Annual Report **2011**

Part 2
Corporate Governance
Financial Report 2011

HUBER+SUHNER
Excellence in Connectivity Solutions

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The HUBER+SUHNER Annual Report 2011 consists of two parts:

- Part 1: Report of the Chairman of the Board and the Chief Executive Officer
- Part 2: Corporate Governance and Financial Report 2011

We will be pleased to send you Part 1 on request. Both reports can also be downloaded from the internet at www.hubersuhner.com.

Annual Report 2011 · Part 2

Corporate Governance

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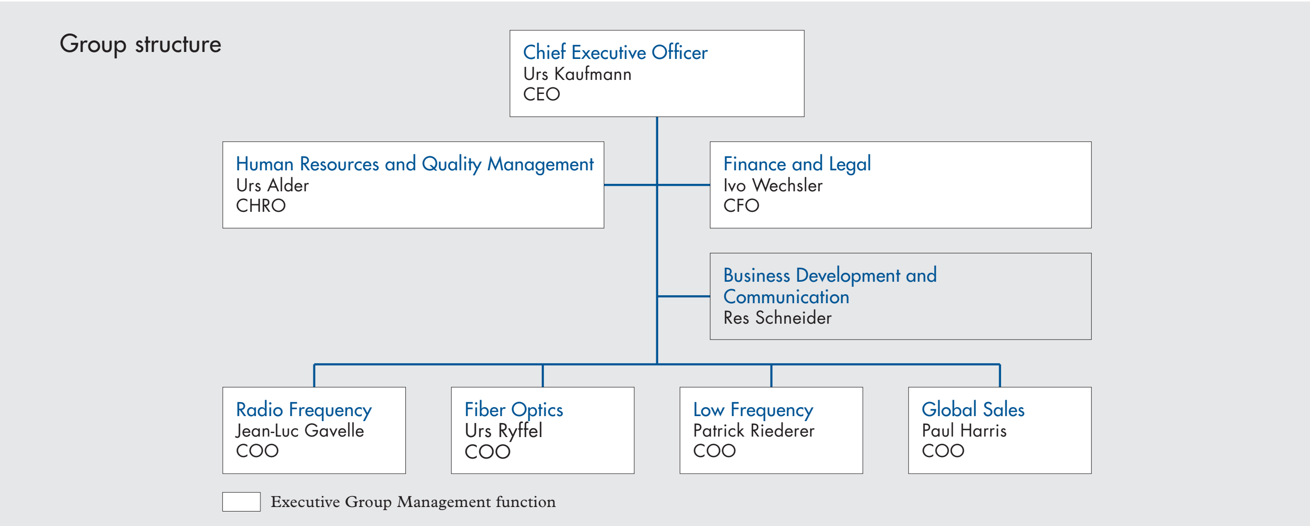
CORPORATE GOVERNANCE

The present publication fulfils all obligations of the corresponding SIX Swiss Exchange directive on information relating to Corporate Governance. All figures apply to 31 December 2011, unless otherwise noted.



1 Group structure and shareholders

1.1 Group structure

The operational management structure of the HUBER+SUHNER Group is based on a matrix organisation. It consists of the three Divisions *Radio Frequency, Fiber Optics* and *Low Frequency* on the one side and of the Group companies and Global Sales on the other side. At group level three service units Human Resources and Quality management, Finance and Legal as well as Business Development and Communication are supporting the Chief Executive Officer.

Listed parent company

HUBER+SUHNER AG, registered in Herisau, Canton of Appenzell Ausserrhoden, Switzerland, is the parent company of the HUBER+SUHNER Group. Its registered shares are listed in the main segment of SIX Swiss Exchange, securities number 3'038'073. Additional information on market capitalisation, shares and share capital is disclosed in the Share Data section on page 60.

Non-listed subsidiaries

Information on subsidiaries, none of which is listed, is shown in the Notes to Group Financial Statements under Group Companies on page 50.

1.2 Significant shareholders

Significant shareholders holding 3% or more of HUBER+SUHNER shares are according to the share register at the end of the fiscal year:

Percentage of voting rights	2011
H. C. M. Bodmer [1)]	11.88%
Metrohm AG [1)]	10.62%
S. Hoffmann-Suhner [1)]	6.28%
Lombard Odier Darier Hentsch Fund Managers [1)]	4.75%
Huwa Finanz- und Beteiligungs AG [1)]	3.17%

[1)] No disclosures were made by these significant shareholders in the year under review.

The Company holds 746 663 treasury shares (726 640 treasury stock and 20 023 other treasury shares).

HUBER+SUHNER AG has published no disclosures concerning the year under review in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (BEHG).
Disclosures can be found in the SIX Swiss Exchange database for significant shareholders: www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html
The Board of Directors of HUBER+SUHNER AG is unaware of any agreements or other arrangements between significant shareholders concerning their registered shares or shareholder rights.

1.3 Cross-shareholdings

The HUBER+SUHNER Group has no cross-shareholdings of capital or voting rights with any other company.

2 Capital structure

2.1/2.2 Capital/Authorised and conditional capital

HUBER+SUHNER AG's share capital, at CHF 5 050 000 on the balance sheet date, is fully paid in. Authorised and conditional capital does not exist. For more information on share capital, turn to the Notes to Group Financial Statements under Share capital on page 49.

2.3 Changes in capital

There were no changes in capital in the last three reporting years.

2.4/2.5 Shares and participation certificates/ Dividend right certificates

The share capital consists of 20 200 000 registered shares at CHF 0.25 par. Each registered share represents one vote. HUBER+SUHNER AG has issued neither participation certificates nor dividend right certificates.

2.6 Limitations on transferability and nominee listings

Recognised HUBER+SUHNER shareholders must be listed in the share register according to the articles of association.
Registration as shareholder with voting rights may be refused by the Board of Directors for the following reasons:

a) if the purchaser, as a shareholder, would directly or indirectly acquire more than 5% of the total number of registered shares listed in the commercial register,
b) insofar as, and so long as, recognition of the purchaser as a shareholder would, on the basis of the information available to the company, prevent the company from furnishing proof of the composition of its shareholders in accordance with legal requirements
c) if the purchaser does not expressly declare, upon the request of the company, that he/she has acquired and will hold shares in his/her own name and for his/her own account (rather than as nominee).

Natural persons, legal entities and partnerships who are associated with each other through capital, voting power, management, or in any other way, as well as natural persons, legal entities and groupings coordinated for the purposes of circumventing the registration limitations, shall be considered as one single purchaser.
The registration limitations shall also apply in the event that registered shares are acquired following the exercise of pre-emptive rights, options or conversion rights. A two-thirds majority of share votes cast at the Annual General Assembly is required to generally rescind or alter registration limitations to registered shares. In the year under review, the Board of Directors has authorised no exceptions to the listing restrictions.

2.7 Convertible bonds and options

HUBER+SUHNER AG has no outstanding convertible bonds, shareholder options or employee options on its books.

3 Board of directors

3.1 Members of the board of directors

At the end of the year under review, the HUBER+SUHNER AG board of directors, which must number at least five members, in fact numbered seven. At the General Assembly of 13 April 2011, Mr. R. Seiffert was re-elected for a period of three years.

Independence

Board members are non-executive, i.e. they do not participate in managing the Group nor do they maintain any significant business relations with HUBER+SUHNER AG or any other Group Company.

Brief profiles of the board of directors of HUBER+SUHNER AG

Dr David W. Syz

Chairman
Born 1944, Swiss citizen, member of the Board 1987–1999 and since 2004, term expires in 2012
Dr iur. University of Zurich. MBA from INSEAD, Fontainebleau. 1973 to 1999 in various management positions in the Elektrowatt Group, Zurich, and in SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen a. Rhf. 1999 to 2004 Secretary of State and director of the State Secretariat for Economic Affairs SECO. Member of the Board of Directors of the Credit Suisse Group, Zurich. President of the "Stiftung Klimarappen", Zurich, and of ecodocs ag, Zollikon.

Dr Peter Altorfer

Born 1953, Swiss citizen, member of the Board since 1995, term expires in 2013
Dr iur. University of Zurich. Admitted to the Zurich bar, PED at the IMD, Lausanne. 1982 to 1987 with Bank Leu AG, Zurich. Since 1988 attorney in Zurich, from 2000 under Wenger & Vieli AG, Zurich. Member of the Board of Directors of Forbo Holding AG, Baar, agta record ag, Fehraltorf, Abegg Holding AG, Zurich, Altin AG, Baar and of various non-listed companies including private and foreign banks in Switzerland.

Adrian Déteindre

Born 1943, Swiss citizen, member of the Board since 1999, term expires in 2013

Dipl. Ing. ETH Zurich. 1969 to 1979 Saurer AG, Arbon, as production director in last role. 1979 to 1982 technical director at Colormetal AG, Zurich. 1982 to 1983 von Roll AG, director of factory in Choindez. 1983 to 2007 Director and delegate of the Board of Directors and since 2007 President of the Board of Directors of Metrohm AG*, Herisau. Chairman of the Board of Loppacher AG, Herisau as well as Board member of various non-listed companies.

Dr Beat Kaelin

Born 1957, Swiss citizen, member of the Board since 2009, term expires in 2012

Dr sc. techn., dipl. Ing. ETH Zurich. MBA INSEAD, Fontainebleau. 1987 to 1997 in various management positions with the Elektrowatt Group, Stäfa and Zug. From 1998 to 2004 with SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen a. Rhf.; member of the Executive Group Management as of 1999. From 2004 to 2006 Member of the management committee packaging technology of Robert Bosch GmbH, Neuhausen a. Rhf. Since 2006 COO and since 2007 CEO of the Komax Group, Dierikon.

George H. Müller

Born 1951, Swiss citizen, member of the Board since 2001, term expires in 2013

Dipl. Ing. ETH Zurich. 1976 to 1980 general manager for Cosa do Brasil Ltda. in São Paulo, Brazil. 1980 to 1990 member of the Executive Management and of the board of UHAG Übersee-Handel AG, Zurich. Since 1990 chairman and delegate of the board of Cosa Travel Ltd., Zurich, chairman of the board of 3D AG, Baar. General Consul of Japan in Zurich.

Rolf Seiffert

Born 1958, Swiss citizen, member of the Board since 2010, term expires in 2014

Dipl. Ing. ETH Zurich. 1988 to 1998 different positions in product development and product management with Bombardier Transportation. 1999 to 2004 Head of development of automatic train control and 2005 to 2010 Head of international rail automation business at Siemens Switzerland AG, Wallisellen. Since 2011 Vice President Sales and member of the executive board of Duagon AG, Dietikon.

Erich Walser

Deputy Chairman

Born 1947, Swiss citizen, member of the Board since 2004, term expires in 2012

Lic. oec. University of St. Gallen and lic. iur. University of Berne. Since 1979 with Helvetia Versicherungen, St. Gallen: 1991 to August 2007 Chief Executive Officer, 2001 delegate and since 2003 chairman of the board. Vice-chairman of the board of Allreal Holding AG, Baar, till 30 March 2012, and member of the board of various non-listed companies, among others Metrohm AG*, Herisau.

Honorary chairmen:
Henry C. M. Bodmer, 1930*
Marc C. Cappis, 1935

3.2 Other activities and vested interests

No Board member belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office beyond what appears in the brief profiles of the Board of Directors.

3.3 Election and terms of office

In accordance with Art. 15, paragraph 2 of the Articles of Association, members of the Board of Directors are elected individually for a term of three years. Board members remain in office until they are re-elected or new members are elected by the General Assembly of Shareholders. The mandatory retirement age for Board members is at the General Meeting of Shareholders in the year they reach their 70th birthday.

3.4 Internal organisational structure

The Board of Directors is responsible for the ultimate direction, supervision and control of Executive Group Management. It is self-constituting in that each year it elects from among its ranks its Chairman and Deputy Chairman.

In support of its supervisory capacity, the Board of Directors has formed two standing committees, the *Audit Committee* and the *Nomination and Compensation Committee*.

Board of Directors' procedures

The Board of Directors shall meet as business dictates but no fewer than five times a year. The Chairman or, should he be unable to attend, the Deputy Chairman or another member of the Board, chairs Board meetings. The Chairman convenes Board meetings and sets meeting agendas, which, together with supporting material, are sent to Board members no later than ten days prior to the meeting date. The CEO, CFO and other members of Executive Group Management regarding specific agenda items attend Board meetings. Five half-daily regular Board meetings plus a daily Strategy Day with Executive Group Management participation took place in the year under review.

The Board Chairman maintains continuous close contact with the CEO and keeps the other Board members updated in a regular and timely fashion.

Decisions are made by the Board as a whole. The Board of Directors shall constitute a quorum when the majority of its members are present. All decisions require a voting majority. In a tie, the Chairman shall cast the deciding vote. Voting by proxy is not allowed.

All resolutions and negotiations are minuted and approved by the Board of Directors.

* Significant shareholder of HUBER+SUHNER AG

Standing committees, composition and procedure

The Audit and the Nomination and Compensation Committees' areas of responsibility and authority are defined in the appendix to the HUBER+SUHNER Bylaws. The committees support the Board of Directors in its supervisory and control capacities and function mainly as consulting, assessing and preparation bodies. Each year the Board of Directors elects the chairmen and members of the two standing committees.

	Audit Committee	Nomination and Compensation Committee
Dr David W. Syz, Chairman		chairman
Erich Walser, Deputy Chairman	chairman	member
Dr Peter Altorfer, member BoD	member	

The committees meet as business dictates, but no less than twice annually. Minutes are taken at every meeting and sent to meeting participants and all Board members. Committee chairmen brief the following Board meetings and put any motions to the entire Board.

Audit Committee

This committee consists of at least two members. It supports the Board of Directors in supervising accounting, financial reporting, internal audit and cooperation with the external auditors. It takes decisions on urgent financial matters, subject to the approval of the entire Board. Areas of authority and responsibility allocated to the Board of Directors by law and by the Bylaws remain wholly within the Board.
The CFO and CEO, the Head Corporate Controlling and the external auditors attend committee meetings. The committee deals with certain agenda items with the external auditors alone as required. The committee held two half-daily meetings in the year under review.

Main tasks of the Audit Committee:
- reviewing accounting functions and observance of regulations and standards;
- checking annual and half-year reports and other financial information to be published;
- monitoring risk management and internal control;
- verifying controlling;
- monitoring compliance, particularly regarding SIX Swiss Exchange;
- monitoring cooperation with external auditors and dealing with the auditors' report;
- determining internal audit procedure and dealing with internal audit reports;
- briefing the Board of Directors on all Audit Committee-related matters not in the immediate purview of the Board of Directors.

Nomination and Compensation Committee

Consisting of the Chairman and Deputy Chairman of the Board of Directors, the committee does preparatory work regarding nominations and compensation of members of the Board of Directors and the Executive Group Management. The committee determines – subject to the approval of the Board of Directors – annual wage increases and deals with matters that need to be handled before the next Board meeting takes place.
Unless their own performance or remuneration are on the agenda, the CEO and the CHRO (Head of Human Resources and Quality Management) take part in committee meetings. The committee held two half-daily meetings in the year under review.

The main duties of the Nomination and Compensation Committee are:
- managing the selection process and putting forward motions concerning new Board members;
- examining the selection process and main employment conditions of the CEO and members of Executive Group Management;
- remuneration recommendations for Board members and Board committee members;
- examining and recommending remuneration of the CEO and members of the Executive Group Management;
- examining and recommending annual salary adjustments (except for Executive Group Management members);
- examining and submitting the annual wage policy proposal;
- briefing the Board of Directors on all Nomination and Compensation Committee matters not within the purview of the entire Board.

3.5 Definition of areas of responsibility

The areas of authority and responsibility of the various bodies are set out in the Bylaws (available under http://www.hubersuhner.com/hs-u-invest/hs-u-invest-or.htm).
The Board of Directors is responsible for the direction, supervision and control of Executive Management of the Group and company. The Board of Directors decides on all matters other than those reserved or passed on, by law, the Articles of Association or the Bylaws, to the General Meeting or other corporate bodies. In particular, the Board approves the business strategy and organisation as proposed by Executive Group Management, as well as budgets, medium-term plans and any other business which, by its nature or financial import, is considered strategically significant. For any projects requiring a board decision written proposals are prepared.
Pursuant to the Articles of Association and the Bylaws, the Board of Directors has delegated corporate management responsibility to the CEO. The Board of Directors periodically examines and amends the Bylaws.

3.6 Information and control instruments vis-à-vis Executive Group Management

The Board's main information and control instrument is a management information system based on financial accounting according to IFRS. Comprehensive Group financial statements (income statement, balance sheet, cash flow statement) with budget and previous year comparison, consolidated income statements and key management figures for divisions and countries are submitted monthly to all Board members.

Periodic reporting to the Board by Executive Group Management is by means of the CEO's monthly written commentary on business activities and the Group result, sent to all Board members along with the monthly financial statements, as well as the minutes of monthly Executive Group Management meetings, which are also submitted regularly to the Board Chairman.

Internal Organisation (see paragraph 3.4) defines participation at meetings of the Board and its committees by members of Executive Group Management (in particular the CEO, CFO and CHRO).

The CEO informs during the Board Meetings about the current state of business and important business events. In addition each member of the Board of Directors may request information about all matters concerning the HUBER+SUHNER Group.

The Board of Directors is, moreover, closely involved in the company's planning cycle. In the third quarter of each year he receives the qualitative strategic targets and the result of the medium-term planning covering a period of five years. In the fourth quarter the Board of Directors approves a detailed budget for the coming year. In addition the Board of Directors receives a forecast of the annual result twice a year.

The internal audit is executed by the Corporate Controlling team. Although the Head is subordinate to the CFO, he reports directly to the Audit Committee with regard to these activities.This solution, tailored specifically to meet HUBER+SUHNER's needs and size, is highly cost-effective and ensures that internal audit findings are available in their entirety to controlling staff.

Based on financial risk considerations an annual plan of the companies to be audited is drawn up in cooperation with the external auditors and submitted for approval to the Audit Committee. The scope of such audits is in particular compliance with internal policies, processes, valuation and the implementation of the internal control system. The internal audit discusses all audit findings in detail with the companies concerned, and the most significant measures are agreed on. Internal audit reports are submitted, together with suggested improvements, to the Audit Committee, the CEO, CFO, COO Global Sales, the management of the audited company as well as the external auditors. Audit reports with significant findings are presented to and discussed in the Audit Committee. The Audit Committee yearly ensures that issues and proposals are dealt with.

The external auditor annually assesses the internal control system in a comprehensive report to the Audit Committee and the Board of Directors and confirms its existence.

The risk management system of the HUBER+SUHNER Group and the Group companies is defined in the Board's risk policy and in the Executive Group Management's guidelines on the risk management process. Based on its own assessment (top-down) and on information provided by the Divisions and subsidiaries (bottom-up), Executive Group Management has reviewed the result and the status of decided actions and has selected and reassessed the most significant financial, operational and strategic risks at Group level of the year under review. Risks are categorised based on their probability of occurrence and their potential financial impact. For each listed risk, mitigation measures are defined as well as responsibilities.

The assessed risks as well as the on-going and new actions have been submitted in the *Risk Report* 2011 for discussion and approval to the Board of Directors. After an intensive review the Board has agreed on 5 December 2011 on the risk assessment and approved the Risk Report 2011 (the same information on risk management can be found according to Art. 663b OR in the Notes to Group Financial Statements).

4 Executive Group Management

4.1 Members of Executive Group Management

The EGM had seven members on 31 December 2011.

Brief profiles of the Executive Group Management

Urs Kaufmann

Chief Executive Officer

Born 1962, Swiss citizen, dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. Senior Executive Program IMD. 1987 to 1993 project manager, production manager and head of sales at Zellweger Uster AG, in Uster and the USA. Joined HUBER+SUHNER in 1994. 1994 to 1997 Managing Director of Henry Berchtold AG, a subsidiary of HUBER+SUHNER AG. 1997 to 2000 division head and member of management board of HUBER+SUHNER AG; since 2001 member of Executive Group Management and since 2002 CEO. Member of the Board of Directors of Gurit Holding AG and of Mueller Martini Holding AG. Member of the Management Committee of SWISSMEM.

Urs Alder

Chief Human Resources Officer (HR and Quality management)

Born 1958, Swiss citizen, HR Management, Harvard Business School. 1976 to 1990 Swissair AG, Kloten, last position as head of training subdivision. Joined HUBER+SUHNER in 1991 as divisional head of HR and Head of HR Switzerland; Head of Human Resources of HUBER+SUHNER Group since 2003, member of Executive Group Management since 2006.

Jean-Luc Gavelle

Chief Operating Officer Radio Frequency

Born 1960, French citizen, dipl. University of Technology in Mechanical Engineering, Orleans, France. Dipl. AICD, Australian Institute of Directors, Sydney, Australia. 1984 to 1998 with WL Gore & Associates, last as European Sales Leader of the Electronic Product Division. In 1999, joined HUBER+SUHNER as Managing Director H+S America Latina, Brazil. From 2001 to 2002, Corporate Business Development Officer based in the UK. From 2002 to 2009, Asia Pacific Director and Managing Director of H+S China, Shanghai. Head of the Radio Frequency Division and member of the Executive Group Management since September 2009.

Paul Harris

Chief Operating Officer Global Sales

Born 1957, British citizen, BSc Mechanical and Production Engineering, Dipl. IOD, Institute of Directors, London. 1978 to 1992 Amphenol UK, last position as general manager. Joined HUBER+SUHNER in 1992. 1992 to 2001 Managing Director at HUBER+SUHNER (UK) Ltd., Bicester, England, and since 2001 member of Executive Group Management and Head of Global Sales.

Patrick Riederer

Chief Operating Officer Low Frequency

Born 1965, Swiss citizen, Chemical Engineer, Polytechnic School of Engineering, Winterthur. Joined HUBER+SUHNER in 1991. Material development engineer from 1991 until 1994, product manager from 1994 to 1998, Head of product management in the Cable Technology Division from 1998 to 2002, Head of Cable Technology Division from 2002 to 2007. Head of the Low Frequency Division and member of Executive Group Management since 2008.

Urs Ryffel

Chief Operating Officer Fiber Optics

Born 1967, Swiss citizen, dipl. Ing. ETH, Zurich. INSEAD Executive Education, France. 1992 to 1999 at ABB Schweiz in Baden and Zurich as a project manager, Head of the Business Development unit at ABB Kraftwerke AG and Head of the Hydro Power Plant Service global business unit. From 1999 to 2002 at ALSTOM as General Manager, in Lisbon, Portugal, for the Hydro Power Segment, then in Paris, France, for Hydro Power Plants and Systems. Joined HUBER+SUHNER in 2002 as Head of the Rollers Business Unit, from 2004 to 2007 Head of the Cable System Technology Division. Head of the Fiber Optics Division since 2007 and member of Executive Group Management since 2008.

Ivo Wechsler

Chief Financial Officer (Finance and Legal)

Born 1969, Swiss citizen, lic. oec. HSG (St.Gallen). 1995 to 1997 at UBS (Union Bank of Switzerland) in Corporate Finance Zurich/London. 1997 to 2000 at Sunrise Communications, Rümlang, Controller and from 1999 Head Controlling & Treasury. 2001 to 2007 at Ascom Group, Bern, Head Corporate Controlling and from 2005 in addition Head Corporate Treasury. Joined HUBER+SUHNER in 2008 as Head Corporate Controlling. Since April 2010 Chief Financial Officer and member of Executive Group Management.

4.2 Other activities and vested interests

No member of Executive Group Management belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office beyond what appears in the brief profiles of Executive Group Management.

4.3 Management contracts

The members of Executive Group Management maintain no management contracts with companies or individuals other than those of the HUBER+SUHNER Group.

5 Compensation, shareholdings, loans

HUBER+SUHNER offers appropriate terms of employment and compensates employees for their efforts according to their performance. Performance-based compensation means giving consideration to personal performance results and conduct. For management staff, it additionally refers to their contribution to the success of their units and of the entire Group.

5.1 Content and method of determining the compensation and the shareholding programmes

Principles

The Board of Directors determines the amount of compensation paid to its own members and to those of Executive Group Management at the request of the Nomination and Compensation Committee.
Compensation of the members of the Board of Directors and its committees, of the CEO and other members of Executive Group Management, together with overall annual salary adjustments, are determined each year after completion of the financial year, for implementation over the next twelve months, from April to March.
The Nomination and Compensation Committee periodically reviews the underlying principles and content of the remuneration system and adjusts them as necessary.
The total compensation of a member of Executive Group Management, or of a member of higher management, is essentially determined on the basis of the qualification, the level of responsibility entrusted, the complexity of the task, the achievement of objectives, and on the basis of local market conditions in the mechanical, electrical, and metal industry.

To support the process of determining the compensation of members of Executive Group Management, international compensation analyses for selected management positions are carried out as required by a consultancy company specialising in international salary benchmarks. The process involves examination of the following elements: short-term incentives (basic salary and bonus), long-term incentives (shares), and complementary benefits (pension scheme). The criteria for determining the comparator group are the size of the company, growth rates and profitability, and internationality, as well as sector and location.
This consultancy company has no additional mandates with HUBER+SUHNER.

Board of Directors

The compensation of members of the Board of Directors is composed of meeting attendance fees, cash compensation (fee), and a long-term premium of the form of a fixed number of company shares blocked for at least three years (Chairman 4000 shares, Deputy Chairman 2000 shares, other members 1200 shares). Membership in a committee of the Board of Directors is additionally remunerated by a flat fee. The share blocking periods are not revoked as the result of stepping down or in the event of a change of control.
The fee and the shares are assigned after the end of the financial year, generally in April of the following year. The fee and the market value of the shares are fully accrued in accordance with the accrual principle in the accounts of the respective year under review.
The total compensation of the Board of Directors in the year under review amounted to CHF 0.99 million. This represents a reduction of 23% compared with the previous year, which is attributable to a lower share price. For details of remuneration paid to the Board of Directors in the year under review, please see page 37 of the Notes to Group Financial Statements.

Executive Group Management

Remuneration of members of Executive Group Management consists of the following components:
a) Fixed basic salary in cash
b) Variable performance-related components (bonus) in cash
c) Long-term incentive in the form of company shares blocked for at least three years
d) Other remuneration

The performance-related bonus (in the event of 100% achievement of objectives) for members of Executive Group Management amounts to between 30% and 60% of the basic salary.
At least 40% of the amount of bonus payable is contingent upon reaching the three Group financial objectives determined annually by the Board of Directors (e.g. organic growth in net sales, EBIT-margin, a measurement parameter in the area of net working capital), and a maximum of 60% of the amount of bonus payable is contingent upon reaching measurable individual divisional and management objectives. These individual objectives are determined and weighted annually in a structured objective-setting process between the Chairman of the Board of Directors and the CEO and the CEO and the members of Executive Group Management. Failure to reach objectives means that no bonus is paid. Surpassing all objectives may increase the bonus to a maximum of 1.5 times the performance-related bonus.
As a long-term incentive, members of Executive Group Management receive HUBER+SUHNER shares. The number of target shares for the CEO amounts to 4000 shares, for the remaining members of Executive Group Management between 1600 and 2000 shares. The number of shares effectively allocated annually (number of target shares multiplied by a factor between 0.5 and 1.5) is determined by the Board of Directors and is contingent upon longer-term business success, which is assessed on the basis of the factors “market environment”, “strategy implementation”, and “financial situation”. The shares allocated have a lock-in period with a minimum of three years.
The bonus and the shares are assigned after the end of the financial year, generally end of March of the following year. The amount of the bonus and market value of the shares are fully accrued in accordance with the accrual principle in the financial statements of the corresponding financial year.
Other remunerations essentially contain pension contributions over the obligatory level and expatriate allowances.
The employment contracts of Executive Group Management contain provisions which make reference to a change of control, but do not trigger payment obligations in excess of one year’s salary. In the event of dismissal by the company for economic or organisational reasons, severance payments of half a year’s salary are provided for, but no other remuneration. The blocking period of shares continues to apply in the event of a departure or change of control.
The total remuneration of Executive Group Management in the year under review amounted to CHF 4.5 million. This corresponds to a reduction of 25% compared with the previous year, which is predominantly attributable to lower variable salaries and the lower share price. For details of remuneration paid to Executive Group Management in the year under review, please see page 35 of the Notes to Group Financial Statements.

Loans to governing bodies

HUBER+SUHNER AG and its Group companies have granted no securities, loans, advances or credits to members of the Board of Directors or of Executive Group Management or to related parties.

6 Shareholders' participation

6.1 Voting-rights and representation restrictions

Pursuant to the Articles of Association, a shareholder may be represented at the General Meeting of Shareholders by another shareholder with voting rights who is entered in the share register, by means of a written proxy. When exercising voting rights, no shareholder may control more than 5% of the total share capital in own and represented shares. Natural persons, legal entities and partnerships who are associated with each other through capital, voting power, management, or in any other way, as well as natural persons, legal entities, and partnerships which form groupings for purposes of circumventing registration limitations, shall be considered as single persons. The Board of Directors may make exceptions to this rule, in particular in order to enable the proxy for deposited shares, the company officer, and the independent proxy of voting rights to exercise their voting rights.

In exceptional cases, in particular to facilitate the tradability of the registered shares and in connection with corporate mergers and the increase of the shareholder stability through new anchor shareholders, the Board of Directors is authorised to recognise the acquisition of shares or to waive the above 5% restriction.

The Board of Directors has approved the registration of shareholders previously listed in the share register as holding more than 5% of all shares as of 8 March 1995.

The restrictions of voting rights as outlined in the Articles of Association may be revoked only by a resolution of the General Meeting of Shareholders, passed by a two-thirds majority of the shares represented.

6.2 Statutory quorums

At least two-thirds of the votes cast shall be required for:

a) Relaxation or cancellation of the limitations on the transferability of registered shares
b) Conversion of registered shares into bearer shares
c) Dissolution of the company.

6.3/6.4 Convocation of the General Meeting of shareholders/Inclusion of item on the agenda

Invitations to General Meetings and setting their agenda are in principle governed by Art. 699 and 700 of the Swiss Code of Obligations. However, Art. 9 of the Articles of Association stipulates that shareholders entitled to vote must hold shares representing a minimum nominal value of CHF 150 000 in order to place an item on the agenda. A request to have an item placed on the agenda, together with the proposals in question must be notified to the Board of Directors in writing at least 60 days prior to a general assembly.

6.5 Inscriptions into the share register

No registrations are made in the share register five working days before and three working days after the date of the General Assembly (i.e. until the ex-dividend date). In the year under review, the Board of Directors has granted no exceptions to this rule.

7 Changes of control and defence measures

7.1 Duty to make an offer

No statutory rules governing opting up or opting out exist (Art. 22, Swiss Federal Act on Stock Exchanges and Securities Trading).

7.2 Clauses on changes of control

No contractual clauses governing changes in control exist in agreements or plans with the members of the Board of Directors. The employment contracts of the members of Executive Group Management contain provisions regarding a change of control, albeit none trigger payment obligations greater than one year's salary.

8 Auditing body

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, and its legal predecessor Schweizerische Treuhandgesellschaft have been the independent auditor of HUBER+SUHNER AG and of several subsidiaries since 1969. The lead auditor in the present mandate, Christian Kessler, took office on 22 April 2009. According to article 730a sec. 2 of the Swiss Code of Obligations, the term of the lead auditor is limited to a maximum of seven years. The independent auditor is elected by the General Assembly for a period of one year.

8.2/8.3 Audit fees/Additional fees

In the year under review, PricewaterhouseCoopers charged HUBER+SUHNER CHF 505 000 for auditing the Group financial statements and several Group companies' individual financial statements, plus a total of CHF 200 000 for various additional services (of which CHF 132 000 for tax consulting and CHF 68 000 for other services).

8.4 Informational instruments pertaining to an external audit

The Audit Committee briefs the Board on the work done by and the working relation with the external auditor. Each year the external auditor submits an audit plan, a "confirmation of analytical inspection" of the half-year accounts as well as a comprehensive report with conclusions on financial accounting, the internal control system and the process and results of the audit for the attention of the Board of Directors and the Audit Committee. The Audit Committee also evaluates the scope of the annual audit and the audit plans, and discusses audit results with the external auditor. In the year under review the external auditor was present at both meetings of the Audit Committee.

The Audit Committee annually assesses the performance, independence and fees paid to the external auditor and proposes to the Board the auditing company to be nominated by the General Assembly. This evaluation is based on the documents provided by the external auditors, the discussion held in the meetings, their objectivity as well as their technical and operational competency.

The Audit Committee assesses the suitability, the scope and the amount of the additional services rendered. If the planned additional services exceed the monetary limit set from time to time by the Audit Committee, a prior approval has to be obtained from the Audit Committee.

9 Information policy

HUBER+SUHNER endeavours to provide shareholders, the media, financial analysts, and other key groups equally with comprehensive, transparent information. The main information tools and events are the annual and half-year reports, the presentation of annual and half-year results made available to the media and financial analysts, and the General Assembly. Sales and order intake figures for the past year are announced in mid-January of any given year. Sales and order intake figures for the first nine months from January to September are published end of October of any given year. Please refer to page 61 of this report (financial calendar) for exact dates and more contact information). Information which could affect the share price is published in accordance with SIX Swiss Exchange ad hoc publication requirements.
Official announcements and company notices are published in the Swiss Commercial Gazette (SHAB).

Among other, the following information is available on the HUBER+SUHNER website (www.hubersuhner.com):

- **Company news** under News (http://www.hubersuhner.com/news.htm)
- **Ad hoc announcements** under Investors/Information service (http://www.hubersuhner.com/hs-u-invest/hs-u-invest-enl.htm)
- **Articles of Association** under Investors/Articles of Association (http://www.hubersuhner.com/hs-u-invest/hs-u-invest-stat.htm)
- **Bylaws** under Investors/Bylaws (http://www.hubersuhner.com/hs-u-invest/hs-u-invest-or.htm)

Financial Report 2011

HUBER+SUHNER Group Financial Statements

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Key Figures

in CHF million	2011	2010	Change
Order intake	734.5	846.5	(13.2%)
Order backlog as of 31.12.	149.8	177.8	(15.8%)
Net sales	758.5	799.5	(5.1%)
Gross margin	31.4%	37.6%	
EBITDA	92.7	141.8	(34.6%)
as % of net sales	12.2%	17.7%	
EBIT	66.1	101.8	(35.1%)
as % of net sales	8.7%	12.7%	
Net financial income	(5.6)	(2.7)	
Net income	49.8	79.0	(37.0%)
as % of net sales	6.6%	9.9%	
as % of average shareholders' equity	8.9%	15.3%	

Purchases of PP&E and intangible assets	48.6	39.5	23.0%
Net cash from operating activities	29.2	58.4	(50.0%)
Free cash flow	(26.0)	32.9	(179.2%)
Net liquidity	178.4	205.8	(13.3%)
Shareholders' equity	573.5	550.2	4.2%
as % of balance sheet total	79.0%	77.0%	
Balance sheet total	726.3	714.4	1.7%

Employees as of 31.12.	3 867	4 062	(4.8%)
Employees, yearly average	4 044	3 950	2.4%

Market capitalisation as of 31.12.	768.4	1 259.0	(39.0%)

Data per share (in CHF)			
Stock market price as of 31.12.	39.50	64.80	(39.0%)
Net income	2.56	4.10	(37.6%)
Shareholders' equity	29.48	28.33	4.1%
Dividend	0.95 [1]	1.50	(36.7%)

[1] proposed dividend

Commentary on the Financial Report

Order intake and net sales

After the exceptionally high growth of the previous year, the increase in net sales continued in the first half year of 2011. However, the second term was driven by a considerably falling demand, above all in the solar market and in the Chinese railway business, whereas fiber optic applications after a weaker start developed increasingly positively in the course of the reporting year. Additionally the situation was negatively influenced by the strong Swiss franc.

Order intake fell by 13.2% to CHF 735 million (previous year CHF 847 million), and net sales by 5.1% to CHF 759 million (previous year CHF 800 million). Net sales grew organically by 5% or CHF 42 million. The negative foreign currency effects amounted to CHF 71 million, and the portfolio effect resulting from the sale of FAKRA radio frequency connectors in 2010 to CHF –12 million.

All three divisions generated single-digit growth in net sales in organic terms. However, in Swiss francs a decline in net sales was recorded as the result of currency disruptions. In *Low Frequency,* net sales fell by 2.9% to CHF 407 million (previous year CHF 419 million), in *Fiber Optics* by 3.0% to CHF 130 million (previous year CHF 134 million). *Radio Frequency* also recorded a 10% drop in net sales to CHF 222 million (previous year CHF 247 million), of which 5% were generated by the portfolio effect.

Regional net sales development showed growth of 15% in Switzerland, whereas the *APAC* region (Asia-Pacific) recorded a drop of 11%, and the other two regions *EMEA* (Europe excluding Switzerland, Middle East and Africa) and the *AMERICAS* (North and South America) declines of 3% and 7% respectively. However, China remained HUBER+SUHNER's largest end user market with CHF 144 million (previous year CHF 183 million).

Operating result EBIT and EBITDA

Also earning power suffered from the strong Swiss franc and continuing high price pressure. The gross margin declined correspondingly noticeably from 37.6% to 31.4%. It was possible to maintain operating expenses as a percentage of net sales constant at 25%. Costs were therefore reduced by CHF 11 million compared with the previous year. The operative EBIT reached CHF 50.2 million, corresponding to an operative margin of 6.6%. Including one-off income of CHF 15.9 million from the sale of an industrial area in Switzerland, the EBIT amounted to CHF 66.1 million (previous year CHF 101.8 million), the EBIT margin to 8.7% (previous year 12.7%).

All three divisions achieved single-digit EBIT margins which were considerably lower than in the previous year. *Fiber Optics* realised with an organic growth in net sales of 4.9% but due to under-utilisation of capacity in the first half of 2011 and the strong Swiss franc a drop in EBIT from CHF 20.1 million (EBIT margin 15.0%) in 2010 to CHF 12.0 million (EBIT margin 9.3%) in 2011. Despite organic growth in net sales of 5.9%, the EBIT of *Low Frequency* almost halved to CHF 31.6 million (previous year CHF 61.3 million) as the result of the strong Swiss franc, pressure on margins in the solar business and cancellation of all railway projects in the Chinese market, resulting in an EBIT margin of 7.8% (previous year 14.6%). Despite organic growth in net sales of 4.0% the EBIT of *Radio Frequency* declined significantly due to currency effects, continuing high price pressure in the mobile communication business and pre-investments in establishing new market niches, from CHF 27.0 million in 2010 to CHF 12.6 million in 2011. That corresponds to an EBIT margin of 5.7% (previous year 10.9%).

The EBIT of CHF 9.9 million recorded under *Corporate* (previous year CHF –6.6 million) consists in 2011 of the income resulting from the sale of the industrial area amounting to CHF 15.9 million and the costs of central Group functions and activities that cannot be allocated to one of the three operating segments.

Amortisation and depreciation for tangible and intangible assets amount to CHF 26.6 million (previous year CHF 40.0 million). Investments totalling CHF 48.6 million were made during the reporting year (previous year CHF 39.5 million). These include investments made in the recently opened compounding facility in 2011, in the expansion of production capacities, construction of additional assembly plants and development of a new ERP system. The EBITDA, i.e. the operating profit before amortisation, reached CHF 92.7 million or 12.2% of net sales (previous year CHF 141.8 million, 17.7%).

Financial result

The Swiss franc continued to appreciate noticeably compared with all important trading currencies during 2011. As the result of the high value added in Switzerland, the continuing strength of the Swiss franc is leading to negative currency effects. Thanks to systematic hedging and forced "natural hedging", it was possible to limit the negative effects. This unfavourable foreign currency trend for HUBER+SUHNER resulted in a net currency loss of CHF –5.8 million (previous year CHF –4.2 million) in the reporting year. The total overall financial result amounts to CHF –5.6 million (previous year CHF –2.7 million).

Income taxes and income tax rate

The effective income taxes amount to CHF 10.7 million (previous year CHF 20.2 million). The property gain tax from the sale of the industrial area was shown net with the underlying transaction. As a result, the consolidated tax rate essentially fell from 20.3% in 2010 to 17.7% in 2011.

Consolidated profits

As a result of the lower operating profit, consolidated profits also fell by 37% to CHF 49.8 million (previous year CHF 79.0 million). Earnings per share (undiluted and diluted) diminished accordingly by 37.6% to CHF 2.56 (previous year CHF 4.10). The average return on shareholders' equity amounts to 8.9% (previous year 15.3%).

Consolidated balance sheet

The consolidated balance sheet continues to demonstrate very stable, solid liquidity and financing structure in the reporting year. The balance sheet total rose as the result of the higher investment volume by 2% to CHF 726 million (previous year CHF 714 million). On the assets side, liquidity (cash, cash equivalents and marketable securities) decreased by CHF 28 million to a total of CHF 178 million (previous year CHF 206 million), while on the liabilities side, shareholders' equity increased to CHF 573 million (previous year CHF 550 million). The equity ratio continues on a high level of 79.0% (previous year 77.0%). The net working capital (excluding liquid funds and short-term financial liabilities) increased by 12% to CHF 231 million (previous year CHF 205 million), accounting for 30.4% (previous year 25.7%) of net sales at the end of the year. The increase is predominantly due to the increase in inventories to CHF 171 million (previous year CHF 149 million).

Cash flow

In the reporting year, HUBER+SUHNER generated a positive free operating cash flow of CHF 2.0 million, which is the result of a positive but reduced cash flow from operating activities compared with the previous year of CHF 29.2 million (previous year CHF 58.4 million), of higher expenditures for investments totalling CHF 50.5 million (previous year CHF 38.6 million) and of cash flow from the sale of the industrial area of CHF 20.5 million (previous year CHF 0 million). In addition, HUBER+SUHNER paid a dividend of CHF 29.2 million – almost twice high as in the previous year – (previous year CHF 15.2 million) and generated reduced proceeds from the sale of treasury shares totalling CHF 1.1 million (previous year CHF 13.5 million), resulting in a negative free cash flow of CHF –26.0 million (previous year CHF 32.9 million).

Dividend proposal

With the 2011 annual profits, calculated on the basis of commercial law of HUBER+SUHNER AG, Herisau AR, of CHF 42.0 million, and a profit carried forward from the previous year of CHF 106.2 million, retained earnings of CHF 148.2 million are available to the General Meeting of shareholders for distribution of profits. The Board of Directors has decided to adhere to the previous year's dividend policy, which defined a target range for the distribution ratio of 30% – 40% of net income of the Group. The Board of Directors will therefore propose to the General Meeting of shareholders on 18 April 2012 the distribution of a gross dividend of CHF 0.95 per named share for the financial year 2011 (previous year CHF 1.50), with the share resulting from operating result amounting to CHF 0.65 and the share generated by the sale of the industrial area amounting to CHF 0.30 in the reporting year. This corresponds to a total dividend of CHF 18.5 million (previous year CHF 29.2 million), thus accounting for 37% (previous year 37%) of consolidated profits.

Share price and market capitalisation

The price of HUBER+SUHNER named shares decreased by 39% from CHF 64.80 at the end of 2010 to CHF 39.50 at the end of the reporting year. The SPI main index fell by 7.7% during the same period. As of 31 December 2011, market capitalisation amounted to CHF 768 million (previous year CHF 1259 million). The average daily volume of HUBER+SUHNER shares traded on and outside the stock exchange virtually halved, from around 28 700 in 2010 to around 17 500 in the year under review.

Consolidated Income Statement

in CHF 1000	Notes	2011	%	2010	%
Net sales	7	758 511	100.0	799 543	100.0
Cost of goods sold		(520 161)		(498 563)	
Gross profit		238 350	31.4	300 980	37.6
Marketing and selling expenses		(105 091)		(100 920)	
General and administrative expenses		(58 023)		(75 448)	
Research and development expenses		(27 440)		(25 187)	
Other operating expenses	8	(898)		(900)	
Other operating income	8	19 168		3 321	
Operating profit (EBIT)	7	66 066	8.7	101 846	12.7
Financial income	9	7 240		10 271	
Financial expense	10	(12 845)		(12 937)	
Income before taxes		60 461	8.0	99 180	12.4
Income tax expense	11	(10 688)		(20 170)	
NET INCOME		49 773	6.6	79 010	9.9

Data per share (in CHF)	Notes	2011	2010
Earnings per share	37	2.56	4.10
Diluted earnings per share	37	2.56	4.10
Dividend paid		1.50	0.80
Proposed dividend for 2011		0.95	

Statement of Comprehensive Income

in CHF 1000	2011	2010
Net income	49 773	79 010
Other comprehensive income		
Currency translation differences	845	(9 722)
Total other comprehensive income	845	(9 722)
Total comprehensive income	50 618	69 288

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

Consolidated Balance Sheet

in CHF 1000	Notes	31.12.2011	%	31.12.2010	%
Assets					
Cash and cash equivalents	19	161 863		163 150	
Marketable securities	20	16 546		42 740	
Trade receivables	21	125 606		138 751	
Other current assets	22	37 024		30 029	
Inventories	23	170 823		149 365	
Tax assets		1 178		1 000	
Prepaid expenses		6 121		3 072	
Assets held for sale	26	–		1 145	
Total current assets		519 161	71.5	529 252	74.1
Property, plant and equipment	27	163 241		154 370	
Investment property	29	320		320	
Intangible assets	30	16 572		4 960	
Financial assets	31	22 409		21 672	
Deferred tax assets	11	4 615		3 808	
Total non-current assets		207 157	28.5	185 130	25.9
TOTAL ASSETS	7	726 318	100.0	714 382	100.0
Liabilities and shareholders' equity					
Short-term debt		–		–	
Current other liabilities	33	75 583		83 868	
Current tax liabilities		3 183		8 211	
Current provisions	34	16 982		20 375	
Accrued liabilities		14 401		5 597	
Total current liabilities		110 149	15.1	118 051	16.5
Long-term debt	35	–		101	
Non-current other liabilities		219		–	
Non-current provisions	34	12 230		15 723	
Deferred tax liabilities	11	30 233		30 325	
Total non-current liabilities		42 682	5.9	46 149	6.5
Total liabilities		152 831	21.0	164 200	23.0
Share capital	36	4 863		4 856	
Share premium		31 933		30 814	
Retained earnings		536 691		514 512	
Total shareholders' equity		573 487	79.0	550 182	77.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7	726 318	100.0	714 382	100.0

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

Consolidated Cash Flow Statement

in CHF 1000	Notes	2011	2010
Net income		49 773	79 010
Income tax expense		10 688	20 170
Net income before taxes		60 461	99 180
Depreciation and impairment of property, plant and equipment and investment property	27, 29	24 926	33 473
Amortisation and impairment of intangible and financial assets	30, 31	1 682	6 484
Other non-cash items		11 910	(256)
Gain on disposal of property, plant and equipment	26	(16 023)	–
Gain on disposal of business units		–	(193)
Change in trade receivables		11 366	(30 900)
Change in inventories		(21 479)	(50 789)
Change in other current assets		(12 668)	(7 102)
Change in trade payables		(7 306)	16 584
Change in provisions and other liabilities		(6 895)	11 247
Income tax paid		(16 718)	(19 242)
Interest paid		(40)	(78)
Net cash from operating activities		29 216	58 408
Purchases of property, plant and equipment	27	(37 242)	(30 430)
Proceeds from disposal of property, plant and equipment	26	21 926	579
Proceeds from disposal of business units		–	2 535
Purchases of intangible assets	30	(13 322)	(8 211)
Purchases/sales of financial assets		(518)	9 568
Purchases/sales of marketable securities and derivative financial instruments	20	26 247	(764)
Received income from marketable securities		407	556
Interest received		1 568	1 557
Net cash from investing activities		(934)	(24 610)
Payment of dividend		(29 153)	(15 219)
Payment/repayment of short-term debt		–	(77)
Payment/repayment of long-term debt	35	(97)	(117)
Purchase/sale of treasury shares	36	1 071	13 541
Net cash from financing activities		(28 179)	(1 872)
Effect of exchange rate changes on cash		(1 390)	(4 911)
Net change in cash and cash equivalents		(1 287)	27 015
Cash and cash equivalents at beginning of year		163 150	136 135
Cash and cash equivalents at end of year	19	161 863	163 150
Net change in cash and cash equivalents		(1 287)	27 015

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

Consolidated Statement of Shareholders' Equity

in CHF 1000	Share capital [1]	Share premium	Retained earnings	Translation differences	Total retained earnings	Total shareholders' equity
Balance at 31.12.09	4 780	19 744	467 820	(10 300)	457 520	482 044
Total comprehensive income	–	–	79 010	(9 722)	69 288	69 288
Dividend paid	–	–	(15 219)	–	(15 219)	(15 219)
Changes in treasury shares [1]	76	11 070	2 923	–	2 923	14 069
Balance at 31.12.10	4 856	30 814	534 534	(20 022)	514 512	550 182
Total comprehensive income	–	–	49 773	845	50 618	50 618
Dividend paid	–	–	(29 153)	–	(29 153)	(29 153)
Changes in treasury shares [1]	7	1 119	714	–	714	1 840
Balance at 31.12.11	4 863	31 933	555 868	(19 177)	536 691	573 487

[1] see notes, note 36

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

Notes to Group Financial Statements

1 General

The HUBER+SUHNER Group is a leading international supplier of components and systems for electrical and optical connection technology in the communication, transport and industrial markets. The company can draw on core competencies in the areas of radio frequency, fiber optics and low frequency. The product range includes coaxial, fiber optic and copper cables, cable systems, connectors, antennas and lightning protection components.
These consolidated financial statements were approved by the Board on 20 February 2012 and released for publication on 22 March 2012. They are subject to the approval of the Annual General Meeting on 18 April 2012.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the HUBER+SUHNER Group are based on the individual financial statements of the Group Companies. They have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention unless otherwise mentioned in the following notes and accounting policies.
The financial year-end date for HUBER+SUHNER AG, all subsidiaries and the Group financial statements is 31 December.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Changes in accounting policy

New standards and interpretations and amendments to published standards whose application is obligatory for fiscal years beginning 1 January 2011:

- IAS 24 (amended) – Related party disclosures (effective from 1 January 2011)
- IAS 32 (amended) – Financial instruments: Presentation (effective from 1 February 2010)
- IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters, amendments to IFRS 1 “First time adoption of IFRS” (effective 1 July 2010)
- IFRIC 14 – Limits on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2011)
- IFRIC 19 – Extinguishing financial liabilities with equity instruments (effective from 1 July 2010)

The Group management has evaluated these standards and interpretations together with the annual improvements 2011 and has concluded that these new standards are not relevant or would have an immaterial influence on the financial statements of the HUBER+SUHNER Group.

New standards and interpretations and amendments to published standards that are effective for fiscal years starting after 1 January 2011:
- IFRS 9 – Financial instruments (1 January 2015)
- IFRS 10 – Consolidated financial statements (1 January 2013)
- IFRS 11 – Joint arrangements (1 January 2013)
- IFRS 12 – Disclosure of interests in other entities (1 January 2013)
- IFRS 13 – Fair value measurement (1 January 2013)
- IAS 1 (amended) – Presentation of items of other comprehensive income (1 July 2012)
- IAS 12 (amended) – Deferred tax: Recovery of underlying assets (1 January 2012)
- IAS 19 (amended) – Employee benefits (1 January 2013)
- IAS 27 (amended) – Separate financial statements (1 January 2013)
- IAS 28 (amended) – Investments in associates and joint ventures (1 January 2013)
- IFRS 7 (amended) – Disclosures: Transfers of financial assets (1 July 2011)

The HUBER+SUHNER Group has decided not to adopt these changes early. These standards and interpretations will be applied when they become effective, if relevant for the HUBER+SUHNER Group.
The amended IAS 19, Employee benefits, which becomes effective 1 January 2013 was published in 2011. The impact on the HUBER+SUHNER Group with regards to the defined benefit pension plans of the Swiss Group Company will be that future fluctuations of the pension obligations and of any related plan assets will have a direct influence on the consolidated financial statements, as these fluctuations must be recorded directly in other comprehensive income (OCI). The current right of choice between immediate recognition as profit or loss or under other comprehensive income (OCI), or the deferred recognition by the so-called corridor method will be abolished. With the transition to the OCI-recognition, especially in case of prior application

of the corridor method – which HUBER+SUHNER has applied so far – volatility of equity and income statement will increase. If this new concept had been applied by HUBER+SUHNER in 2011, estimates shown, the equity would be approximately CHF 25 million less. Furthermore personnel expense will increase.

2.3 Scope and principles of consolidation

The investments in subsidiaries are included in the Group financial statements as follows:

- All subsidiaries where HUBER+SUHNER owns 50% or more of the voting rights are fully consolidated. All of the assets and liabilities as well as the income and expenses for these companies are included. Minority interests in the consolidated equity and net income are shown separately. All intercompany transactions and balances as well as intercompany profits in inventory are eliminated on consolidation.
- Those companies purchased or sold during the reporting year were either included in the consolidation as of the purchase date or excluded as of the date of disposal.
- The purchase method of accounting is used to account for the acquisition of subsidiaries by group.

2.4 Segment reporting

Segment reporting is based on reports that are used by the Executive Group Management (Chief Operating Decision Maker, CODM) to run the business by regularly assessing performance and allocating resources.

2.5 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).
The consolidated financial statements are prepared in Swiss francs (CHF). CHF corresponds to the Group's presentation currency. Unless stated otherwise the information is given in CHF 1000 (TCHF).

Transactions and balances

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

Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised not affecting profit and loss. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.6 Financial assets and liabilities

In accordance with IAS 39, financial assets and liabilities are initially recognised at fair value. The fair value corresponds in general to the purchase costs. Transaction costs are directly recognised in the income statement when they occur respectively are recognised distributed over the contract period.
Financial assets and liabilities are divided into the following categories:

Financial assets "at fair value through profit and loss"

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (realised within 12 months) or if so designated by management. Derivatives are also categorised as held for trading. Management directs and measures performance of the security portfolio based on fair values. The HUBER+SUHNER Group designates its marketable securities "at fair value through profit and loss".
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. For the fair value valuation of forward foreign exchange contracts actual market prices are used at the balance sheet date.
Changes in the fair value of derivatives are recorded immediately in the income statement. During the year, the HUBER+SUHNER Group did not apply Hedge Accounting.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the HUBER+SUHNER Group did not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the HUBER+SUHNER Group did not hold any investments in this category.

Loans and receivables and other liabilities

Trade receivables or payables and other current assets or liabilities are non-derivative financial assets or liabilities with fixed or defined payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor or creditor with no intention of trading the receivables or payables.
They are recognised in the balance sheet at their net realisable value. A provision for impairment is recognised if there are objective indications that the receivable amounts due cannot be recovered completely. Reductions in value are recognised in the income statement. These amounts correspond approximately to the fair value.
Cash and cash equivalents include cash on hand, postal and bank accounts, cheques and fixed-term deposits with an original maturity of less than 3 months.
Borrowings include credit, lease and loan liabilities and are recognised initially at fair value before transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.
All borrowing costs (interest, etc.) are recognised as an expense in the period in which they are incurred.
Loans or other long-term financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans are recognised at amortised cost which corresponds in general to the nominal value. They are reviewed regularly for impairment. Loans are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

2.7 Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. They include cash on hand, postal and bank accounts, cheques and fixed-term deposits with an original maturity of less than 3 months.

2.8 Trade receivables

Trade receivables are measured at amortised cost less allowances. Indications for impairment are: substantial financial problems of the customer, a declaration of bankruptcy, or a material delay in payment.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of goods comprises direct material and production costs and related production overheads. It excludes borrowing costs. The valuation of the inventory is based on standard costs that are verified annually. Slow-moving and obsolete stock that have insufficient inventory turn are systematically partially or fully revaluated.
Trade discounts from suppliers are deducted from purchasing costs.

2.10 Property, plant and equipment

Property, plant and equipment are stated on the balance sheet at the purchased or manufactured cost less accumulated depreciation. Depreciation is charged using the straight-line method over the estimated useful lives of the related assets. Land is not depreciated.

Land	Indefinite useful life
Buildings	20–40 years
Technical equipment and machinery	3–15 years
Plant, office furniture and fixtures	3–10 years

Gains and losses on disposals of property, plant and equipment are included in other operating revenue and expenses in the income statement. Purchases of minor value are immediately expensed in the income statement.

2.11 Leasing

Assets that are purchased under finance leasing are recognised at net present value of the future minimum leasing rates. These correspond to the fair value at the beginning of the lease. The present value of the future minimum leasing rates is recognised as finance lease liability and the leased assets are depreciated over their estimated useful lives. The HUBER+SUHNER Group has no finance leasing.
Payments made under operating lease are charged to the income statement on a straight-line basis over the period of the lease.

2.12 Investment property

Investment properties are held to earn rental income and capital gains. They are valued at purchase cost less accumulated depreciation and impairments. Investment properties are depreciated using the straight-line method over their estimated useful life (20 to 40 years).

In accordance with IAS 40, the fair value is shown in the notes for comparison. It is calculated based on internal net present value or DCF method.

2.13 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Groups' share at fair value of the assets, the amount of non-controlled shares at the acquired company as well as the fair value of all prior held shares at the date of acquisition over the share of the Group at the net assets valued at fair value. If the costs of an acquisition are lower than the net assets valued at fair value of the acquired company the difference is directly recognised in profit and loss. The HUBER+SUHNER Group has no capitalised goodwill.

Trademarks and licenses

Trademarks and licenses are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation. Trademarks and licenses are depreciated using the straight-line method over their estimated useful life (maximum 10 years).

Software

Acquired computer software and software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful life (3 to 7 years).

Internal costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Software is only capitalised if specific criteria are met and the capitalised amount can be covered through corresponding future cash flows.

2.14 Impairment of assets

Goodwill and other intangible assets with an indefinite useful life are reviewed regularly for impairment. Fixed assets and other long-term assets, including intangible assets with a definite useful life, are reviewed for impairment if events or changes in circumstances have occurred that indicate that the book value can no longer be realised. Assets with book values above the recoverable amount are written down to the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. In order to determine the reduction in value, assets are allocated to specific cash-generating units for which separate cash flows can be determined.

If there is an indication that the impairment loss in prior periods no longer exists or may have decreased, the carrying amount is with the exception of goodwill increased to its recoverable amount and is recognised immediately in the income statement.

2.15 Provisions

Provisions are made for warranties, personnel expenses, restructuring costs, legal and miscellaneous other operational risks that meet the recognition criteria. They are recognised when the Group has a present legal or constructive obligation as a result of past events and if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.16 Employee benefits

Pension obligations

In the Swiss Group Companies there are legally autonomous pension funds, which are accounted for as defined contribution plans. These funds are financed by formal, agreed-upon contributions from the employer and the employees. The Group may have legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Therefore, they are defined benefit plans according to IFRS.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses, not recorded recalculated past service costs and any surplus that does not have to be capitalised.

Outside Switzerland, obligations are covered by insurance companies or are recognised as a liability in the balance sheet on the basis of independent actuarial valuations.

For all defined benefit plans pension fund obligations are determined using the projected unit credit method.

The pension fund obligations of the autonomous pension funds are determined every two years by independent actuaries and together with the updated actuarial values and the yearly adjustments of the assumptions carried forward until the next valuation. Actuarial gains and losses arising from experience and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives if they exceed the greater of 10% of the present value of the defined benefit obligation or the fair value of any plan asset (corridor method). Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Other post-employment obligations

The HUBER+SUHNER Group does not grant any further benefits after the termination of the employment.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange of these benefits. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Share-based payments

Part of the compensation for members of the Board and Group Management is paid in HUBER+SUHNER AG shares, which are valued at market price and have a lock-in period with a minimum of three and a maximum of ten years. These shares are assigned after closing of the fiscal year normally end of March or in April of the following year. The market value of the shares is fully accrued in accordance with the accrual principle and the yearlong vesting period in the accounts of the respective year under review.

2.17 Shareholders' equity

Ordinary shares are classified as equity. Where a Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Revenue recognition

Revenues from sales of products are recognised upon making delivery. Delivery is made if risks and rewards are transferred. Sales are shown as a net amount in the income statement. They represent the total value of invoices to third parties reduced by sales taxes, credits for returns and reductions of revenue (primarily rebates and discounts).

2.19 Research and development expenses

Research and development costs are recognised as an expense in the period in which they are incurred. Development costs are only capitalised if specific criteria are met and the capitalised amount can be covered through corresponding future cash flows.

2.20 Income taxes

Income taxes are accounted for on the basis of the income of the reporting year, less the utilisation of tax losses carried forward, using expected actual (local) tax rates.
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Cash flow statement

The cash flow from operating activities is calculated according to the indirect method. The funds consist of cash and cash equivalents.
The free cash flow is calculated based on net cash flow from operating activities less the cash flow from investing activities (excluding changes of marketable securities and derivative financial instruments), less payments to shareholders and considering purchase or sale of treasury shares.

2.22 EBIT

The EBIT is the operating result before finance costs, income and expenses relating to financial assets and liabilities such as currency translation effects, interest or marketable securities income and before current and deferred taxes.

3 Financial risk management

3.1 Risk assessment

The risk management system of the HUBER+SUHNER Group and the Group companies is defined in the Board's risk policy and in the Executive Group Management's guidelines on the risk management process. Based on its own assessment (top-down) and on information provided by the Divisions and subsidiaries (bottom-up), Executive Group Management has reviewed the result and the status of decided actions and has selected and reassessed the most significant financial, operational and strategic risks at Group level of the year under review. Risks are categorised based on their probability of occurrence and their potential financial impact. For each listed risk, mitigation measures are defined as well as responsibilities.

The assessed risks as well as the on-going and new actions have been submitted in the Risk Report 2011 for discussion and approval to the Board of Directors. After an intensive review the Board has agreed on 5 December 2011 on the risk assessment and approved the Risk Report 2011.

3.2 Risk policy

As a global industrial corporation with manufacturing and sales subsidiaries in several countries, HUBER+SUHNER is exposed to various financial, market and credit risks of strategic, operational and financial nature. As part of the scope of the corporate risk process, corporate management monitors these risks constantly and makes every effort to minimise negative influences on the Group and especially on the financial results. HUBER+SUHNER also uses derivative financial instruments to hedge specific financial risks. All hedging transactions are always connected with existing assets and liabilities or with future business transactions that are extremely likely to take place.

Exchange rate risks

Because of its international business activities HUBER+ SUHNER is subject to the risk of exchange rate fluctuations that could have an effect on the asset and earnings position presented in Swiss francs. This relates primarily to the two main currencies, EUR and USD, as well as to CNY. The foreign exchange risk arises from future commercial transactions, from the translation of assets and liabilities and from net investments in foreign operations.
HUBER+SUHNER has centralised the exchange rate risk mainly in Switzerland. Most of the transactions between the parent company in Switzerland and the foreign subsidiaries are carried out in their functional currencies. To manage foreign exchange risks arising from expected incoming and outgoing cash flows of the following 12 months, Group Treasury also uses derivative financial instruments. According to the individual risk evaluation, 0% to 80% of anticipated net cash flows per currency are hedged.

Net investments in foreign subsidiaries are not hedged.

At the balance sheet date, following foreign exchange risks existed on balance sheet positions:

2011

Exchange rates	USD/CHF	EUR/CHF	CNY/CHF
Change of exchange rate (expected range of volatility)	±5%	±5%	±5%
Effect on gain			
– positive change of exchange rate	(52)	1 458	159
– negative change of exchange rate	52	(1 458)	(159)
Effect on equity			
– positive change of exchange rate	750	n/a	n/a
– negative change of exchange rate	(750)	n/a	n/a

2010

Exchange rates	USD/CHF	EUR/CHF	USD/CNY
Change of exchange rate (expected range of volatility)	±5%	±6%	–5%
Effect on gain			
– positive change of exchange rate	(59)	(86)	n/a
– negative change of exchange rate	59	86	383
Effect on equity			
– positive change of exchange rate	668	n/a	n/a
– negative change of exchange rate	(668)	n/a	n/a

Interest risks

The risk of value fluctuation on bonds held in the portfolio is not material as it is below CHF 0.5 million.
On the balance sheet date the HUBER+SUHNER Group had no financial liabilities, a sensitivity analysis of the influence of Interest rate changes is therefore not necessary.

Market price risks

Market price risks mainly result from raw materials and equity securities.
Copper sales are basically hedged through adequate copper acquisition (back-to-back deals). No financial instruments are used for the hedging of the acquisition of raw material.
Based on the low volume of equity securities in the portfolio, the corresponding market risk is classified as not material.

Credit risks

Credit risks can arise from cash and cash equivalents, deposits with banks and financial institutions, as well as from trade receivables. Financial instruments are traded exclusively with solid domestic and foreign banks and financial institutions, whereby value is placed on a broad risk spreading. The maximum credit risk is the market value of the available financial assets at the balance sheet date. The Group invests its short-term assets with institutions with a good rating. For financial instruments only marketable securities with a high credit rating of generally a minimum of “A” (Standard and Poor’s) are allowed.
The credit risk for trade receivables is limited by the wide product and geographical distribution of customers. In addition, these risks are reduced to a minimum by regular checks of credit-worthiness, advance payments, letters of credit or other instruments. For anticipated losses of trade receivables allowances are recognised. The effective losses on doubtful debts are below 0.1% of net sales per annum (see also note 21).

Liquidity risks

Permanent financial solvency is the highest aim of the liquidity policy of HUBER+SUHNER. The liquidity risk is therefore monitored by the Group treasury with a cautious and future-oriented cash management. With this the Group pursues the principle of ensuring enough liquid reserves. This includes the possibility of financing by means of available lines of credit and the ability to obtain capital due to an issue on the capital markets.
The actual and the planned cash flows and liquidity reserves of all Group companies are recorded monthly in a rolling liquidity forecast and reported to the Executive Group Management.

in CHF million	2011	2010
Cash and cash equivalents	161.9	163.2
+ Marketable securities	16.5	42.7
= Liquidity reserves	178.4	205.9

Besides the liquidity reserves consisting of cash and cash equivalents and marketable securities, the Group has access to approved and only occasionally used lines of credit with different banks. Furthermore, HUBER+SUHNER has additional financing potential due to the strong income and balance sheet position.

Financial liabilities and derivative financial instruments

As of 31 December 2011	Total balance sheet position	Cash flows			
		Less than 1 year	1–5 years	After 5 years	Total cash flows
Short- and long-term debt	–	–	–	–	–
Trade payables and other liabilities	70 953	70 879	–	72	70 951
Derivative financial instruments	2 252	2 252	–	–	2 252

All amounts are in CHF 1000

As of 31 December 2010	Total balance sheet position	Cash flows			
		Less than 1 year	1–5 years	After 5 years	Total cash flows
Short- and long-term debt	101	–	94	7	101
Trade payables and other liabilities	81 053	80 814	–	241	81 055
Derivative financial instruments	468	468	–	–	468

The table below analyses the Group's forward foreign exchange contracts. The amounts disclosed are the contractual undiscounted cash flows.

As of 31 December 2011	Less than 1 year	1–5 years	After 5 years	Total cash flows
Economical cash flow hedge outflow	34 982	–	–	34 982
Economical cash flow hedge inflow	31 383	–	–	31 383

As of 31 December 2010	Less than 1 year	1–5 years	After 5 years	Total cash flows
Economical cash flow hedge outflow	79 630	–	–	79 630
Economical cash flow hedge inflow	80 817	–	–	80 817

Capital risks

The capital managed by the Group is related to the consolidated shareholders' equity. The Group's objectives when managing capital are especially to safeguard HUBER+SUHNER's ability to continue as a going concern, to provide adequate returns for shareholders and to partially finance the Group's growth with its own means. In order to fulfil those objectives, HUBER+SUHNER can adjust the amount of the dividend and return capital to shareholders, issue new shares or sell assets.

The Group monitors and manages equity and return on equity, financial debt and net liquidity based on the following ratios:

Ratios	Definition	Target
Return on equity	Net income as percentage of average equity	Risk-free interest rate (10-year government bond rate) + risk premium of 7%
Equity ratio	Equity as percentage of balance sheet total	> 50%
Net liquidity	Cash and cash equivalents and marketable securities less short- and long-term debt	

At the balance sheet date, the ratios were the following:

in CHF million	2011	2010
Return on equity	8.9%	15.3%
Equity ratio	79.0%	77.0%
Net liquidity	178.4	205.8

The credit line agreements with banks include a minimum requirement concerning equity base. The actual equity ratio exceeds this requirement by far.

All amounts are in CHF 1000

Fair value estimation
The fair value of financial instruments traded in active markets (such as trading) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives such as forward foreign exchange contracts or options) is determined by using valuation techniques. The carrying value less impairment provision of trade receivables and payables or other current assets or liabilities are assumed to approximate their fair values due to the short-term nature at the balance sheet date.

Fair value hierarchy
The following table shows the allocation of the fair values of the financial assets and liabilities to the three levels of the fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial assets as of 31 December 2011	Level 1	Level 2	Level 3	Total
Marketable securities	15 785	761	–	16 546
Derivative financial instruments	–	55	–	55

Financial liabilities as of 31 December 2011	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	2 252	–	2 252

Financial assets as of 31 December 2010	Level 1	Level 2	Level 3	Total
Marketable securities	17 094	25 646	–	42 740
Derivative financial instruments	–	8 665	–	8 665

Financial liabilities as of 31 December 2010	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	468	–	468

4 Critical accounting estimates and judgements
Preparation of the consolidated financial statements in conformity with IFRS requires the Board of Directors and Executive Group Management to make estimates and assumptions, whereby such estimates and assumptions have an effect on the amounts stated under assets, liabilities, income and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations and judgements of future events that are believed to be reasonable under the circumstances. These form the basis for reporting those assets and liabilities that cannot be measured directly from other sources and will not always correspond to the later actualities of the situation.
The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Inventories
When assessing inventories, estimates for their recoverability that arise from the expected consumption of the corresponding items are necessary. The adjustments for the inventories are calculated for each item using a systematic stock coverage analysis. The parameters are checked annually and modified if necessary. Changes in sales or other circumstances can lead to the book value having to be adjusted accordingly.

Pension liabilities
The net present value of pension liabilities and the plan assets at market value are based on several assumptions that are calculated on the balance sheet date using an actuarially based procedure. For these projections assumptions must be made regarding discount rate, expected yields from assets, salary and pension increases, staff fluctuations, etc. The assumptions are considered each year on the balance sheet date based on observed market data. These are the interest rates of bonds in the relevant currency with high creditworthiness as well as asset studies. Changing the assumptions mentioned could lead to significant deviations because of the long-term nature of these calculations.

Provisions
In relation to the operational business of the Group liabilities can occur out of warranty and damage claims, restructuring, employee related payments and legal disputes. Provisions for such liabilities are recognised based on the realistically anticipated outflow of funds at net present value on the balance sheet date. Depending on the changes and settlements in the corresponding businesses, the actual payments may be higher or lower than the recognised provision and may not or only be partially covered through a corresponding insurance benefit. Therefore the effective payments may differ from these estimates.

Income taxes and tax accruals
The Group is subject to income taxes in numerous jurisdictions. Therefore, significant judgement is required in determining the worldwide accrual for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.
The related tax assets on losses carried forward are valued based on business plans. The capitalisation of usable tax losses carried forward is assessed on a yearly base. The tax losses carried forward are recognised considering country-specific fiscal regulations and the likelihood that they can be used during the next one to two years depending on the profit situation of the corresponding subsidiary. In countries respectively subsidiaries where the usage of tax losses carried forward is not foreseeable the capitalisation is not recognised.

5 Changes in the scope of consolidation and other changes
On 20 October 2011 a new subsidiary, HUBER+SUHNER Cable & Connector Manufacture (Changzhou) Co. Ltd., was founded in China. The company is wholly owned by HUBER+SUHNER (Hong Kong) Ltd. and is fully consolidated.
A complete list of all Group companies can be found on page 50.
On 4 March 2010 a new subsidiary, HUBER+SUHNER Electrical Equipment Manufacture (Shanghai) Co. Ltd., was founded in China. The company is wholly owned by HUBER+SUHNER (Hong Kong) Ltd. and is fully consolidated.
On 12 December 2010 a new subsidiary, HUBER+SUHNER (Tunisie) SARL, was founded in Tunisia. The company is wholly owned by HUBER+SUHNER AG and is fully consolidated.
On 7 July 2010 HUBER+SUHNER AG sold the production and the sales department of the FAKRA Radio Frequency Connectors for the automobile industry (Automotive Radio Frequency Connectors) to the German company Rosenberger. The transaction was closed 18 December 2010. The realised sales price was CHF 2.5 million, the cash flow CHF 2.5 million and the gain on disposal CHF 0.2 million. The annual net sales of the sold operation were CHF 11.8 million in 2010 and was allocated to the segment Radio Frequency.

6 Exchange rates for currency translation
The following exchange rates were used for the most important currencies of the Group:

Spot rates for the consolidated balance sheet	31.12.2011	31.12.2010
1 EUR	1.22	1.26
1 USD	0.94	0.95
100 CNY	14.83	14.41
1 GBP	1.46	1.47
1 AUD	0.95	0.96

Average rates for the consolidated income and cash flow statement	2011	2010
1 EUR	1.23	1.38
1 USD	0.88	1.04
100 CNY	13.69	15.44
1 GBP	1.42	1.61
1 AUD	0.91	0.96

7 Segment information

Segment reporting is based on reports that are used by the Executive Group Management to run the business by regularly assessing performance and allocating resources.

Radio Frequency: Development, manufacturing and distribution of radio frequency technology products such as connectors, coaxial cables, lightning protectors, antennas and components and systems for communication, transport and industrial applications.

Fiber Optics: Development, manufacturing and distribution of fiber optic cables and components and systems for applications in predominately communication and industry.

Low Frequency: Development, manufacturing and distribution of copper cables as well as cable systems for applications in mainly transportation and industry. Also part of this division is the business unit Composites.

Corporate: Includes all activities that cannot be allocated to one of the three operating segments including corporate functions.

Net sales	2011	2010
Radio Frequency	222 252	246 998
Fiber Optics	129 716	133 769
Low Frequency	406 543	418 776
Total net sales	758 511	799 543

Operating profit (EBIT)	2011	2010
Radio Frequency	12 619	26 997
Fiber Optics	12 001	20 129
Low Frequency	31 544	61 276
Corporate	9 902	(6 556)
Total operating profit (EBIT)	66 066	101 846
Financial income	7 240	10 271
Financial expense	(12 845)	(12 937)
Net income before taxes	60 461	99 180

Depreciation and amortisation	2011	2010
Radio Frequency	(9 363)	(15 195)
Fiber Optics	(3 604)	(5 984)
Low Frequency	(14 006)	(19 268)
Total depreciation and amortisation	(26 973)	(40 447)

Impairment	2011	2010
Radio Frequency	365	593
Fiber Optics	–	–
Low Frequency	–	–
Corporate	–	(103)
Total impairment	365	490

Assets	31.12.2011	31.12.2010
Radio Frequency	151 357	135 045
Fiber Optics	70 897	62 260
Low Frequency	291 899	274 779
Corporate	212 165	242 298
Total assets	726 318	714 382

All amounts are in CHF 1000

Liabilities	31.12.2011	31.12.2010
Radio Frequency	36 870	37 837
Fiber Optics	17 691	19 472
Low Frequency	47 857	60 147
Corporate	50 413	46 744
Total liabilities	152 831	164 200

Investments in property, plant and equipment and intangible assets	2011	2010
Radio Frequency	17 051	8 178
Fiber Optics	6 426	5 793
Low Frequency	25 133	25 536
Total investments in property, plant and equipment and intangible assets	48 610	39 507

Net sales by region (sales area)	2011	2010
Switzerland	77 273	67 391
EMEA (Europe, Middle East and Africa [excl. CH])	350 284	362 650
of which Germany	*135 934*	*153 953*
APAC (Asia-Pacific)	255 393	288 339
of which China	*143 642*	*182 590*
Americas (North and South America)	75 561	81 163
Total net sales	758 511	799 543

Property, plant and equipment, investment property and intangible assets	31.12.2011	31.12.2010
Switzerland	148 864	129 816
EMEA (Europe, Middle East and Africa [excl. CH])	11 927	11 384
APAC (Asia-Pacific)	14 570	14 370
Americas (North and South America)	4 772	4 080
Total property, plant and equipment, investment property and intangible assets	180 133	159 650

Investments in property, plant and equipment and intangible assets	2011	2010
Switzerland	38 602	29 576
EMEA (Europe, Middle East and Africa [excl. CH])	2 920	1 703
APAC (Asia-Pacific)	5 447	7 692
Americas (North and South America)	1 641	536
Total investments in property, plant and equipment and intangible assets	48 610	39 507

8 Other operating expenses and income

	2011	2010
Other operating expenses	(898)	(900)
Other operating income	19 168	3 321
Total other operating expenses and income	18 270	2 421
Of which gain from sales of PP&E and investment property	16 680	91

Other operating income includes amongst others licence fee income from third parties and refunds of withholding tax as well as gains from the sale of property, plant and equipment. In the year under review profit amounting to CHF 15.9 million on the sale of the industrial area in Pfäffikon is included (see note 26).

All amounts are in CHF 1000

9 Financial income

	2011	2010
Interest income	1 646	1 676
Foreign exchange gains	4 813	1 163
Change in fair value of derivative financial instruments	–	6 489
Result from marketable securities (incl. change in fair value)	407	771
Other financial income	374	172
Total financial income	7 240	10 271

10 Financial expense

	2011	2010
Interest expense	(40)	(65)
Foreign exchange losses [1)]	(1 147)	(11 895)
Change in fair value of derivative financial instruments	(9 493)	–
Change in fair value of marketable securities	(848)	–
Other financial expense	(1 317)	(977)
Total financial expense	(12 845)	(12 937)

1) Of which CHF 0 million (previous year, CHF –0.9 million) exchange differences on Group loans with an equity nature that were paid back, reclassified or reduced by debt forgiveness.

Other financial expense includes amongst others non-refundable withholding tax on dividend income.

11 Income taxes

	2011	2010
Current income taxes	(11 586)	(20 931)
Deferred income taxes	898	761
Total income taxes	(10 688)	(20 170)

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

	2011	2010
Net income before taxes	60 461	99 180
Expected income tax rate	20.4%	20.7%
Expected income tax expense	(12 339)	(20 519)
Effect of utilisation of non-recognised tax loss carry-forward	–	939
Effect of non-tax-deductible expenses and non-taxable income	2 143	(1 012)
Effect of non-recognition of current tax losses	(561)	(57)
Effect of reduced allowance on deferred tax assets	(57)	(5)
Effect of changes in tax rates on deferred tax balances	66	442
Effect of tax credits/debits from prior years and other effects	60	42
Effective income taxes	(10 688)	(20 170)
Effective income tax rate	17.7%	20.3%

The expected Group tax rate corresponds to the weighted average tax rate based on the income/(loss) before taxes and the tax rate of each individual Group company. The property gain tax from the sale of the industrial area was shown net with the underlying transaction. As a result, the consolidated tax rate essentially fell from 20.3% in 2010 to 17.7% in 2011.

Unrecognised tax loss carry-forward	2011	2010
Expiring within 1 year	18	220
Expiring within 2 years	1 273	19
Expiring within 3 years	142	1 297
Expiring within 4 years	480	649
Expiring within 5 years	28	359
Expiring thereafter	16 070	15 145
Total unrecognised tax loss carry-forward	18 011	17 689

The unrecognised tax loss carry-forward was CHF 18.0 million (previous year, CHF 17.7 million). This corresponds to a potential tax asset of CHF 7.0 million (previous year, CHF 7.0 million). The main part of the loss carry-forwards was incurred by few Group companies. In 2011 a deferred tax asset was recognised in one additional subsidiary.
In 2011 tax losses carry-forward of CHF 0.2 million expired (previous year, CHF 0 million).

The deferred tax assets and liabilities related to temporary valuation differences were:

	2011 Assets	2011 Liabilities	2010 Assets	2010 Liabilities
Marketable securities	–	84	34	115
Trade receivables	253	2 520	121	2 491
Inventories	2 299	4 684	2 239	4 604
Property, plant and equipment	835	6 853	387	8 794
Financial assets	–	6 160	–	6 513
Intangible assets	2	2 483	75	734
Current liabilities	1 079	11	820	15
Current provisions	12	3 228	–	2 955
Non-current provisions	148	4 592	420	4 870
Total deferred taxes	4 628	30 615	4 096	31 091
Netting	(382)	(382)	(766)	(766)
Deferred taxes after netting	4 246	30 233	3 330	30 325
Capitalised loss carry-forward	369	–	478	–
Amounts recognised in the balance sheet	4 615	30 233	3 808	30 325

Temporary differences relating to investments in subsidiaries, on which no deferred tax liabilities were provided, amounted to CHF 122.9 million on 31 December 2011 (previous year, CHF 110.8 million).

12 Material expenses

Included in the cost of goods sold are the following material expenses:

	2011	2010
Total material expenses	307 786	327 260
as % of net sales	40.6%	40.9%

All amounts are in CHF 1000

13 Employee benefit expenses

Employee benefit expenses included in the income statement amount to:

	2011	2010
Wages and salaries	186 102	183 009
Social security costs	20 641	19 497
Pension costs – defined benefit plans	8 215	7 466
Pension costs – defined contribution plans	1 513	2 466
Other employee benefit expenses	21 650	14 931
Total employee benefit expenses	238 121	227 369
as % of net sales	31.4%	28.4%

Employee benefit expenses include the total compensation to the Board of Directors and the Executive Group Management (see note 15). Other employee benefit expenses include amongst others cost for temporary employees, education and recruitment.

Employees by operating segment at 31.12.	2011	2010
Radio Frequency	1 398	1 518
Fiber Optics	930	777
Low Frequency	1 539	1 767
Total employees by operating segment	3 867	4 062

Employees by geographical split at 31.12.	2011	2010
Switzerland	1 588	1 506
EMEA (Europe, Middle East and Africa [excl. CH])	715	694
APAC (Asia-Pacific)	1 342	1 668
Americas (North and South America)	222	194
Total employees by geographical split	3 867	4 062

14 Post-employment benefits

For the actuarial calculation the following assumptions have been used:

	2011	2010
Discount rates	2.5%	2.5%
Expected return on plan assets	3.0%	3.5%
Future salary increases	1.5%	1.5%
Future pension increases	0.0%	0.5%
Expected average remaining working lives in years	9.7	8.9
Life expectancy after retirement (65) for men	18.9	17.9
Life expectancy after retirement (64) for women	22.4	21.9
Date of the last actuarial calculation		
– prepared per	31.12.2010	31.12.2008
– carried forward [1]	31.12.2011	31.12.2010

[1] see also note 2.16

The expected return on plan assets is based on the calculation of the market-implicit expectations of returns in individual categories (risk premium approach). In the reporting year, the expected returns per investment category are: 7.0% for equity securities, 1.6% for bonds, 4.2% for real estate and 1.5% for other investments. Weighted with the investment categories at 31.12.2011, the expected return for 2012 is 3.9%.

Development of pension benefits recognised in the balance sheet	2011	2010
Present value of defined benefit obligation	(486 592)	(485 903)
Fair value of plan assets	553 624	559 055
Surplus	67 032	73 152
Unrecognised actuarial (gains)/losses	22 298	18 671
Unrecognised surplus	(68 122)	(71 115)
In the balance sheet recognised surplus (other financial assets)	21 208	20 708

Changes in the present value of the defined benefit obligation	2011	2010
Present value of defined benefit obligation at 1.1.	(485 903)	(445 586)
Interest cost	(12 184)	(14 328)
Service cost (employer)	(11 701)	(10 208)
Employee contribution	(6 191)	(5 654)
Benefits paid	14 949	25 307
Net actuarial gains/(losses) recognised on obligation	14 438	(35 434)
Present value of defined benefit obligation at 31.12.	(486 592)	(485 903)

Changes in the fair value of plan assets	2011	2010
Fair value of plan assets at 1.1.	559 055	566 141
Expected return	19 552	25 199
Employer contributions	7 933	7 306
Employee contributions	6 191	5 654
Benefits paid	(14 949)	(25 307)
Net actuarial gains/(losses) recognised on assets	(24 158)	(19 938)
Fair value of plan assets at 31.12.	553 624	559 055
Effective return on plan assets	(4 606)	5 261

Financial status and experience adjustments	2011	2010	2009	2008	2007
Fair value of plan assets	553 624	559 055	566 141	520 976	603 361
Present value of defined benefit obligation	(486 592)	(485 903)	(445 586)	(446 489)	(432 036)
Surplus	67 032	73 152	120 555	74 487	171 325
Experience adjustments on plan liabilities	3 930	–	7 095	–	(6 971)
Experience adjustments on plan assets	(24 158)	(19 938)	29 498	(107 519)	17 636

Plan assets allocation by market value	2011	2010
Other equity securities	24%	26%
Shares HUBER+SUHNER AG	2%	2%
Bonds	21%	20%
Real estate	33%	32%
Other investments	20%	20%
Total plan assets to market value	100%	100%

All amounts are in CHF 1000

Amounts recognised in the income statement	2011	2010
Current service cost (employer)	(11 701)	(10 208)
Interest cost	(12 184)	(14 328)
Expected return on plan assets	19 552	25 199
Net actuarial (gains)/losses recognised during the year	(6 094)	(32 688)
Effects of curtailment	2 994	24 982
Total expense in the income statement	(7 433)	(7 043)

Of the total employer's contribution CHF 5.3 million (previous year, CHF 4.9 million) was included in cost of goods sold and CHF 2.6 million (previous year, CHF 2.7 million) in administrative expenses. On the employer's contribution reserve interest was credited in the amount of CHF 0.5 million in 2011 (previous year, CHF 0.6 million) and is included in financial income.
For 2012, employer's contributions of CHF 7.8 million are expected.

The movement in the amounts recognised in the balance sheet were as follows:

	2011	2010
Balance at 1.1. (assets)	20 708	20 445
Total expense charged in the income statement	(7 433)	(7 043)
Contributions paid by the employer	7 933	7 306
Balance at 31.12. (assets)	21 208	20 708

15 Related-party transactions

The statements in note 15 are made according to the requirements of IAS 24 and the Swiss Code of Obligations.

Purchased services

In 2011 the HUBER+SUHNER Group has purchased services from related party companies of the Board of Directors (Cosa Travel Ltd., Wenger&Vieli AG, Komax AG) for CHF 1.8 million (prior year, CHF 1.4 million).

Compensation and shareholdings of Executive Group Management (EGM)

The compensation of Executive Group Management represents the total cost for the company, i.e. including all employer contributions for social security, pension funds and illness/accident insurance. The shares allocated have a lock-in period with a minimum of three and a maximum of ten years. No compensation has been paid to close family members of EGM members. Concerning the structure of the Executive Group Management and their functions see page 2 in the Corporate Governance Report.

	U. Kaufmann, CEO [1]		EGM Total	
	2011	2010	2011	2010
Employee benefits (fix)	562	533	2 238	2 316
Employee benefits (variable)	247	420	625	1 331
Social security and other benefits	55	59	429	406
Total short term employee benefits	864	1 012	3 292	4 053
Post-employment benefits	141	130	440	558
Other long term benefits	–	–	–	–
Termination benefits	–	–	–	167
Share based payments [2]	237	389	758	1 244
Total compensation	1 242	1 531	4 490	6 022
Number of allocated shares	6 000	6 000	19 200	19 200

[1] Highest total compensation
[2] The value of the shared based compensation is calculated with the closing rate of CHF 39.50 (previous year CHF 64.80). The transfer of the shares is taking place in the following fiscal year.

EGM shareholdings
(Number of shares at 31 December 2011)

		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes
U. Kaufmann	CEO and Chairman EGM	45 400	400	45 800	4 800	41 000	0.23%
U. Alder	Member EGM	12 200	200	12 400	6 400	6 000	< 0.10%
J.-L. Gavelle	Member EGM	7 000	–	7 000	2 200	4 800	< 0.10%
P. Harris	Member EGM	12 322	58	12 380	5 180	7 200	< 0.10%
P. Riederer	Member EGM	6 600	–	6 600	1 200	5 400	< 0.10%
U. Ryffel	Member EGM	8 200	–	8 200	2 800	5 400	< 0.10%
I. Wechsler	Member EGM	3 400	–	3 400	1 800	1 600	< 0.10%
Total EGM shareholdings 2011		95 122	658	95 780	24 380	71 400	0.47%

EGM shareholdings
(Number of shares at 31 December 2010)

		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes
U. Kaufmann	CEO and Chairman EGM	39 400	400	39 800	4 800	35 000	0.20%
U. Alder	Member EGM	10 200	200	10 400	4 400	6 000	< 0.10%
J.-L. Gavelle	Member EGM	4 600	–	4 600	1 000	3 600	< 0.10%
P. Harris	Member EGM	10 922	58	10 980	3 780	7 200	< 0.10%
P. Riederer	Member EGM	4 700	–	4 700	500	4 200	< 0.10%
U. Ryffel	Member EGM	5 800	–	5 800	1 600	4 200	< 0.10%
I. Wechsler	Member EGM	1 800	–	1 800	1 800	–	< 0.10%
Total EGM shareholdings 2010		77 422	658	78 080	17 880	60 200	0.39%

1) Shares with remaining lock-in periods up to ten years (ending end of March each)

All amounts are in CHF 1000

Compensation and shareholdings of Board of Directors

The compensation of Board Members represents the total cost for the company. The shares allocated have a lock-in period with a minimum of three and a maximum of five years. No compensation has been paid to close family members of Board members.

Compensation of Board Members 2011		Meeting fees net	Other fees net	Social security	Shares (market value) [4]	Total compensation	Number of allocated shares
D. Syz [1]	Chairman of Board	6	130	–	158	294	4 000
E. Walser [2]	Deputy Chairman of Board	6	80	–	79	165	2 000
P. Altorfer [3]	Member of Board	5	50	13	47	115	1 200
A. Déteindre	Member of Board	6	40	3	47	96	1 200
B. Kälin	Member of Board	6	40	12	47	105	1 200
G. Müller	Member of Board	6	40	12	47	105	1 200
R. Seiffert	Member of Board	6	40	12	47	105	1 200
Total compensation of Board Members 2011		41	420	52	472	985	12 000

Compensation of Board Members 2010		Meeting fees net	Other fees net	Social security	Shares (market value) [4]	Total compensation	Number of allocated shares
D. Syz [1]	Chairman of Board	6	130	–	259	395	4 000
E. Walser [2]	Deputy Chairman of Board	6	80	–	130	216	2 000
P. Altorfer [3]	Member of Board	6	50	14	78	148	1 200
A. Déteindre	Member of Board	6	40	13	78	137	1 200
B. Kälin	Member of Board	6	40	13	78	137	1 200
G. Müller	Member of Board	5	40	13	78	136	1 200
R. Seiffert	Member of Board	5	30	10	58	103	900
Total compensation of Board Members 2010		40	410	63	759	1 272	11 700

[1] Chairman of Nomination and Compensation Committee
[2] Chairman of Audit Committee and member of Nomination and Compensation Committee
[3] Member of Audit Committee
[4] The value of the shared based compensation is calculated at the closing rate of CHF 39.50 (previous year CHF 64.80). The transfer of the shares is taking place in the following fiscal year.

Shareholdings of Board Members (Number of shares at 31 December 2011)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes
D. Syz	Chairman of Board	88 480	3 800	92 280	80 280	12 000	0.46%
E. Walser	Deputy Chairman of Board	13 600	–	13 600	7 600	6 000	< 0.10%
P. Altorfer	Member of Board	17 840	–	17 840	9 840	8 000	< 0.10%
A. Déteindre	Member of Board	18 144	–	18 144	14 544	3 600	< 0.10%
B. Kälin	Member of Board	2 400	–	2 400	–	2 400	< 0.10%
G. Müller	Member of Board	10 400	61 440	71 840	68 240	3 600	0.36%
R. Seiffert	Member of Board	1 433	–	1 433	233	1 200	< 0.10%
Total shareholdings Board 2011		152 297	65 240	217 537	180 737	36 800	1.08%

Shareholdings of Board Members (Number of shares at 31 December 2010)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes
D. Syz	Chairman of Board	84 480	3 800	88 280	76 280	12 000	0.44%
E. Walser	Deputy Chairman of Board	11 600	–	11 600	5 600	6 000	< 0.10%
P. Altorfer	Member of Board	16 640	–	16 640	9 040	7 600	< 0.10%
A. Déteindre	Member of Board	16 944	–	16 944	13 344	3 600	< 0.10%
B. Kälin	Member of Board	1 200	–	1 200	–	1 200	< 0.10%
G. Müller	Member of Board	9 200	61 440	70 640	67 040	3 600	0.35%
R. Seiffert	Member of Board	233	–	233	233	–	< 0.10%
Total shareholdings Board 2010		140 297	65 240	205 537	171 537	34 000	1.02%

[1] Shares with remaining lock-in periods of up to four years ending mid-April each (prior year up to five years)

Members of the Board of Directors and the Executive Group Management as well as persons closely related to them are not and were not related to HUBER+SUHNER AG or any of its subsidiaries.
As of 31 December 2011, HUBER+SUHNER AG and its subsidiaries had no guarantees or outstanding loans, advances or credits to members of the Board of Directors or the Executive Group Management or to parties closely related to them.

Compensation of former directors and executives

No compensation was paid to former directors and executives in the actual and in the prior year.

Relationship with pension fund

Similar as in the previous year HUBER+SUHNER AG did not charge any services to the pension fund in 2011. At the reporting date, the company's liabilities to the pension funds amount to CHF 0 million (previous year, CHF 0.1 million).

16 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment expenses included in the income statement amount to:

	2011	2010
Depreciation on PP&E and investment property	25 291	34 066
Impairment/(reversal impairment) on PP&E	(365)	(593)
Total depreciation and impairment on PP&E and investment property	24 926	33 473
Amortisation of intangible assets	1 682	6 381
Impairment on financial assets	–	103
Total depreciation, amortisation and impairment	26 608	39 957
as % of net sales	3.5%	5.0%

17 EBITDA

	2011	2010
EBIT	66 066	101 846
+ Depreciation on PP&E and investment property	25 291	34 066
+ Amortisation of intangible assets	1 682	6 381
+ Impairment/(reversal impairment) on PP&E and financial assets	(365)	(490)
EBITDA	92 674	141 803
as % of net sales	12.2%	17.7%

18 Liabilities from operating lease

The Group leases a number of offices, warehouses and cars under non-cancellable operating lease contracts.

Liabilities from operating lease	2011	2010
Less than 1 year	4 714	4 387
Between 1 and 5 years	8 489	5 160
After 5 years	1 240	71
Total liabilities from operating lease	14 443	9 618

All amounts are in CHF 1000

19 Cash and cash equivalents

	2011	2010
Cash at bank and on hand	106 337	135 675
Term deposits in CHF	48 829	13 892
Term deposits in EUR	5 004	3 963
Term deposits in USD	966	–
Term deposits in RMB	–	7 205
Term deposits in other currency	727	2 415
Total cash and cash equivalents	161 863	163 150

20 Marketable securities

	2011	2010
Equity securities Switzerland	3 093	3 665
Equity securities foreign	2 808	3 361
Bonds in CHF	6 443	5 108
Real estate funds	2 325	2 615
Other marketable securities	1 877	27 991
Total marketable securities	16 546	42 740

Also included in other marketable securities are fixed-term deposits with a maturity of greater than 3 months. At the 2011 year-end, HUBER+SUHNER held no fixed-term deposits (previous year, CHF 25.0 million).

21 Trade receivables

Trade receivables can be classified into current and overdue depending on the individually agreed conditions with customers. The following table shows the aging structure at the balance sheet date:

	2011	2010
Current	95 079	118 295
Overdue for 1–30 days	17 526	16 009
Overdue for 31–60 days	9 745	2 388
Overdue for 61–90 days	1 411	1 579
Overdue for 91–120 days	1 833	508
Overdue over 120 days	2 070	1 678
Total trade receivables, gross	127 664	140 457
Provision for doubtful debts	(2 058)	(1 706)
Total trade receivables, net	125 606	138 751

At the year-end 2011 the overdue trade receivables amount to CHF 32.6 million (previous year, CHF 22.2 million), of which CHF 2.0 million (6%) are impaired (previous year, CHF 1.5 million or 7%).

The provisions for doubtful debts are based on the aging structure and recent history of default.

	2011	2010
Balance at 1.1.	(1 706)	(3 437)
Provisions for doubtful debts on trade receivables	(1 372)	(307)
Utilisation of provisions	590	578
Releases of provisions	392	1 249
Currency translation differences	38	211
Balance at 31.12.	(2 058)	(1 706)

Effective losses on doubtful debts in the fiscal years 2011 and 2010 were below 0.1% of net sales.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2011	2010
CHF	13 635	17 748
EUR	38 847	38 459
USD	14 531	13 118
CNY	35 833	45 235
GBP	5 179	5 619
BRL	6 003	5 967
Other	11 578	12 605
Total trade receivables, net	125 606	138 751

At 31 December 2011, the three customers with the largest amounts of open invoices represented together 28.2% (previous year, 30.4%) of total trade receivables:

	2011	%	2010	%
Customer A	22 890	17.9	25 179	17.9
Customer B	8 224	6.5	10 552	7.5
Customer C	4 880	3.8	7 015	5.0
Total	35 994	28.2	42 746	30.4

No trade receivables have been pledged (see note 32).

22 Other current assets

	2011	2010
Other current assets	36 969	21 364
Derivative financial instruments	55	8 665
Total other current assets	37 024	30 029

Other current assets include short-term receivables such as value-added and withholding tax receivables, prepayments, received letters of credit, other current assets as well as the escrow account relating to the sale of the industrial area. There are no provisions for doubtful other current assets, neither in the reporting year nor in the prior year.

All amounts are in CHF 1000

23 Inventories

	2011	2010
Raw materials and supplies	81 612	72 791
Work in progress	11 507	16 289
Finished goods	105 158	84 778
Total inventories, gross	198 277	173 858
Inventory provision	(27 454)	(24 493)
Total inventories, net	170 823	149 365

Changes in inventory provision 2011	Raw materials and supplies	Work in progress	Finished goods	Total inventory provision
Balance at 1.1.	(13 053)	–	(11 440)	(24 493)
Additions	(3 252)	–	(7 236)	(10 488)
Disposals	450	–	2 166	2 616
Scrapped	2 431	–	2 430	4 861
Currency translation differences	41	–	9	50
Balance at 31.12.	(13 383)	–	(14 071)	(27 454)

Changes in inventory provision 2010	Raw materials and supplies	Work in progress	Finished goods	Total inventory provision
Balance at 1.1.	(14 061)	–	(13 037)	(27 098)
Additions	(3 199)	–	(2 637)	(5 836)
Disposals	994	–	1 659	2 653
Scrapping	2 729	–	2 398	5 127
Currency translation differences	484	–	177	661
Balance at 31.12.	(13 053)	–	(11 440)	(24 493)

24 Overview of financial assets and liabilities

Financial assets as of 31 December 2011	Notes	At fair value through profit and loss	Loans and receivables	Total
Cash and cash equivalents	19	–	161 863	161 863
Marketable securities	20	16 546	–	16 546
Derivative financial instruments	22	55	–	55
Trade receivables	21	–	125 606	125 606
Other current assets (excluding prepayments)	22	–	35 214	35 214
Financial assets (non-current)	31	–	22 409	22 409
Total financial assets		16 601	345 092	361 693

Financial liabilities as of 31 December 2011	Notes	At fair value through profit and loss	Loans and receivables	Total
Trade payables	33	–	39 483	39 483
Other current liabilities	33	–	7 210	7 210
Short- and long-term debt	35	–	–	–
Derivative financial instruments	33	2 252	–	2 252
Total financial liabilities		2 252	46 693	48 945

Financial assets as of 31 December 2010	Notes	At fair value through profit and loss	Loans and receivables	Total
Cash and cash equivalents	19	–	163 150	163 150
Marketable securities	20	42 740	–	42 740
Derivative financial instruments	22	8 665	–	8 665
Trade receivables	21	–	138 751	138 751
Other current assets (excluding prepayments)	22	–	18 711	18 711
Financial assets (non-current)	31	–	21 672	21 672
Total financial assets		51 405	342 284	393 689

Financial liabilities as of 31 December 2010	Notes	At fair value through profit and loss	Loans and receivables	Total
Trade payables	33	–	46 980	46 980
Other current liabilities	33	–	7 371	7 371
Short- and long-term debt	35	–	101	101
Derivative financial instruments	33	468	–	468
Total financial liabilities		468	54 452	54 920

25 Derivative financial instruments

To hedge future exposure to fluctuation in foreign currency, the Group is using derivative financial instruments, especially for forward exchange transactions. At the balance sheet date, the financial instruments have the following values:

	2011	2010
Contract value	42 502	94 778
Contracts with positive fair values	55	8 665
Contracts with negative fair values	(2 252)	(468)

26 Assets held for sale

	2011	2010
Property, plant and equipment	–	1 145
Total assets held for sale	–	1 145

On 28 March 2011 an industrial area from HUBER+SUHNER AG in Pfäffikon was sold to Swisscanto trust. The selling price was CHF 28.3 million. After deducting property gain tax, the expenses for demolition to be considered as well as the net book value of CHF 1.1 million the book gain is CHF 15.9 million in 2011. The net cash flow in the corresponding period was CHF 20.5 million; additionally CHF 5.0 million were deposited on an escrow account and disclosed as other current assets. In the balance sheet at 31.12.2010 this industrial area was disclosed under “assets held for sale”.

All amounts are in CHF 1000

27 Property, plant and equipment

Property, plant and equipment 2011	Land and buildings	Technical equipment and machinery	Other equipment [1]	Assets under construction	Total
Initial cost					
Balance at 1.1.	160 273	278 594	91 620	19 539	550 026
Additions	479	4 068	2 400	28 341	35 288
Disposals	(2 397)	(19 358)	(17 114)	–	(38 869)
Reclassifications	3 456	24 780	4 280	(32 516)	–
Currency translation differences	(449)	(243)	(489)	31	(1 150)
Balance at 31.12.	161 362	287 841	80 697	15 395	545 295
Accumulated depreciation					
Balance at 1.1.	(93 866)	(218 561)	(79 815)	–	(392 242)
Additions	(3 818)	(16 155)	(5 318)	–	(25 291)
Disposals	2 274	18 743	16 943	–	37 960
Reclassifications	–	–	–	–	–
Currency translation differences	147	58	337	–	542
Balance at 31.12.	(95 263)	(215 915)	(67 853)	–	(379 031)
Accumulated impairment					
Balance at 1.1.	(3 264)	(147)	(3)	–	(3 414)
Additions	–	–	–	–	–
Currency translation differences	–	–	–	–	–
Reversal impairments	365	–	–	–	365
Currency translation differences	30	(4)	–	–	26
Balance at 31.12.	(2 869)	(151)	(3)	–	(3 023)
Carrying amount					
At 1.1.	63 143	59 886	11 802	19 539	154 370
At 31.12.	63 230	71 775	12 841	15 395	163 241

[1] The other equipment includes IT-equipment, measurement equipment, testing equipment and vehicles.

In the year 2002 HUBER+SUHNER AG recognised an impairment loss of CHF 2.4 million on a building for electroplating. In 2011 CHF 0.4 million of this impairment could be reversed through profit and loss as the future use of the building is ensured.

Property, plant and equipment 2010	Land and buildings	Technical equipment and machinery	Other equipment [1]	Assets under construction	Total
Initial cost					
Balance at 1.1.	162 178	269 261	109 347	33 999	574 784
Additions	94	4 860	1 232	25 110	31 296
Disposals	(13 341)	(10 819)	(24 696)	–	(48 856)
Reclassifications	14 737	17 481	7 181	(39 399)	–
Currency translation differences	(3 395)	(2 189)	(1 444)	(171)	(7 199)
Balance at 31.12.	160 273	278 594	91 620	19 539	550 026
Accumulated depreciation					
Balance at 1.1.	(102 306)	(212 953)	(93 574)	–	(408 833)
Additions	(5 626)	(16 412)	(12 028)	–	(34 066)
Disposals	12 556	9 825	24 552	–	46 933
Reclassifications	–	–	–	–	–
Currency translation differences	1 510	979	1 235	–	3 724
Balance at 31.12.	(93 866)	(218 561)	(79 815)	–	(392 242)
Accumulated impairment					
Balance at 1.1.	(3 526)	(1 445)	(3)	–	(4 974)
Additions	–	–	–	–	–
Currency translation differences	–	325	–	–	325
Reversal impairments	12	581	–	–	593
Currency translation differences	250	392	–	–	642
Balance at 31.12.	(3 264)	(147)	(3)	–	(3 414)
Carrying amount					
At 1.1.	56 346	54 863	15 770	33 999	160 977
At 31.12.	63 143	59 886	11 802	19 539	154 370

[1] The other equipment includes IT-equipment, measurement equipment, testing equipment and vehicles.

28 Fire insurance value of property, plant and equipment

	2011	2010
Total fire insurance value of property, plant and equipment	794 215	754 318

All amounts are in CHF 1000

29 Investment property

	2011	2010
Initial cost of investment property	545	547
Disposals	–	(2)
Accumulated depreciation	(225)	(225)
Book value of investment property	320	320
Fair value of investment property	1 329	1 329

Rental income and maintenance costs	2011	2010
Rental income	5	5
Maintenance costs	–	–
Capitalisation rate	n/a	n/a

There are no contractual obligations for future repairs and maintenance of investment property, which consists mainly of freehold land.

30 Intangible assets

Intangible assets 2011	Total
Initial cost	
Balance at 1.1.	33 859
Additions	13 322
Disposals	(2 640)
Currency translation differences	(113)
Balance at 31.12.	44 428
Accumulated amortisation	
Balance at 1.1.	(28 899)
Additions	(1 682)
Disposals	2 640
Currency translation differences	85
Balance at 31.12.	(27 856)
Carrying amount	
At 1.1.	4 960
At 31.12.	16 572

Intangible assets include software and software under construction (new ERP solution).

Intangible assets 2010	Total
Initial cost	
Balance at 1.1.	33 651
Additions	8 211
Disposals	(7 793)
Currency translation differences	(210)
Balance at 31.12.	33 859
Accumulated amortisation	
Balance at 1.1.	(30 502)
Additions	(6 381)
Disposals	7 792
Currency translation differences	192
Balance at 31.12.	(28 899)
Carrying amount	
At 1.1.	3 149
At 31.12.	4 960

In 2010 intangible assets include special depreciation in connection with the change of the ERP-implementation partner for an amount of CHF 4.0 million for consultancy services capitalised in the past.

31 Financial assets

Financial assets 2011	Loans to third parties	Other financial assets	Total
Initial cost			
Balance at 1.1.	3 670	21 662	25 332
Additions	–	767	767
Disposals	(7)	(9)	(16)
Currency translation differences	(39)	(13)	(52)
Balance at 31.12.	3 624	22 407	26 031
Accumulated impairment			
Balance at 1.1.	(3 660)	–	(3 660)
Additions	–	–	–
Currency translation differences	38	–	38
Balance at 31.12.	(3 622)	–	(3 622)
Carrying amount			
At 1.1.	10	21 662	21 672
At 31.12.	2	22 407	22 409

Other financial assets include the recognised surplus, according to IAS 19 of CHF 21.2 million (previous year, CHF 20.7 million) of which the employer’s contribution reserve was CHF 13.6 million (previous year, CHF 13.1 million). For further details see note 14.

All amounts are in CHF 1000

Financial assets 2010	Loans to third parties	Other financial assets	Total
Initial cost			
Balance at 1.1.	3 884	31 318	35 202
Additions	117	807	924
Disposals	(3)	(10 356)	(10 359)
Currency translation differences	(328)	(107)	(435)
Balance at 31.12.	3 670	21 662	25 332
Accumulated impairment			
Balance at 1.1.	(3 884)	–	(3 884)
Additions	(103)	–	(103)
Currency translation differences	327	–	327
Balance at 31.12.	(3 660)	–	(3 660)
Carrying amount			
At 1.1.	–	31 318	31 318
At 31.12.	10	21 662	21 672

In 2010 the economic development reserve was deployed functionally and within the law for operating and investing activities. This led to a reduction of other financial assets of CHF 10.0 million.

32 Restrictions on the title to assets

To secure own obligations no assets were pledged or assigned as collateral in the years 2010 and 2011.

33 Current other liabilities (non-interest-bearing)

	2011	2010
Trade payables	39 483	46 980
Accrual for personnel expenses	24 260	26 702
Advance payments from customers	2 378	2 347
Derivative financial instruments	2 252	468
Other liabilities	7 210	7 371
Total current other liabilities	75 583	83 868

Other liabilities include liabilities arising from value-added and withholding tax as well as liabilities for other duties.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011	2010
CHF	11 061	13 172
EUR	8 712	9 613
USD	8 258	4 806
CNY	8 936	15 194
GBP	681	1 838
Other	1 835	2 357
Total trade payables	39 483	46 980

34 Provisions

	Retirement plan obligations	Restructuring provisions	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.	2 999	208	6 283	15 141	11 468	36 098
Additions	249	735	1 439	5 291	157	7 871
Releases	–	(16)	(211)	(5 152)	(102)	(5 481)
Utilisation	(162)	(150)	(3 602)	(4 135)	(952)	(9 001)
Transfer	–	–	–	–	–	–
Currency translation differences	(51)	(1)	12	17	(253)	(276)
Balance at 31.12.	3 035	776	3 921	11 162	10 318	29 212
Of which short-term	–	706	767	8 065	7 444	16 982
Of which long-term	3 035	70	3 154	3 097	2 874	12 230

The retirement plan obligations include liabilities in connection with defined benefit plans for individual former employees.
The restructuring provisions include liabilities to third parties that are related to a detailed restructuring program in former years.
Employee-related provisions include mainly length-of-service rewards and other obligations to employees.
Order-related provisions are directly related to services arising from product deliveries and projects and are based on experience and estimation of the single projects. Order-related provisions concern warranties, customer claims, penalties and other guarantees. The decrease in the year under review is related to the decreased business volume and expired terms of guarantee.
Other provisions include provisions which do not fit into the aforementioned categories such as current or possible litigation arising from disinvestments, licence agreements or duties as well as other constructive or legal obligations.
The major part of the non-current order related provisions are expected to be used within one to two years. Due to the nature of the non-current other provisions the timing of the cash outflows is uncertain whereas a partial cash outflow is expected between two and three years.

35 Long-term debt

	2011	2010
Lease liabilities	–	–
Other financial liabilities	–	101
Total long-term debt	–	101
Average interest rate	n/a	8.2%

Total by due date	2011	2010
Between 2 and 5 years	–	101
After 5 years	–	–
Total long-term debt	–	101

Total by currency	2011	2010
BRL	–	101
Total long-term debt	–	101

The bank covenants are fully satisfied.

All amounts are in CHF 1000

36 Share capital

Nominal value per registered share: CHF 0.25

	Total issued shares		Treasury stock		Other treasury shares		Shares outstanding/ net share capital	
	Number	CHF 1000	Number	CHF 1000	Number	CHF 1000	Number	CHF 1000
Balance at 31.12.08	20 200 000	5 050	726 640	182	105 451	26	19 367 909	4 842
Purchase of treasury shares	–	–	–	–	249 426	62	(249 426)	(62)
Balance at 31.12.09	20 200 000	5 050	726 640	182	354 877	88	19 118 483	4 780
Sales of treasury shares	–	–	–	–	(304 954)	(76)	304 954	76
Balance at 31.12.10	20 200 000	5 050	726 640	182	49 923	12	19 423 437	4 856
Sales of treasury shares	–	–	–	–	(29 900)	(7)	29 900	7
Balance at 31.12.11	20 200 000	5 050	726 640	182	20 023	5	19 453 337	4 863

The voting and dividend rights of the 746 663 treasury shares (previous year, 776 563 treasury shares) cannot be exercised. The Company has no authorised or conditional capital. For information about changes of treasury shares and major shareholders see page 57.

37 Earnings per share

	2011	2010
Net income	49 773	79 010
Average number of outstanding shares	19 445 245	19 271 836
Earnings per share (CHF)	2.56	4.10
Diluted earnings per share (CHF)	2.56	4.10

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

38 Free cash flow

Free cash flow is calculated based on the net cash from operating activities, net cash used from investing activities (excluding changes of marketable securities and derivative financial instruments), less payments to shareholders and considering purchase or sale of treasury shares.

Free cash flow	2011	2010
Net cash from operating activities	29 216	58 408
Net cash from investing activities (excluding changes of marketable securities and derivative financial instruments)	(27 181)	(23 846)
Free operating cash flow	2 035	34 562
Dividend paid	(29 153)	(15 219)
Sale / (purchase) of treasury shares	1 071	13 541
Free cash flow	(26 047)	32 884

39 Commitments

The Group companies have committed to various capital expenditures essential to the ordinary conduct of their business. At year-end there were commitments for property, plant and equipment and intangible assets of CHF 7.5 million (previous year, CHF 6.6 million).

40 Events after the balance sheet date

There were no events after the balance sheet date which affect the annual results or require any adjustments to the Group's assets and liabilities.

Group Companies

Companies at 31.12.2011 (all fully consolidated)		Domicile		Capital stock in 1000	Ownership	Purpose
Switzerland	HUBER+SUHNER AG	Herisau	CHF	5 050	Parent company	▲ ■
	HUBER+SUHNER Finance AG	Herisau	CHF	2 800	100%	◆
Australia	HUBER+SUHNER (Australia) Pty Ltd.	Frenchs Forest, New South Wales	AUD	1 000	100%	■
Brazil	HUBER+SUHNER América Latina Ltda.	São José dos Campos	BRL	3 519	100%	▲ ■
Canada	HUBER+SUHNER (Canada) Ltd.	Ottawa	CAD	2 350	100%	
China	HUBER+SUHNER (Hong Kong) Ltd.	Hongkong	HKD	12 325	100%	◆ ■
	HUBER+SUHNER (Shanghai) Co. Ltd.[1]	Shanghai	CNY	4 139	100%	■
	HUBER+SUHNER T&C (Shanghai) Co. Ltd.[1]	Shanghai	CNY	27 854	100%	▲ ■
	HUBER+SUHNER EEM (Shanghai) Co. Ltd.[1]	Shanghai	CNY	10 240	100%	▲
	HUBER+SUHNER CCM (Changzhou) Co. Ltd.[1]	Changzhou	CNY	46 243	100%	▲
Denmark	HUBER+SUHNER A/S	Vaerløse	DKK	5 000	100%	▲ ■
France	HUBER+SUHNER (France) SAS	Voisins-le-Bretonneux	EUR	200	100%	■
Germany	HUBER+SUHNER GmbH	Taufkirchen	EUR	3 068	100%	▲ ■
India	HUBER+SUHNER Electronics Pvt. Ltd. [2]	Gurgaon	INR	100 000	100%	▲ ■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd [3]	Kuala Lumpur	MYR	502	100%	▲ ■
Netherlands	HUBER+SUHNER B.V.	Rosmalen	EUR	200	100%	
Poland	HUBER+SUHNER Sp. z o.o.	Tczew	PLN	1 875	100%	▲
Singapore	HUBER+SUHNER (Singapore) Pte Ltd.	Singapur	SGD	505	100%	◆ ■
Sweden	HUBER+SUHNER AB	Stockholm	SEK	16 000	100%	■
Thailand	HUBER+SUHNER (Thailand) Co., Ltd. [3]	Bangkok	THB	25 000	100%	■
Tunisia	HUBER+SUHNER (Tunisie) SARL	Sousse	TND	100 000	100%	▲
United Kingdom	HUBER+SUHNER (UK) Limited	Bicester	GBP	4 000	100%	▲ ■
UAE	HUBER+SUHNER Middle East Trading LLC	Dubai	AED	300	100%	■
USA	HUBER+SUHNER (North America) Corp.	Essex, Vermont	USD	1	100%	◆
	HUBER+SUHNER, Inc. [4]	Essex, Vermont	USD	50	100%	▲ ■

[1] Subsidiaries of HUBER+SUHNER (Hong Kong) Ltd.
[2] Subsidiary HUBER+SUHNER Finance AG and HUBER+SUHNER B.V.
[3] Subsidiaries of HUBER+SUHNER (Singapore) Pte Ltd.
[4] Subsidiary HUBER+SUHNER (North America) Corp.

◆ Holding/Finance companies
▲ Production and assembly plants
■ Sales organisations

Report of the Statutory Auditors

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the general meeting on the consolidated financial statements 2011

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of HUBER+SUHNER AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of shareholders' equity and notes (pages 15 to 50), for the year ended December 31, 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Christian Kessler
Audit expert
Auditor in charge

Diego Alvarez
Audit expert

Winterthur, February 20, 2012

Five-Year Financial Summary

in CHF million	2007	2008	2009	2010	2011
Order intake	783.7	755.2	650.2	846.5	734.5
change in % over prior year	13.7	(3.6)	(13.9)	30.2	(13.2)
Net sales	731.9	760.2	631.1	799.5	758.5
change in % over prior year	11.7	3.9	(17.0)	26.7	(5.1)
Gross profit	263.3	274.6	225.0	301.0	238.4
as % of net sales	36.0	36.1	35.6	37.6	31.4
EBIT	83.9	85.3	53.2	101.8	66.1
as % of net sales	11.5	11.2	8.4	12.7	8.7
change in % over prior year	4.6	1.6	(37.6)	91.3	(35.1)
EBITDA	107.9	114.5	83.2	141.8	92.7
as % of net sales	14.7	15.1	13.2	17.7	12.2
Net financial result	9.3	(15.6)	3.4	(2.7)	(5.6)
Income tax	(14.4)	(9.5)	(8.3)	(20.2)	(10.7)
as % of income before taxes	15.4	13.6	14.6	20.3	17.7
Net income	78.8	60.2	48.4	79.0	49.8
as % of net sales	10.8	7.9	7.7	9.9	6.6
change in % over prior year	12.0	(23.7)	(19.7)	63.4	(37.0)
as % of average shareholders' equity	18.8	13.3	10.3	15.3	8.9
Purchases of PP&E and intangible assets	33.9	43.4	35.8	39.5	48.6
change in % over prior year	40.6	28.0	(17.6)	10.3	23.0
Net cash from operating activities	59.6	75.4	94.7	58.4	29.2
change in % over prior year	19.9	26.5	25.6	(38.3)	(50.0)
Free cash flow	(3.1)	16.3	35.5	32.9	(26.0)
change in % over prior year	(109.8)	623.5	118.1	(7.4)	(179.2)
Current assets	416.6	409.2	420.4	529.3	519.2
as % of balance sheet total	69.9	68.0	67.9	74.1	71.5
Non-current assets	179.2	192.1	198.7	185.1	207.2
as % of balance sheet total	30.1	32.0	32.1	25.9	28.5
Liabilities	152.9	140.5	137.1	164.2	152.8
as % of balance sheet total	25.7	23.4	22.1	23.0	21.0
Shareholders' equity	442.8	460.9	482.0	550.2	573.5
as % of balance sheet total	74.3	76.6	77.9	77.0	79.0
Balance sheet total	595.7	601.4	619.1	714.4	726.3
change in % over prior year	11.5	0.9	3.0	15.4	1.7
Employees at year-end	3 497	3 614	3 592	4 062	3 867
change in % over prior year	10.4	3.3	(0.6)	13.1	(4.8)
in Switzerland	1 527	1 579	1 470	1 506	1 588
in EMEA (Europe, Middle East and Africa [excl. CH])	881	801	656	694	715
in APAC (Asia-Pacific)	853	1 009	1 277	1 668	1 342
in Americas (North and South America)	236	225	189	194	222
Employees, yearly average	3 369	3 692	3 492	3 950	4 044

Financial Report 2011

Financial Statements HUBER+SUHNER AG

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Income Statement

in CHF 1000	Notes	2011	%	2010	%
Revenues					
Sales	1.10	540 635	100.0	542 613	100.0
Other operating revenue	1.11	41 752		37 243	
Gain on sale of property, plant and equipment		16 629		49	
Financial revenue	1.12	41 579		47 514	
Non-operating revenue	1.13	66		62	
Total revenues		640 661		627 481	
Costs and expenses					
Material expenses		283 990		285 723	
Employee expenses		168 528		155 408	
Other operating expenses	1.14	78 350		91 049	
Financial expense	1.15	46 246		29 891	
Depreciation and amortisation		21 548		20 478	
Non-operating expenses	1.13	17		40	
Total costs and expenses		598 679		582 589	
NET INCOME		41 982	7.8	44 892	8.3

Balance Sheet

in CHF 1000	Notes	31.12.2011	%	31.12.2010	%
Assets					
Cash and cash equivalents	1.3	114 016		99 254	
Marketable securities	1.4	17 104		43 968	
Trade receivables		14 653		14 697	
Other current assets		14 025		17 688	
Intercompany receivables	1.6	59 258		77 652	
Inventories		55 917		44 779	
Prepaid expenses		508		192	
Total current assets		275 481	66.0	298 230	70.9
Land and buildings		43 367		47 192	
Machinery and equipment		46 196		38 175	
Intangible assets		12 339		–	
Investments in subsidiaries	1.5	36 999		37 013	
Intercompany loans	1.6	2 969		–	
Total non-current assets		141 870	34.0	122 380	29.1
TOTAL ASSETS		417 351	100.0	420 610	100.0
Liabilities and shareholders' equity					
Trade payables		20 823		23 522	
Other current liabilities		5 260		5 031	
Intercompany payables		4 687		15 077	
Accrued liabilities		27 033		18 757	
Total current liabilities		57 803		62 387	
Provisions	1.7	76 265		87 769	
Total non-current liabilities		76 265		87 769	
Total liabilities		134 068	32.1	150 156	35.7
Share capital	1.8	5 050		5 050	
General reserve		40 271		40 271	
Reserve for treasury shares	1.9	953		2 080	
Free reserve		88 797		87 670	
Retained earnings		106 230		90 491	
Net income for the year		41 982		44 892	
Total shareholders' equity		283 283	67.9	270 454	64.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		417 351	100.0	420 610	100.0

Notes to Financial Statements

1 Summary of significant accounting policies

1.1 General
The financial statements of HUBER+SUHNER AG are prepared in accordance with Swiss corporation law.

1.2 Foreign currency translation
Balance sheet items denominated in foreign currencies are converted into Swiss francs at the year-end exchange rates (see supplement to Group Financial Statements).

1.3 Cash and cash equivalents
Cash and cash equivalents consist primarily of term deposits, cash, bank and postal check accounts.

1.4 Marketable securities
The securities portfolio includes bonds, equity instruments, mutual fund shares and fixed-term deposits. Securities are valued at the lower of cost or market value. Revenue from securities is included in financial revenue and expenses are included in financial expense.

1.5 Investments in subsidiaries
Investments in subsidiaries are valued at acquisition cost less any reserve for an impairment in value.

1.6 Intercompany receivables
Short-term intercompany receivables are for sale of goods, short-term loans and interest. Long-term receivables are for loans to subsidiary companies.

1.7 Provisions
Provisions are established mainly for warranties and for miscellaneous commercial risks.

1.8 Share capital
See note 36 of the Financial Report for the composition of capital stock.

1.9 Reserve for treasury shares
This reserve was made in accordance with the Swiss Code of Obligations for shares of HUBER+SUHNER AG held by the Company (see note 7 in the notes of HUBER+SUHNER AG).

1.10 Sales
Sales of the Parent Company are shown as a gross amount. They represent the total value of invoices reduced by sales taxes and credits for returns, but before reductions of revenue such as rebates and cash discounts.

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

1.12 Financial revenue
Financial revenue comes primarily from cash investments and securities, dividends from subsidiary companies, intercompany interest, gains on foreign currency exchange and securities.

1.13 Non-operating revenue and expenses
This is mainly revenue and expenses from real estate not directly related to the business.

1.14 Other operating expenses
This is composed of plant, selling, administration and tax expenses as well as provision expenses.

1.15 Financial expense
Financial expense represents primarily interest expense, bank fees, losses on securities and foreign exchange losses.

2 Securities granted to third parties

in CHF million	2011	2010
Guarantees for loans with promissory notes and other loans to Group companies	2.4	2.9

3 Fire insurance value of property, plant and equipment

in CHF million	2011	2010
Buildings	294.6	288.1
Machinery and equipment	376.0	361.9
Total fire insurance value of PP&E	670.6	650.0

4 Liabilities to pension funds

in CHF million	2011	2010
Total liabilities to pension funds	–	0.1

5 Investments in subsidiaries

See page 50 for a list of the Group companies.

6 Net release of hidden reserves

in CHF million	2011	2010
Total net release of hidden reserves	1.7	–

7 Treasury shares

	2011	2010
Number at 1.1.	776 563	1 081 517
Purchases	2 500	105 846
Sales	(32 400)	(410 800)
Number at 31.12.	746 663	776 563
Balance sheet amount at 1.1.	2 080	13 226
Purchases	106	4 443
Sales	(1 233)	(15 589)
Balance sheet amount at 31.12.	953	2 080

For further information on shareholders' equity refer to page 49.

8 Major shareholders

Shares of votes and capital	2011	2010
H.C.M. Bodmer	11.88%	11.88%
Metrohm AG	10.62%	10.62%
S. Hoffmann-Suhner	6.28%	6.28%
Lombard Odier Darier Hentsch Fund Managers	4.75%	4.75%
Huwa Finanz- und Beteiligungs AG	3.17%	3.17%

Information about published disclosure notices following Art. 20 BEHG are included in Corporate Governance clause 1.2 Significant shareholders. Investments in subsidiaries are listed in the notes to Group Financial Statements, according to OR 663c (see note 15).

9 Compensation and loans

Information about compensation and loans as per OR 663b^{bis} are listed in the notes to the Group Financial Statements (see note 15).

10 Authorised and conditional capital

There is no authorised or conditional capital.

11 Risk assessment

The risk management system of the HUBER+SUHNER Group and of all Group companies is laid down in the Board of Directors' risk strategy and the Executive Group Management's guidelines on the risk management process (see notes of the Group Financial Statements, page 23). This company-wide risk management also covers the operating activities and the specific risks of HUBER+SUHNER AG.

There are no other items to be disclosed as per article 663b of the Swiss Code of Obligations.

Appropriation of Earnings

The Board of Directors of HUBER+SUHNER AG recommends to the Annual General Meeting of Shareholders the following appropriation of available earnings for the year 2011:

in CHF 1000	2011	2010
Prior-year retained earnings	106 230	90 491
Net income for the year	41 982	44 892
Total retained earnings	148 212	135 383
Dividend	18 481	29 153
Total appropriation	18 481	29 153
Retained earnings carried forward	129 731	106 230

If this proposal is accepted the following amounts would be valid for each registered share at CHF 0.25 nominal value:	CHF	CHF
Gross dividend	0.95	1.50
Less 35% withholding tax	0.33	0.53
Net dividend	0.62	0.98

Report of the Statutory Auditors

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the general meeting on the financial statements 2011

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the income statement, balance sheet and notes (pages 54 to 58), for the year ended December 31, 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Christian Kessler
Audit expert
Auditor in charge

Diego Alvarez
Audit expert

Winterthur, February 20, 2012

Share Data

The registered shares of CHF 0.25 each are listed on the main board of the SIX Swiss Exchange:

Security number	3'038'073
ISIN	CH0030380734
SIX Swiss Exchange	HUBN
Reuters	HBSZn
Bloomberg	HUBN SW

Registered shares at 31.12. (nominal value CHF 0.25)	2007	2008	2009	2010	2011
Number of issued shares	20 200 000	20 200 000	20 200 000	20 200 000	20 200 000
Number of shares entitled to a dividend	19 473 360	19 367 909	19 118 483	19 423 437	19 453 337
Number of shareholders at 31.12.	2 844	3 475	3 693	4 197	4 264
Stock market price (in CHF)					
– high	78.00	72.05	41.50	66.35	67.50
– low	48.00	30.00	23.10	40.50	37.75
– year-end	75.85	37.00	40.00	64.80	39.50
Amounts per registered share [1] (in CHF)					
– Net income	4.05	3.09	2.51	4.10	2.56
– Dividend	1.25	1.00	0.80	1.50	0.95 [3]
– Pay-out ratio	31%	32%	31%	37%	37%
– P/E ratio (year-end stock price)	18.7	12.0	15.9	15.8	15.4
– Shareholders' equity	22.74	23.80	25.21	28.33	29.48
Market capitalisation [2]					
– in CHF million	1 477	717	765	1 259	768
– as % of net sales	202	94	121	157	101
– as % of shareholders' equity	334	155	159	229	134

[1] Amounts per share are calculated for the shares entitled to receive a dividend
[2] Stock market price at year-end × number of shares entitled to a dividend
[3] proposed dividend

Financial Calendar

Financial year 2011	
General Assembly of Shareholders	18 April 2012, Herisau
Financial year 2012	
Half-year Report	27 August 2012
Sales/order intake after 9 months	25 October 2012
Sales/order intake after 12 months	17 January 2013
Annual Report	12 March 2013
Media and analysts conference	12 March 2013
General Assembly of Shareholders	10 April 2013, Pfäffikon ZH

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For further information on the HUBER+SUHNER Group please visit www.hubersuhner.com.
This annual report is also available in German. The German version is binding.

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