consolidate, merge, sell, or lease all or substantially all of our assets. Our credit facility and the note purchase agreements governing our senior notes also require us to meet certain financial ratios. Our ability to comply with these agreements may be affected by events beyond our control, including economic, financial, and industry conditions. The breach of any covenants or restrictions could result in a default under the note purchase agreements governing the senior notes and / or under our credit facility. An event of default under the agreements governing our debt would permit holders of our debt to declare all amounts owed to them under such agreements to be immediately due and payable. Acceleration of our other indebtedness may cause us to be unable to make interest payments on the senior notes and repay the principal amount of the senior notes. The lenders under our credit agreement may be unable to meet their funding commitments, reducing the amount of our borrowing capacity. We have a revolving credit facility outstanding under which the Company and certain of its subsidiaries may borrow up to $ 1. 25 billion. Our credit facility is provided by a group of 14 financial institutions, which individually have between 4 % and 11 % of the total funding commitment. At December 31, ~~2022~~ **2023** , we had borrowings of $ ~~703~~ **643** . ~~0~~ **6** million outstanding under our credit facility. Our ability to borrow further funds under our credit facility is subject to the various lenders' financial condition and ability to make funds available. Even though the financial institutions are contractually obligated to lend funds, if one or more of the lenders encounters financial difficulties or goes bankrupt, such lenders may be unable to meet their obligations. This could result in us being unable to borrow the full $ 1. 25 billion amount available. We are subject to risks associated with the discontinuation of LIBOR. In 2017, the U. K. Financial Conduct Authority (the FCA) announced that it intended to phase out the London Interbank Offered Rate (LIBOR). The FCA ceased publication of U. S. dollar LIBOR after December 31, 2021 in the case of one- week and two- month U. S. dollar LIBOR, **ceased publication on June 30, 2023 in the case of the overnight and 12- month U. S. dollar LIBOR,** and will cease publication after **September** ~~June 30, 2023~~ **2024** in the case of the remaining U. S **.** dollar LIBOR benchmarks **, which continue to be published using a synthetic methodology** . While regulators in various jurisdictions have been working to replace LIBOR, it is unclear when new agreed- upon benchmark rates will be established. As mentioned in Note 2 to the consolidated financial statements, our current cross currency swap and credit agreements ~~include provisions addressing~~ **were amended to change the interest rate benchmark from LIBOR to SOFR and** ~~the~~ **other** ~~future~~ **non- U. S. dollar references, which did not materially change the amount or timing of cash flows. As a result, the** discontinuation of LIBOR ~~. The replacement of LIBOR with an alternative rate~~ **in June 2023 did not have a material impact on** ~~or~~ **our financial statements** ~~benchmark may adversely affect interest rates and could result in higher borrowing costs. In addition, when LIBOR ceases to exist, we may need to amend certain contracts, including our credit facility and cross currency swap arrangements, and we cannot predict what alternative rate or benchmark would be negotiated. This may also result in an increase in our interest expense~~ . General Risk Factors We make forward- looking statements, and actual events or results may differ materially from these statements because assumptions we have made prove incorrect due to market conditions in our industries or other factors. We provide forward- looking statements both in our filings with the SEC and orally in connection with our quarterly earnings calls, including guidance on anticipated sales growth and earnings per share. You should not rely on forward- looking statements to predict our actual results. Our actual results or performance may be materially different than reflected in forward- looking statements because of various risks and uncertainties. Our forward- looking statements may not be accurate or complete, and we do not intend to update or revise them in light of actual results. New risks also periodically arise. Please consider the risks and factors that could cause our results to differ materially from what is described in our forward- looking statements. See in particular " Factors Affecting Our Future Operating Results " and " Management' s Discussion and Analysis of Financial Condition and Results of Operations. " In providing guidance on our future earnings, we evaluate our budgets, strategic plans, and other factors relating to our business. We make assumptions about external factors, including the following: • the outlook for our end- markets and the global economy; • the impact of external factors on our competition; • the financial position of our customers and their willingness to pay for our products and services; • the estimated costs of purchasing materials; • the estimated costs **and performance** of transportation and logistics **, including third- party service providers** ; • developments in personnel costs; • our estimated income tax expense; and • rates for currency exchange, particularly between the Chinese renminbi and the U. S. dollar and between the Swiss franc and the euro. Some of these assumptions may prove to be incorrect over time. For example, although no single end- customer accounts for more than 1 % of our revenues, if a number of our customers experienced significant deteriorations in their financial positions concurrently, it could have an impact on our results of operations. Some of our key internal assumptions include the following: • our ability to implement our business strategy; • our ability to implement price increases as forecasted; • the effectiveness of our sales and marketing programs such as our Spinnaker, market penetration, and Field Turbo initiatives; • the effectiveness of our programs to improve our service business, including growth, globalization, and productivity initiatives; • our ability to develop and deliver innovative products and services; • the continued growth of our sales in emerging markets; and • the effectiveness of **our** productivity and cost saving initiatives. These internal assumptions may also prove to be incorrect over time. For example, with respect to our ability to realize our planned price increases without disturbing our customer base in core markets, in certain markets, such as emerging markets, price tends to be a more significant factor in customers' decisions to purchase our products and services. Furthermore, we can have no assurance that our cost reduction programs will generate adequate cost savings. Additionally, it may become necessary to take additional restructuring actions resulting in additional restructuring costs. We believe our current assumptions are reasonable and prudent for planning purposes. However, should any of these assumptions prove to be incorrect, or should we incur lower- than- expected operating performance or cash flows, we may experience results different than our projections.