2019
Annual Report

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HUBER+SUHNER

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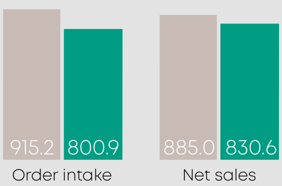
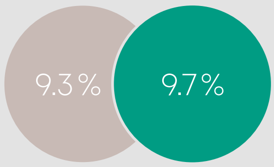
Management Report 2019

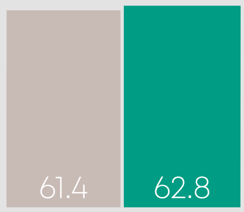
Order intake and net sales behind strong previous year



EBIT margin growth



Net income above previous year



Radio Frequency posts further increase in net sales and profitability

Industrial market with jump in sales

Significant acquisitions – nevertheless high free operating cash flow

2018 2019 in CHF million

HUBER+SUHNER improves profit despite lower net sales

Urs Ryffel (CEO) and Urs Kaufmann (Chairman)

Following three years of strong growth, HUBER+SUHNER saw a decline in order intake and net sales in the financial year 2019. Despite this, the company slightly improved the profit in the reporting year.

At Group level, order intake stood at CHF 800.9 million (previous year CHF 915.2 million), representing a decline of 12.5 %. There were two main reasons for this: a 21.1 % decline in Fiber Optics, attributable to a large-scale 4G project coming to an end, as expected, on the Indian subcontinent, and a 15.0 % decline in Low Frequency as a result of the weaker railway market in China. In Radio Frequency by contrast, there was a marginal increase in order intake of 1.4 %.

Therefore, net sales overall were down 6.1 % at CHF 830.6 million (PY CHF 885.0 million). Adjusted for currency, copper and portfolio effects, the organic decline was 4.6 %.
In the technology segments, net sales developed as follows: Radio Frequency +7.7 %, Fiber Optics -15.5 % and Low Frequency -7.4 %. These developments also resulted in a shift in the net sales share in the main regions: 50 % in EMEA (PY 44 %), 30 % in APAC (PY 37 %) and 20 % in the Americas (PY 19 %). The four strategic growth initiatives developed at a varied pace and resulted in growth overall again.

More funds were dedicated to developing medium-term opportunities with growth potential, resulting in a 15 % increase in research and development expenses year on year to CHF 42.1 million.
The Group was able to reduce selling, general and administrative expenses through stringent cost management. Together with an improved business mix, this contributed to a significantly higher gross margin and increased profitability. The EBIT margin increased to 9.7 % (PY 9.3 %), which is at the upper end of the medium-term target range of 8–10 %.

In absolute figures, the EBIT of CHF 80.5 million was only marginally down on the previous year (CHF 82.5 million).
Net income improved to CHF 62.8 million (PY CHF 61.4 million) on account of a lower tax rate. Return on sales therefore increased to 7.6 % (PY 6.9 %).
Despite the acquisitions made, free operating cash flow stood at a high CHF 45.1 million (PY CHF 71.7 million).
The number of permanent employees worldwide grew by 367 to 4823 in the reporting year (4576 full-time equivalents – annual average). This increase was attributable to the aforementioned acquisition as well as the transitioning of some temporary workers to permanent contracts. In Switzerland, the total number of employees remained stable (1256; PY 1261).

Double-digit growth in industrial, decline in communication and transportation markets
Early in the year under review, the communication market showed signs of reduced activity with roll-outs of the 4G/LTE standard for mobile phone networks, resulting in a significant 24.4 % decline in order intake to CHF 307.4 million and a 20.8 % decline in net sales to CHF 317.8 million.
For the transportation market as a whole, order intake stood at CHF 239.5 million (-11.7 %) and net sales at CHF 248.5 million (-7.7 %), with heterogeneous developments in the individual submarkets. The large railway market was unable to sustain the strong growth of the previous year, which had been particularly marked in Asia. In the automotive submarket, net sales of solutions for conventional vehicles fell slightly short of the previous year, while electric vehicles recorded a slight increase.
The industrial market again grew across a broad front. Order intake increased to CHF 254.0 million (+6.9 %), and net sales rose sharply to CHF 264.3 million (+23.1 %). The aerospace and defense growth initiative as well as the test and measurement core market both reported the strongest development.

Growth in Radio Frequency technology segment, further improving strong profitability
The Radio Frequency technology segment reported another very successful year. Order intake increased by 1.4 % to CHF 272.8 million and net sales rose by 7.7 % to CHF 275.2 million. The EBIT margin was up again to a high 17.1 % (PY 16.0 %). The high degree of differentiation in terms of quality and performance features of the radio frequency solutions led to broad-based growth in a wide range of industrial and transportation applications. The portfolio acquisitions of special antennas made in the year under review ideally complement the existing product range. .

Fiber Optics technology segment improves profitability despite lower volumes

In the Fiber Optics technology segment, lower volumes from 4G mobile communications infrastructure projects in India left a clear mark. Order intake fell by 21.1 % to CHF 274.7 million, while net sales decreased by 15.5 % to CHF 285.6 million. Despite this, active development of higher-margin business helped to grow the EBIT margin to 6.6 % (PY 5.9 %). The innovative products as well as the know-how of the acquired BKtel are complementary to the existing product range and provide the Group with new options for extended overall solutions beyond fiber optics.

Low Frequency technology segment holds its own in a more demanding environment

After the strong growth in 2018, the Chinese railway market lagged behind the previous year. In the Low Frequency technology segment, order intake stood at CHF 253.4 million, representing a year-on-year decline of 15.0 %. Net sales fell by 7.4 % to CHF 269.8 million. The lower utilisation of production capacity put pressure on the EBIT margin (8.0 %; PY 9.8 %). In the automotive submarket, new customer projects were won with components and complete solutions comprising high-voltage cables and distribution units for electric vehicles. In the expansion of the charging infrastructure, which is vital for the further development of electromobility, the company succeeded in consolidating its leading position in the area of high-power charging systems.

Risk management

At its meeting on 5 December 2019, the Board of Directors assessed the business risks as part of its ongoing risk management and approved the 2019 report including the defined measures.

Dividend

The Board of Directors proposes to the Annual General Meeting a payout of CHF 1.60 per share, corresponding to a payout ratio of 50 %.

Change to the Board of Directors

George H. Müller, a long-standing member of the Board of Directors of HUBER+SUHNER AG, will not stand for re-election at the next Annual General Meeting. The Board of Directors would like to thank George H. Müller for his commitment and contribution to the development of HUBER+SUHNER over the past 19 years and will not propose any additions to the Board at the Annual General Meeting. As a result, the Board of Directors will thereafter consist of six members.

Outlook

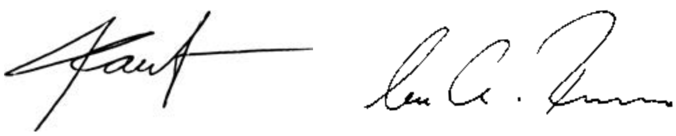
With a view to the main markets, the company expects the expansion of the 5G mobile network infrastructure to gain momentum in the communication market. In the transportation market, tenders for railway projects indicate a positive market environment. In the industrial market, highly differentiated products continue to offer opportunities in a large number of applications. The company remains confident in the prospects for further development in the four growth initiatives and also expects a positive contribution from the acquisition of BKtel.

Following the lower order intake during the second half of the reporting year, a rather restrained start to the current year is to be expected. It is certain that the measures against the spread of the coronavirus in the Chinese market will have negative effects directly on local sales and indirectly on the global value chains with Chinese participation. At this point in time it is unclear how the presumed geographical expansion of the corona crisis will possibly impact business in additionally affected regions.

HUBER+SUHNER will specify its sales outlook for the current fiscal year when presenting its half-year figures. From today's perspective, the aim remains unchanged to achieve an EBIT margin within the medium-term target range of 8–10 % for the full year 2020.

Our sincere thanks

In 2019, the Group celebrated fifty years since the merger of the two founding companies to create HUBER+SUHNER AG in 1969. The reporting year will therefore go down in the company's history as a very special one. On behalf of the Board of Directors and Executive Group Management, we would like to thank all our employees for their excellent work and high level of dedication in a challenging year. We would also like to express our sincere thanks to all shareholders, customers and suppliers for their valued cooperation and trust.



Urs Kaufmann
Chairman of the Board of Directors

Urs Ryffel
CEO

HUBER+SUHNER milestones

Fascinating stories about HUBER+SUHNER, its products and their added value for customers and other stakeholders

5G antennas for Deutsche Telekom

Small cells are playing an important role in the densification of Deutsche Telekom networks. Within the area that they cover, they provide a significant increase in data capacity; currently, up to an additional 150 Mbps. The new HUBER+SUHNER antenna range is enabling this increase in bandwidth using MIMO (Multiple Input Multiple Output) technology. Multiple antennas in a single housing allow multiple data streams to be sent and received simultaneously.

"Small cell antennas are a key element of our expansion strategy. The new antennas enable us to provide targeted coverage of squares and streets.
This will enable us to create more capacity in the inner cities and thus further optimise our network. One great additional benefit of the antennas from our Swiss partner is the flexible handling: we can switch over to 5G in just a few simple steps."

Walter Goldenits, Head of Technology at Telekom Deutschland

Helping buses go digital

When it comes to antennas for public transport, the availability of mobile communication in trains and buses is paramount. The example of the bus manufacturer MAN demonstrates how the right communication solutions not only allow public transport users to access the Internet, but also ensure convenience and security. For MAN, HUBER+SUHNER supplied custom SENCITY® Road antennas that can send and receive 4G, GPS and Wi-Fi signals.
Thanks to these antennas, operators of MAN buses enjoy digital monitoring, maintenance and analysis features, and can provide their passengers with mobile Internet access. To avoid roaming costs, a Wi-Fi antenna has been integrated into the system, also allowing the exchange of data while the bus is in the depot. An additional GPS antenna improves connectivity and tracking, which also benefits passengers.

"Wireless vehicle connectivity is a major focus at MAN and an area where a lot of research is needed. To make this possible, we have to work closely with our suppliers. HUBER+SUHNER offers high-quality products with all the necessary industry certifications, tests and registrations. Many challenges will have to be overcome in the future to ensure the best possible connectivity of our vehicles. We rely on our partner HUBER+SUHNER to meet our requirements and make our service more attractive."

Siegfried Seidel, Product Marketing & Technical Support Bus, MAN Truck & Bus Deutschland GmbH

50 years HUBER+SUHNER
Connecting with you

This is the motto under which the company was making contact with customers, employees, shareholders and other stakeholders at 50th anniversary celebrations worldwide.

Communication
Acquisition of BKtel

The acquisition strengthens the position in broadband communication and optical transmission technology while offering new opportunities in advanced communication and 3D scanning solutions.

Transportation
EV Automotive

HUBER+SUHNER received approval from a European-American car manufacturer to supply a customer-specific cable solution for electric vehicles.

Industrial
Product innovation in test and measurement

Market launch of the innovative SUCOFLEX® 550S, manufactured using patented rotary swaging technology and with a 5 times longer service life

A partnership based on trust

Bombardier Transportation and HUBER+SUHNER enjoy a successful and close relationship that goes back 20 years. As one of Bombardier Transportation’s most trusted partners, HUBER+SUHNER supplies the company with railway cables, intervehicle jumper systems and train communication. Today, more than 20 Bombardier Transportation train models are equipped with HUBER+SUHNER power, signal and databus cables as standard, in projects that span the globe.

“HUBER+SUHNER has always remained a market leader, with its innovative products and knowledge confirming its market position as a leading international cable provider for railway technology. The reputation of HUBER+SUHNER in the industry and the ongoing support and commitment it provides, coupled with its innovative high-performance products on competitive terms, have been invaluable to Bombardier Transportation.”

Gregory Devriese, Global Commodity Manager – Electrical Wiring Interconnectivity System, Bombardier Transportation

A power-saving cable system

The MASTERLINE Ultimate Hybrid High Voltage (MLUH HV) hybrid cable system has been designed specifically to meet the significantly higher power requirements of 5G mobile cells. This hybrid cable transmits data using fiber optics and supplies the remote radio heads (RRH) with 230 V AC voltage instead of the ‘traditional’ 48 V DC voltage. This significantly reduces power loss of the cable and thus the carbon footprint of the telecommunications providers.

Cutting CO_2 emissions
At a mobile site with six remote radio heads consuming 1,200 W of energy each, 60 m cable and a cross-section of 10 mm^2 per copper wire, the maximum energy loss of a 48 VDC installation is 11.20 MWh per year and the maximum loss of a 230 VAC installation is only 2.23 MWh. The cumulative power saving of 8.97 MWh allows operators save between one and 13 tons of CO_2 every year, depending on the electricity mix in a country.

Radio Frequency technology segment

Further growth – increased profitability – portfolio expansion in transportation and industrial markets following acquisition of special antennas from Kathrein

The Radio Frequency technology segment once again increased profitability and enjoyed broad-based growth. Notably strong growth was reported in the aerospace and defense growth initiative, with satellite components a particularly dynamic driver. The test and measurement market segment, for its part, saw an increase in demand for high-quality RF connectors. The antenna solutions acquired from Kathrein were successfully integrated into the HUBER+SUHNER portfolio.

Key figures		2019	2018	%
Order intake	CHF million	272.8	269.1	+1.4
Net sales	CHF million	275.2	255.4	+7.7
Operating profit (EBIT)	CHF million	47.1	40.8	+15.4
EBIT margin	%	17.1	16.0	

Fiber Optics technology segment

Improved EBIT margin – lower 4G roll-out volumes – prospects remain intact

Declining volumes from 4G mobile infrastructure roll-outs in the communication market could be offset only in part through other applications. The optical switches business grew significantly and has the potential to develop even further. The company has also positioned itself well in respect of the ongoing 5G roll-outs. The acquired BKtel brings important knowledge of active network technology at the interface between digital and analogue, and fiber optics and radio frequency respectively. BKtel has also been pioneering interesting laser technology applications in areas such as 3D landscape scanning and autonomous driving.

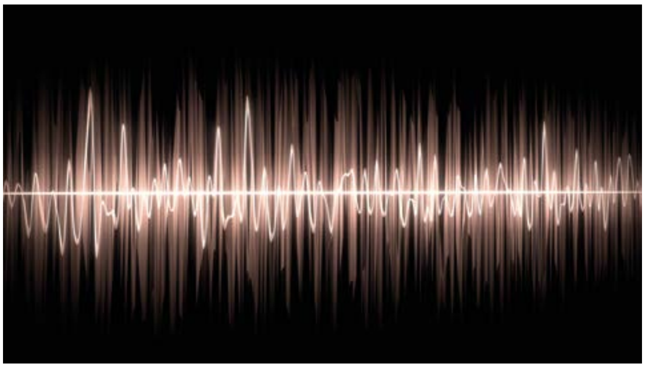
Key figures		2019	2018	%
Order intake	CHF million	274.7	347.9	-21.1
Net sales	CHF million	285.6	338.2	-15.5
Operating profit (EBIT)	CHF million	18.8	20.0	-5.7
EBIT margin	%	6.6	5.9	

Low Frequency technology segment

Net sales and EBIT margin behind strong previous year – further approvals with HV cables and solutions for electric vehicles – position consolidated with high power charging systems

The conditions on the two submarkets, railway and automotive, were less dynamic than the previous year. The position as system supplier was further strengthened with the RADOX® HPC High Power Charging System and expanded to market leadership worldwide. Based on the convincing product properties of RADOX®, a new product line for offshore applications was successfully developed and launched on the market, offering great potential for differentiation.

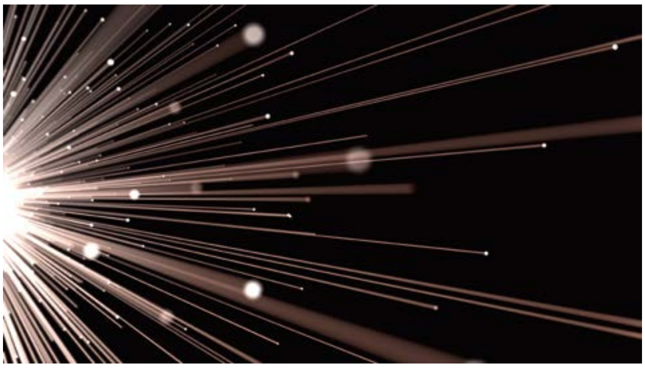
Key figures		2019	2018	%
Order intake	CHF million	253.4	298.2	-15.0
Net sales	CHF million	269.8	291.4	-7.4
Operating profit (EBIT)	CHF million	21.6	28.7	-24.8
EBIT margin	%	8.0	9.8	



Reto Bolt

COO Radio Frequency

"In both the aerospace and defense growth initiative and the test and measurement core market, we were able to continue our growth in 2019. In the communication market, we maintained our position overall, which was due in part to successes with new products. The acquisition of part of the Kathrein antenna portfolio opens up additional opportunities for us."



Fritz Landolt

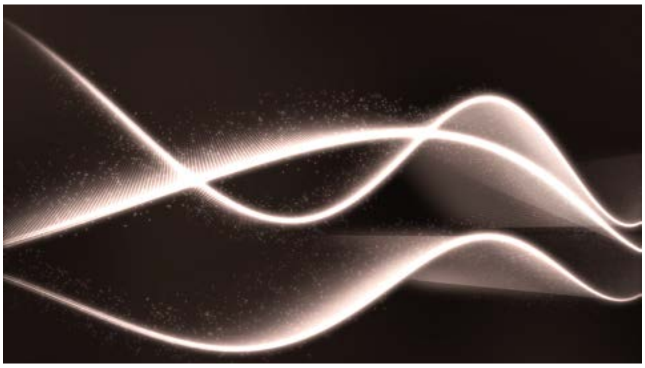
COO Fiber Optics Mobile Communication & Industry

"4G roll-outs still represented a significant portion of our revenue, although some large projects are coming to an end. We were able to establish a strong position with customers who are already implementing 5G roll-outs. In addition, our optical transport solutions based on our WDM technology opened up further application possibilities in the communication market. And in the industrial market, a major focus was the further development of high-voltage direct current transmission and wind power solutions."

Martin Strasser

COO Fiber Optics Fixed Network & Data Center

"With the acquisition of BKtel, the specialist for high-speed data transmission, we are strengthening our position in the WAN / Access networks core market. In addition, our innovative Polatis optical switches have enabled us to significantly increase our market share and attract leading technology companies as new customers."



Patrick Riederer

COO Low Frequency

"Electric drive concepts in the automotive submarket are steadily gaining in importance. Our expertise in high-voltage applications and solutions has also helped us win over more vehicle manufacturers. The more challenging environment in the Asian railway submarket was attributable to delays in the awarding of contracts for railway projects. However, the number of new project tenders worldwide in this market segment continues to testify to intact opportunities."

Key Figures and Financial Calendar

Group in CHF million	2019	2018	Change
Order intake	800.9	915.2	(12.5%)
Order backlog as of 31.12.	213.6	246.9	(13.5%)
Net sales	830.6	885.0	(6.1%)
Gross margin	36.2%	34.6%	
EBITDA	111.8	116.4	(3.9%)
as % of net sales	13.5%	13.2%	
EBIT	80.5	82.5	(2.4%)
as % of net sales	9.7%	9.3%	
Financial result	(1.7)	(2.8)	n/m
Net income	62.8	61.4	2.3%
as % of net sales	7.6%	6.9%	
Purchases of PP&E and intangible assets	37.5	27.0	38.9%
Cash flow from operating activities	129.1	99.6	29.7%
Free operating cash flow	45.1	71.7	(37.1%)
Net liquidity as of 31.12.	190.2	198.8	(4.3%)
Equity as of 31.12.	587.7	620.8	(5.3%)
as % of balance sheet total	78.4%	80.7%	
Employees as of 31.12.	4 823	4 456	8.2%
Market capitalisation as of 31.12.	1 494.9	1 274.2	17.3%

Data per share in CHF	2019	2018	Change
Stock market price as of 31.12.	76.80	65.50	17.3%
Net income	3.22	3.15	2.1%
Ordinary dividend	1.60[1]	1.50	6.7%
Anniversary dividend	–	1.00	n/m
Total dividend	**1.60**[1]	**2.50**	(36.0%)

[1] Proposed dividend

n/m = not meaningful

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

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Financial calendar

Annual General Meeting (Pfäffikon, ZH)	01.04.2020
Half-year report	18.08.2020
Media and analysts' conference	18.08.2020
Sales and order intake (9 months)	22.10.2020

Detailed figures are available online at www.hubersuhner.com/en/company/investors/publications
This management report is also available in German. The German version is binding.

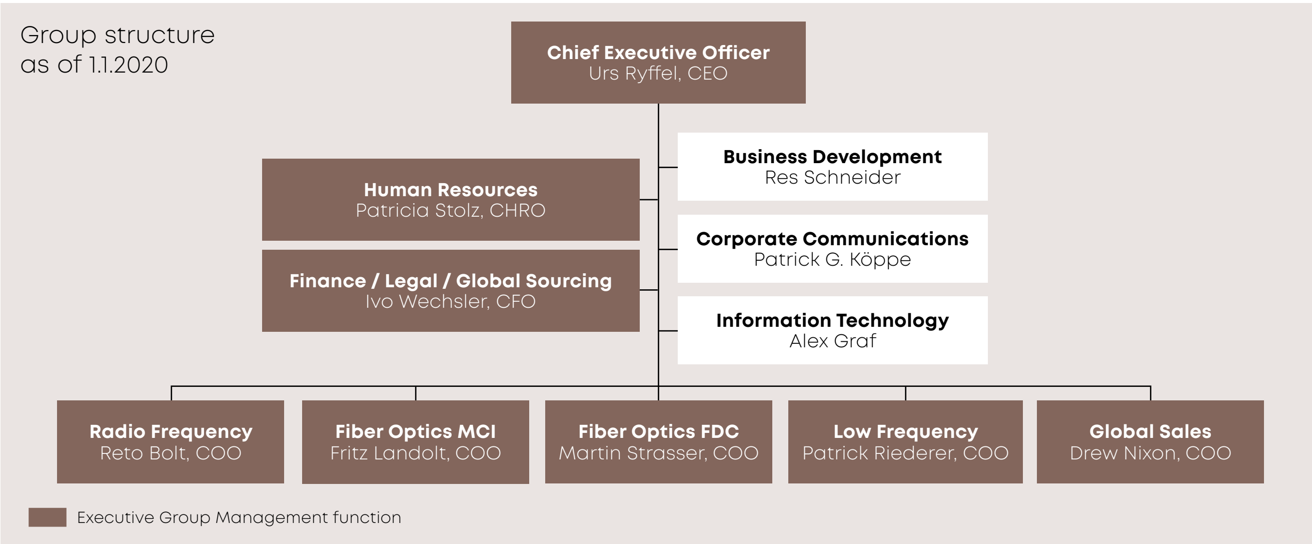
Photos: HUBER+SUHNER, Bombardier Transportation, Getty Images

Corporate Governance 2019

Corporate Governance

The term “Corporate Governance” refers to all of the principles and rules aimed at safeguarding shareholder interests. These principles are intended to guarantee transparency and a healthy balance of management and control while maintaining decision-making capability and efficiency at the highest level of a company.
The following Corporate Governance report is structured in accordance with the Directive on Information relating to Corporate Governance (DCG) issued by SIX Swiss Exchange. All information presented reflects the situation on 31 December 2019, unless otherwise stated.

1 Group structure and shareholders



1.1 Group structure

The operational management of the HUBER+SUHNER Group is structured as a matrix organisation. It is made up of the three technology segments, Radio Frequency, Fiber Optics (subdivided into Mobile Communication & Industry and Fixed Network & Data Center) and Low Frequency on the one side, and Global Sales (which covers eight regions) on the other. At Group level, the five service units – Human Resources, Finance / Legal and Global Sourcing, Business Development, Corporate Communications and Information Technology – assist the Chief Executive Officer (CEO).

Listed Group company

HUBER+SUHNER AG, domiciled in Herisau AR, Switzerland, is the parent company of the HUBER+SUHNER Group. It is incorporated under Swiss law and its shares are listed on the SIX Swiss Exchange in Zurich (Swiss Reporting Standard, VALOR number: 3 038 073; ISIN: CH0030380734). The market capitalisation as per 31 December 2019 amounted to CHF 1 495 million. Further key share data is provided on page 67.

Non-listed Group companies

Information regarding companies in the HUBER+SUHNER Group, none of which is listed, is presented in the Notes to the Financial Statements of the Group, under Group Companies on page 51.

1.2 Significant shareholders

Based on the information available to the company, the following shareholders held 3% or more of HUBER+SUHNER shares at the end of the fiscal year:

Shareholder	Country	% of shares
Metrohm AG	CH	10.62%
EGS Beteiligungen AG	CH	8.0%
S. Hoffmann-Suhner	CH	6.18%
Norges Bank (the Central Bank of Norway)	NO	3.70%
Huwa Finanz- und Beteiligungs AG	CH	3.19%

The company holds 735 140 treasury shares (726 640 treasury stock and 8 500 other treasury shares).

HUBER+SUHNER AG has published two disclosures in connection with shareholder participation in the year under review. Significant shareholder disclosures can be viewed at:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

The HUBER+SUHNER Board of Directors is not aware of any shareholders' agreements or other arrangements with significant shareholders concerning the registered shares they hold in HUBER+SUHNER or the exercise of their shareholder rights.

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

2 Capital structure

2.1/2.2 Capital/Authorised and conditional capital in particular
The HUBER+SUHNER AG share capital, as on the balance sheet date, is fully paid in and stands at CHF 5 050 000. HUBER+SUHNER AG has no authorised or conditional capital. More information regarding the share capital is presented in the Notes to the Financial Statements of the Group, under Share Capital on page 50.

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 is divided into 20 200 000 registered shares, each with a nominal value of CHF 0.25. Each registered share represents one vote. HUBER+SUHNER has issued neither participation nor dividend right certificates.

2.6 Limitations on transferability and nominee registrations
In line with the Articles of Association, only persons who are registered in the share register shall be deemed to be shareholders or beneficiaries with voting rights. The Board of Directors may refuse to recognise an acquirer as a registered shareholder in the company if:

a) the acquirer, as a recognised shareholder, were to directly or indirectly acquire more than 5% of the total number of registered shares;
b) insofar as, and as long as, the recognition of the acquirer as a shareholder could, on the basis of information available to it, hinder the company from providing shareholder composition information as required by federal law;
c) the acquirer, following a request by the company, fails to expressly declare that he has acquired and will hold the shares in his own name and for his own account.

Natural persons, legal entities and business partnerships which are associated with each other through capital, voting rights, management, or in some other manner, as well as all natural persons, legal entities and groupings coordinated for the purposes of circumventing the registration limitations in any way are to be considered as one single acquirer. These limitations shall also apply in cases where shares are acquired following the exercise of pre-emptive rights, options or conversion rights.
The rescindment of or alterations to the rules regarding registration limitations to registered shares requires a resolution of the Annual General Meeting passed by at least two-thirds of the voting shares present and an absolute majority of the nominal value of the shares represented. In principle, nominees are not recognised as shareholders with voting rights.

In line with the regulations for registering HUBER+SUHNER AG shareholders in the share register, the Board of Directors may, in exceptional cases, waive the 5% limit, in particular to facilitate the tradability of registered shares and in connection with corporate mergers and the increase of shareholder stability through new anchor shareholders. In the year under review, the Board of Directors did not grant any exceptions.

Further, in accordance with the regulations for registering HUBER+SUHNER AG shareholders in the share register the registration of nominee as shareholder with voting rights is not admitted.

2.7 Convertible bonds and options
HUBER+SUHNER AG does not have any outstanding convertible bonds or any shareholder or employee options on its books.

3 Board of Directors

3.1/3.2 Members of the Board of Directors/Other activities and vested interests
The Board of Directors of HUBER+SUHNER AG must consist of at least five members.
All members of the Board of Directors are non-executive. They do not participate in the executive management of the Group. They also do not have any significant business relationships with HUBER+SUHNER AG or other Group companies. Other than the Chairman, no member of the Board of Directors has served as a member of HUBER+SUHNER Executive Group Management or one of its Group companies in the three years prior to the period under review.

At the Annual General Meeting on 10 April 2019 Franz Studer was elected as a new Board member. He replaced Christoph Fässler who did not stand for re-election and had been a member of the Board since 2013. All other six acting members of the Board of Directors were re-elected. For information regarding the resigning member see:
https://www.hubersuhner.com/en/company/investors/publications.
At the forthcoming Annual General Meeting on 1 April 2020, George H. Müller will not be available for re-election. At that Meeting, the Board will not propose any additions to the Board of Directors.

On 31 December 2019 the Board of Directors comprised the following seven members:

Urs Kaufmann
Chairman of the Board of Directors since 6 April 2017
1962, Swiss citizen, Board of Directors since 2014

Education and professional background
Dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. Senior Executive Program IMD, Lausanne. Project Manager, Production Manager and Head of Sales at Zellweger Uster AG, Uster and USA, 1987 to 1993. Joined HUBER+SUHNER in 1994; Managing Director of Henry Berchtold AG, a former subsidiary of HUBER+SUHNER AG, 1994 to 1997. Division Head and member of the Management Board of HUBER+SUHNER AG, 1997 to 2000. Member of Executive Group Management since 2001; Chief Executive Officer from 2002 to 31 March 2017.

Other activities and vested interests
Chairman of the Board of Directors at Schaffner Holding AG, Luterbach. Member of the Board of Directors at SFS Group AG, Heerbrugg; Gurit Holding AG, Wattwil; Vetropack Holding AG, Bülach as well as Müller Martini Holding AG, Hergiswil. Executive committee member of Swissmem and the Swiss Employers' Association.

Dr. Beat Kälin
Deputy Chairman of the Board of Directors
1957, Swiss citizen, Board of Directors since 2009 (between 2015 and 5 April 2017 Chairman of the Board of Directors)

Education and professional background
Dr. sc. techn., dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. MBA INSEAD, Fontainebleau. Various management positions with Elektrowatt Group, Stäfa and Zug, 1987 to 1997. SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen a.Rhf., 1998 to 2004; member of Executive Group Management as of 1999. Member of the divisional management board for packaging technology at Robert Bosch GmbH, Neuhausen a.Rhf, 2004 to 2006. COO of the Komax Group, Dierikon, 2006 to 2007; CEO, 2007 to 2015.

Other activities and vested interests
Chairman of the Board at Komax Group, Dierikon, and at Sevensense Robotics AG, Zurich. Member of the Board of Directors at CabTec Holding AG, Rotkreuz.

Prof. Dr. Monika Bütler
1961, Swiss citizen, Board of Directors since 2014

Education and professional background
PhD from the University of St. Gallen. Diploma in Mathematics/Physics from the University of Zurich. Director of the Swiss Institute for Empirical Economic Research (SEW) at the University of St. Gallen. Professor of Economics and Public Policy at the University of St. Gallen since 2004. Professor at the University of Lausanne, 1999 to 2004. Assistant Professor at the University of Tilburg, Netherlands, 1997 to 2001.

Other activities and vested interests
Member of the Board of Directors of Schindler Holding Ltd., Hergiswil. Member of the Bank Council of the Swiss National Bank, Zurich. Vice President of the Foundation Board, Gebert Rüf Stiftung, Zurich.

George H. Müller
1951, Swiss citizen, Board of Directors since 2001

Education and professional background
Dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. General Manager for Cosa do Brasil Ltda., São Paulo, Brazil, 1976 to 1980. Member of the Executive Group Management and of the Board of Directors at UHAG Übersee-Handel AG, Zurich, 1980 to 1990. Chairman and Delegate of the Board of Directors at Cosa Travel Ltd., Zurich, since 1990.

Other activities and vested interests
Chairman of the Board at 3D AG, Baar and at Cosa Mirai AG, Zurich. Consul General of Japan in Zurich.

Rolf Seiffert
1958, Swiss citizen, Board of Directors since 2010

Education and professional background
Dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. Product development and product management posts with ABB Transportation/Adtranz, Zurich, 1988 to 1998. Various line functions in product development and sales at Siemens Switzerland, Rail Automation, Wallisellen, 1999 to 2010. Vice President Sales at duagon AG, Dietikon, 2011 to 2013. Head of Sales at Ruf Telematik AG, Schlieren, 2013 to 2015. Managing Director at Kummler+Matter AG, Zurich, 2015 to 2017; and Head of Railway Signaling until 2018. Managing Director of BBR rail automation Swiss AG, Lucerne since June 2019.

Other activities and vested interests
None

Dr. Franz Studer
1965, Swiss citizen, Board of Directors since 10 April 2019

Education and professional background
Dr. iur. University of Zurich. Admitted to the Zurich bar. MBA from the University of St. Gallen and International Directors Programme at INSEAD in Paris. Many years of industry experience in various legal and commercial management positions. 1999 to 2009 Bühler AG, Uzwil. 2010 to 2011 CEO/COO aizo group AG, Zurich/Wetzlar. Since 2012 Investment Director and member of the Executive Committee at EGS Beteiligungen AG*, Zürich.

Other activities and vested interests
Chairman of the Board at Kantonsspital Winterthur and at FAES AG, Wollerau. Member of the Board of Directors at Sensirion AG, Stäfa.

*Significant shareholder at HUBER+SUHNER AG

Jörg Walther
1961, Swiss citizen, Board of Directors since 2016

Education and professional background
Lic. iur. University of Zurich. Admitted to the Aargau bar. MBA from the University of Chicago. Acquired several years of industry experience as a legal counsel to various multinational corporations: Danzas Management, Basel, 1991 to 1995. ABB Asea Brown Boveri AG, Baden and Oerlikon, 1995 to 2001. Novartis International AG, Basel, 2001 to 2009. Partner at Schärer Attorneys at Law in Aarau since 2010.

Other activities and vested interests
Chairman of the Board of Directors at Proderma AG, Schötz. Member of the Board of Directors at SFS Group AG, Heerbrugg; Zehnder Group AG, Gränichen; AEW Energie AG, Aarau; Kraftwerk Augst AG, Augst as well as Immobilien AEW AG, Aarau.

Honorary chairmen
Marc C. Cappis, 1935
David W. Syz, 1944

3.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para.1 point 1 OaEC (Ordinance against Excessive Compensation at Listed Joint-Stock Companies)
As per Article 30 of the Articles of Association, a Member of the Board of Directors may hold up to 5 posts as a member of the management board or administrative body of other listed legal entities. In addition, a Member of the Board of Directors may hold up to 20 posts as a member of the management board or administrative body of non-listed legal entities and up to 10 posts as a member of the management board of foundations and associations.

3.4 Elections and terms of office
According to the legal provisions, all Members of the Board of Directors, the Chairman and the members of the Nomination and Compensation Committee are elected annually and individually. The Articles of Association do not allow for any deviation from these election rules. The term of office of a Member of the Board runs until the end of the next Annual General Meeting. Re-election is possible. Please refer to 3.1/3.2 for the first election per member. Members of the Board cannot run for re-election at the Annual General Meeting in the year in which they turn 70 years of age. The Annual General Meeting also appoints the independent proxy representative each year. The term runs until the end of the next Annual General Meeting. Re-election is possible.

3.5 Internal organisational structure
The Board of Directors exercises overall management, supervision and control over the running of the Group. Except for the election of the Chairman and the Members of the Nomination and Compensation Committee by the Annual General Meeting, the Board of Directors constitutes itself. The Board of Directors may appoint the Deputy Chairman from among its members. It may also appoint a Secretary from outside the ranks of the Board.

Working practices of the Board of Directors
The Board of Directors meets as often as business requires, but at least five times a year. The Chairman, or if he is unable to attend, the Deputy Chairman or another Member of the Board, chairs Board meetings. The Chairman convenes Board meetings and sets their agendas. He also ensures that Members receive the agenda at least 10 days in advance of the meeting, and decision material generally one week beforehand. In addition to the CEO, the CFO also attends Board meetings as a representative of Executive Group Management. Depending on the business at hand, other members of Executive Group Management may take part.
Decisions are taken by the Board as a whole. The Board shall constitute a quorum when the majority of its members are present. All decisions require a voting majority. In a tie, the Chairman shall have the casting vote. Voting by proxy is not allowed. All resolutions and agreements are minuted and approved by the Board.

Five regular half-day Board meetings, two telephone conferences as well as a one-day “strategy work-shop”, which was also attended by the entire Executive Group Management, were held during the year under review. The meetings took place at regular intervals during the financial year.

The Chairman of the Board regularly meets with the CEO to discuss current business performance and activities and makes decisions regarding the disclosure of price-sensitive facts or the acceptance of posts outside the company by members of Executive Group Management. In addition, he is responsible for monitoring the implementation of and compliance with resolutions taken by the Annual General Meeting and the Board of Directors and keeps the other members of the Board updated in a regular and timely manner. In addition to his core responsibilities, the Chairman performs additional duties for the HUBER+SUHNER Group, including liaising with key stakeholders and with the representative in the Foundation Committee or other organisations.

Committees – composition and working practices

The areas of responsibility and authority of the Nomination and Compensation Committee and the Audit Committee are defined in the appendix to the HUBER+SUHNER Bylaws. These committees support the Board in its supervisory and control capacities and function mainly as advisory, assessment and preparatory bodies. The members of the committees are as follows:

	Nomination and Compensation Committee	Audit Committee
Urs Kaufmann	Committee Chair	
Beat Kälin	Member	
Monika Bütler		Committee Chair
Jörg Walther		Member

The committees meet as often as business requires, but at least twice a year. Minutes are taken at each meeting and sent to all meeting participants and to all Members of the Board of Directors. At the subsequent Board meeting, the Committee Chair briefs the Board and puts any motions to it.

The Nomination and Compensation Committee (NCC)

The committee consists of at least two non-executive Members of the Board elected annually by the Annual General Meeting, one of which will be designated as Chair by the Board of Directors. If the office of one of the members elected by the Annual General Meeting becomes vacant, the Board appoints one of its members to replace the departing member for the remainder of the term.

The committee prepares all the relevant decisions relating to nominating and compensating members of the Board of Directors and Executive Group Management and the Group's compensation policy. The CEO attends the meetings, except if his own performance is under review or his own compensation is under discussion. Where necessary, the CHRO (Chief Human Resources Officer) is also present. The committee held two half-day meetings during the year under review.

The main duties of the Nomination and Compensation Committee are:
- managing the selection process and applications relating to new Board Members and the CEO;
- reviewing the selection process and applications relating to other members of Executive Group Management and core conditions of employment;
- drafting the compensation report;
- drafting proposals to be submitted to the Annual General Meeting as regards the remuneration provisions for the Board of Directors.
- reviewing and requesting the individual remuneration of the CEO and the other members of Executive Group Management in relation to the maximum compensation amounts approved by the Annual General Meeting;
- deciding upon the annual salary adjustments within the Group proposed by the CEO;
- briefing the Board of Directors on all NCC-related matters that are not in the immediate purview of the Board.

Audit Committee (AC)

The committee consists of at least two members. The Board of Directors appoints the members and designates the Chair annually. It supports the Board with financial management, supervision of accounting, financial reporting, internal auditing and cooperation with the external auditor. It decides on urgent technical matters. Areas of authority and responsibility assigned to the Board of Directors by law and by the Bylaws remain wholly within the Board.
The Chairman of the Board, the CEO, the CFO, the Head of Corporate Controlling and the external auditor usually attend committee meetings. Where necessary, the committee addresses certain agenda items with the external auditor alone. The committee held two half-day meetings in the year under review.

The Audit Committee has the following main tasks:
- reviewing the design of the accounting system and compliance with regulations and standards and, if necessary, proposing amendments for the attention of the Board of Directors;
- reviewing the yearly and half-yearly financial statements and other financial information to be published;
- monitoring risk management and the effectiveness of the internal control system (ICS);
- verifying the controlling system;
- monitoring compliance with internal regulations and policies, relevant legislation and compliance, in particular with regard the SIX Swiss Exchange;
- verifying performance, independence and payment of the external auditor, and handling audit reports and election recommendations for the attention of the Board of Directors;
- setting the audit plan for internal auditors and dealing with their audit reports;
- briefing the Board of Directors on all Audit Committee-related matters not in the immediate purview of the Board.

3.6 Definition of areas of responsibility

The areas of authority and responsibility of the various bodies are set out in the Bylaws (available under www.hubersuhner.com/en/company/investors/corporate-governance).

The Board of Directors issues guidelines for business policy and makes decisions about all matters that are not reserved for, or assigned to, the Annual General Meeting or another company body by law, by the Articles of Association or the Bylaws. In particular, the Board of Directors approves the business strategy and organisation proposed by Executive Group Management, as well as budgets, medium-term plans, acquisitions and other business which, by its nature or financial impact, is considered strategically significant. Written requests are prepared for all projects that require a decision by the

Board.
The Board of Directors delegates the Group's operational management to the Chief Executive Officer (CEO), unless statutory regulations or the Bylaws state otherwise. The Bylaws are periodically reviewed and adapted by the Board.

3.7 Information and control instruments vis-à-vis the Executive Group Management

The Board's main information and control instrument is a management information system based on financial accounting according to Swiss GAAP FER. 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 regions are submitted monthly to all Board members.
Regular reporting to the Board by Executive Group Management consists of a monthly written commentary from the CEO on business activities and the Group's result. It is 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 to the Board Chairman.
The attendance of Executive Group Management members (especially the CEO and CFO) at the Board of Directors' meetings and its committees is defined in Section 3.5 (Internal Organisation). During Board meetings, the CEO provides information about the current state of business and major business transactions; the CFO explains the annual and half-year statements as well as the forecasts. Each Member of the Board may also ask for information about all matters pertaining to the HUBER+SUHNER Group.
The Board of Directors is also closely involved in the company's planning cycle. In the third quarter of each year, it receives, for its approval, the results of the strategic mid-term plan, which covers a period of 5 years. In the fourth quarter, the Board approves a detailed budget for the coming year. It also receives a forecast of the annual results twice a year.
Internal auditing at HUBER+SUHNER is the responsibility of Corporate Controlling. The Head is subordinate to the CFO, but reports directly to the Audit Committee regarding these activities. This solution, tailored to the specific situation and size of HUBER+SUHNER, is cost-effective and ensures that internal audit findings are available in their entirety to the Controlling team. Based on financial risk considerations, an annual plan of the companies to be audited is drawn up in cooperation with the external auditor and submitted to the Audit Committee for approval. The main priorities of the audit are compliance with internal policies, processes, reviews and the implementation of the internal control system. The internal auditors discuss the results of each audit in detail with the companies concerned, and concrete measures are agreed upon. Internal audit reports are submitted, together with suggested improvements, to the Audit Committee, the Chairman of the Board, the CEO, the CFO, the COO Global Sales, the management of the audited company as well as the external auditor. Audit reports with significant findings are presented to and discussed in the Audit Committee. The Audit Committee ensures, on an annual basis, that issues and recommendations are dealt with.
The external auditor annually assesses the internal control system (ICS) in a comprehensive report to the Audit Committee and the Board of Directors and confirms its existence.

Risk management of the HUBER+SUHNER Group and all Group companies is laid down in the Board of Directors' risk policy and in the Executive Group Management's guidelines on the risk management process. In the reporting year, Executive Group Management reviewed the progress and effectiveness of the measures taken and has selected and reassessed the most significant financial, operational and strategic risks at Group level. This was based on its own top-down estimates and on bottom-up data from divisions and corporate functions. The risks were categorised according to their probability of occurrence and potential financial impact. In addition, mitigating measures as well as operational responsibilities were defined for each listed risk. The evaluated risks as well as the ongoing and planned compliance measures were presented in the 2019 Risk Report to the Board of Directors for review and approval. After its review, the Board approved the report on 5 December 2019.

4 Executive Group Management

4.1/4.2 Members of Executive Group Management/Other activities and vested interests

Executive Group Management is the highest management level; it assists the CEO with his operational management tasks. It deals with all business and decisions that are important for the company. On 31 December 2019, Executive Group Management consisted of the following nine members:

Urs Ryffel
1967, Swiss citizen, CEO
(Chief Executive Officer)

Education and professional background
Dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. 1992 to 1999 Head of the Business Development unit at ABB Power Generation Switzerland, Baden and Head of the Hydro Power Plant Service global business unit at ABB Power Generation segment, Zurich. 1999 to 2002 General Manager for the Hydro Power segment at ABB/ALSTOM, Lisbon and for Hydro Power Plants and Systems in Paris. Joined HUBER+SUHNER in 2002 as Head of Rollers business unit. 2004 to 2007 Head of the Cable System Technology business unit. 2007 to 2016, Head of Fiber Optics Division; since 2008 member of Executive Group Management and since 1 April 2017 Chief Executive Officer.

Other activities and vested interests
Member of the Board of Directors of Bergbahnen Scuol AG, Scuol.

Reto Bolt
1966, Swiss citizen, Radio Frequency
(Chief Operating Officer Radio Frequency)

Education and professional background
Dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. Joined HUBER+SUHNER in 1993 as Operations Engineer for coaxial connectors, then held several management positions in the operations department of the Radio Frequency Division. 2004 to 2007 Head of Global Management Systems, from 2007 to 2012 Head of the Cable Systems business unit within the Low Frequency Division. Since 2012 Head of Radio Frequency Division and member of the Executive Group Management.

Other activities and vested interests
None

Fritz Landolt
1967, Swiss citizen, Fiber Optics –
Mobile Communication & Industry
(Chief Operating Officer Fiber Optics MCI)

Education and professional background
Dipl. El.-Ing. HTL/STV, FH NDS Telecom Mgt, MBA University of Zurich. 1991 to 1996 R&D Engineer for pager at swissphone, Samstagern. 1996 to 2000 Product Manager for GSM-base stations at Philips Communication Systems, Zurich. 2000 to 2012 Director Network and Technology at Sunrise, Zurich. 2012 to 2013 Director Solutions & Engineering at Huawei, Zurich. Joined HUBER+SUHNER in 2014 as Product Unit Manager in the Fiber Optics Division. Since October 2016 Head of Fiber Optics Mobile Communication & Industry Division and since 2017 member of the Executive Group Management.

Other activities and vested interests
None

Drew Nixon
1965, American citizen, Global Sales
(Chief Operating Officer Global Sales)

Education and professional background
Bachelor in Business Administration, Babson College, Wellesley Massachusetts, USA. 1988 to 2000 working in various management functions for the American companies Charleswater Products INC, Boston Metal Products Corp, Cerplex Mass INC and Decibel Instruments INC. 2000 to 2004 as Director of Finance and Administration at Zettacom INC, Santa Clara, US. Joined HUBER+SUHNER in 2004 as Finance Director North America, 2008 to 2012 Managing Director North America, Vermont, 2012 to 2015 Managing Director of the Region North Asia, Shanghai. Since 2015, Chief Operating Officer Global Sales and member of the Executive Group Management.

Other activities and vested interests
None

Patrick Riederer
1965, Swiss citizen, Low Frequency
(Chief Operating Officer Low Frequency)

Education and professional background
Chemical Engineer, Polytechnic School of Engineering, Winterthur. Joined HUBER+SUHNER in 1991 as Material Development Engineer, 1994 to 1998 Product Manager, 1998 to 2002 Head of Cable Technology Product Management, from 2002 to 2007 Head of Cable Technology. Since 2008, Head of Low Frequency Division and member of the Executive Group Management.

Other activities and vested interests
Member of the Board of Directors at Wolfensberger Beteiligungen AG, Bauma.

Dr. Ulrich Schaumann
1957, Swiss citizen, Corporate Operations, IT and Quality Management
(Chief Operations + IT Officer)

Education and professional background
Dipl. Masch-Ing. ETH Zurich (Swiss Federal Institute of Technology), postdoctoral degree to Dr. sc. techn. ETH Zurich. 1986 to 1992 different functions in production and logistics as well as Head of Logistics at Zellweger Uster AG, Uster. 1992 to 2005 different functions in supply management, engineering and responsibility for the head office in Switzerland, as well as member of the board at H.A. Schlatter AG, Schlieren. Joined HUBER+SUHNER in 2005 as a Manager Global Operations, 2013 to 2015 Manager Corporate Operations. Since 2015 Chief Corporate Operations + IT Officer and member of the Executive Group Management.
Mr. Schaumann decided to retire early and left HUBER+SUHNER at the end of 2019. His tasks were distributed to different people and therefore his position will not be replaced in the Executive Group Management.

Other activities and vested interests
Member of Board of Directors at Romay AG, Oberkulm.

Patricia Stolz
1969, Swiss citizen, Human Resources
(Chief Human Resources Officer)

Education and professional background
Human Resources Specialist with certificate of competence and EMBA University of Applied Sciences St. Gallen. 1990 to 2003 assistant in Human Resources at NAW Nutzfahrzeuge AG, Arbon. 2003 to 2007 Head of HR Management at Flawa AG, Flawil. Joined HUBER+SUHNER in 2008 as Human Resources Manager of the Fiber Optics Division. Since 2015 Chief Human Resources Officer and member of the Executive Group Management.

Other activities and vested interests
None

Dr. Martin Strasser
1974, Austrian citizen, Fiber Optics – Fixed Network & Data Center
(Chief Operating Officer Fiber Optics FDC)

Education and professional background
Dipl. Ing. Dr. techn. TU Vienna, EMBA Zurich University of Applied Sciences in Business Administration. Joined HUBER+SUHNER in 2002 as Project Leader Research+Advanced Development. 2004 to 2008 Product Manager in the Fiber Optics Division and since 2008 member of the division management. 2008 to 2016 Product Unit Manager for Fiber Management Systems. Since October 2016 Head of Fiber Optics – Fixed Network & Data Center Division and since 2017 member of the Executive Group Management.

Other activities and vested interests
None

Ivo Wechsler
1969, Swiss citizen, Finance, Legal and Global Sourcing
(Chief Financial Officer)

Education and professional background
Lic. oec. HSG (University of St. Gallen). 1995 to 1997 at Schweizerische Bankgesellschaft (UBS) in Corporate Finance in Zurich/London. 1998 to 2000 Controller and from 1999, Head of Controlling & Treasury at Sunrise Communications, Rümlang. 2001 to 2007 Head Corporate Controlling and from 2005 in addition Head Corporate Treasury, Ascom Group, Bern. Joined HUBER+SUHNER in 2008 as Head Corporate Controlling. Since 2010 Chief Financial Officer and member of the Executive Group Management.

Other activities and vested interests
Member of the Board of Directors at Zehnder Group AG, Gränichen

4.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC

As per article 30 of the Articles of Association, a member of Executive Group Management may hold up to 3 posts as a member of the management board or administrative body of other listed legal entities. In addition, a member of Executive Group Management may hold up to 5 posts as a member of the management board or administrative body of non-listed legal entities and up to 5 posts as a member of the management board of foundations and associations.

4.4 Management contracts

There are no management contracts with companies or individuals outside of the HUBER+SUHNER Group.

5 Compensation, shareholdings and loans

The principles and elements of compensation and shareholding program for the members of the Board of Directors and the Executive Group Management are laid down in Articles 24 to 29 of the Articles of Association and specified in the compensation regulations issued by the Board of Directors.
More detailed information about the compensation, shareholding programs as well as loans and the approval procedure by the Shareholder Meeting is set forth in the Compensation report (see pages 22–27). Information about the shareholdings of the Board of Directors and Executive Group Management are shown in the Financial Statements HUBER+SUHNER AG (see page 61).

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

One share represents one vote. Each shareholder may be represented either by the independent proxy, a representative authorised by written or electronic power of attorney, or by another individual or legal entity by a power of attorney in writing. Proxy holders do not need to be shareholders.
When exercising voting rights, no shareholder representing another shareholder may, with his own shares and the shares he represents, control more than 10 % of the entire share capital. Proxy holders who are not shareholders may not control more than 10 % of the total share capital. Individuals, legal entities and groups with joint legal status which are bound by capital or voting rights, by consolidated management or in another manner, or individuals, legal entities and legal communities which coordinate their action to circumvent the above restrictions are to be considered as one single shareholder. The limitation does not apply to the independent proxy.
The Board of Directors may decide on exceptions to restrictions on voting rights and representation. The Board of Directors has granted one exception in the reporting year in connection with a long-term core shareholder.
According to Article 13 of the Article of Association a resolution for abolishing voting rights restrictions requires the relative majority of the casted votes.
Powers of representation and voting instructions are granted to the independent proxy representative in accordance with legal provisions.

6.2 Quorums required by the Articles of Association

The Annual General Meeting makes its decisions and carries out its elections with a relative majority of votes unless the law determines otherwise. A decision by the Annual General Meeting which assembles at least ⅔ of the represented share votes and the absolute majority of the nominal value of the shares issued, is required for:

1. relaxation or cancellation of the limitations on the transferability of registered shares;
2. conversion of registered shares into bearer shares;
3. dissolution of the company.

6.3/6.4 Convocation of the Annual General Meeting Inclusion of items on the agenda

Convening the Annual General Meeting and setting the agenda are governed by Articles 699 and 700 of the Swiss Code of Obligations. However, Article 9 of the Articles of Association stipulates that shareholders entitled to vote may only place an item of the agenda if they hold shares with a minimum nominal value of CHF 50 000. The Board must be notified of a request to place an item on the agenda and be given the proposals in writing no later than 60 days prior to the Annual General Meeting.

6.5 Entries in the share register

As a general rule, no entries of registered shareholders are made in the share register in the five working days before the Annual General Meeting. The Board of Directors announces the deadline for making entries in the share register in the invitations to the Annual General Meeting. The Board of Directors did not grant any exceptions to this rule in the year under review.

7 Changes of control and defence measures

7.1 Duty to make an offer

No statutory rules governing opting-up or opting-out exist as per the Financial Market Infrastructure Act (FMIA).

7.2 Clauses on changes of control

No contractual clauses governing changes in control exist in the employment contracts with members of either the Board or Executive Group Management. The share blocking periods are not revoked when members of the Board or Executive Group Management resign. According to the HUBER+SUHNER AG Compensation Policy, the Board may prematurely revoke existing blocking periods only under special circumstances, such as a change of control requested by the Nomination and Compensation Committee.

8 Auditors

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

Ernst & Young AG, Zurich, has been the independent auditor of HUBER+SUHNER AG and various Group companies since 2018. The current lead auditor, Mr. Willy Hofstetter, has been in charge since 12 April 2018. As per article 730a(2) Swiss Code of Obligations, his tenure as lead auditor may not exceed seven years. The auditors are elected by the Annual General Meeting for a term of one year.

8.2/8.3 Auditing fees/Additional fees

Ernst & Young (EY) charged CHF 529 000 for auditing the Group Financial Statements and the individual financial statements of different Group companies during the reporting year, and CHF 14 000 for additional EY tax and consulting services.

8.4 Information instruments pertaining to the external audit

The Audit Committee informs the Board of the work performed by and working relationship with the external auditor. Each year, the external auditor submits an audit plan, a "confirmation of analytical review" of the half-year and a comprehensive report on the annual financial statements with conclusions on financial accounting, the internal control system, the Compensation Report (Chapter 5) and the audit results for the attention of the Board of Directors and the Audit Committee. The Audit Committee also assesses the scope of the annual audit and the audit plans, and discusses the audit findings with the external auditor. In the year under review, the external auditor was present at both Audit Committee meetings.
The Audit Committee annually assesses the external auditors' performance, independence and fees and recommends to the Board the external auditing company to be nominated by the Annual General Meeting.
This evaluation is based on the reports and presentations provided by the external auditors, the discussions held in the meetings, their objectivity as well as their technical and operational expertise. The Audit Committee reviews the suitability and scope of the additional services rendered by the external auditor. If the planned additional services exceed the monetary limit set by the Audit Committee, the Audit Committee must be informed in advance.

9 Information policy

As a listed company and as a credible and sustainable business partner, HUBER+SUHNER (H+S) informs its internal and external stakeholders actively, transparently and in good time. Its communication policy is guided by the SIX Swiss Exchange regulations, legal provisions and internal guidelines.
H+S communicates regularly with its shareholders, the capital market and the public. In accordance with Swiss GAAP FER, H+S discloses its business and financial performance on a half-yearly basis in form of an interim report and an annual report which are published electronically in English (https://www.hubersuhner.com/en/company/investors/publications). Additionally, shareholders receive half-yearly a short printed version of the management letter in German or English. Also, at the end of January of any given year, H+S announces sales and order intake figures for the past year. Sales and order intake figures for the first nine months from January to September are published at the end of October of any given year. The exact dates and more contact information can be found under the section "Management Report 2019" on page 9 of the current report.

Additional information which could affect the share price is published during the year in accordance with SIX Swiss Exchange ad hoc publication requirements. Official announcements and company notices are published in the Swiss Official Gazette of Commerce (SOGC).

The CEO is responsible for corporate communications. He is assisted in his investor relations activities by the CFO.

Website: www.hubersuhner.com/en
An important source of current in-depth information on the Group, including products and contact details is the H+S website.
Important dates and all the latest news are listed on the website under Investors, as are the Bylaws and the Articles of Association. Press releases are available on subscription under Company/Investors/ Publications.

Corporate news and ad-hoc announcements
www.hubersuhner.com/en/company/media/news

Investor information
www.hubersuhner.com/en/company/investors

Articles of Association
www.hubersuhner.com/en/company/investors/corporate-governance

Bylaws
www.hubersuhner.com/en/company/investors/corporate-governance

Compensation Report 2019

Compensation Report

The Compensation Report provides an overview of the remuneration principles and compensation systems of the HUBER+SUHNER Group. It describes how compensation is determined and contains detailed information on the compensation of the Members of the Board of Directors and the Executive Group Management in the fiscal years 2018 and 2019.
The Compensation Report fulfils the requirements of the Ordinance against Excessive Compensation in Listed Companies (OaEC), which has been in effect since January 2014. Furthermore, the Compensation Report fulfils the requirements of the Swiss Code of Obligations and the provisions set forth in the Directive on Information relating to Corporate Governance issued by SIX Swiss Exchange.

1 Guidelines and responsibilities

Guidelines

The HUBER+SUHNER Group's success heavily depends on the quality and commitment of its employees. The compensation policy aims to attract skilled managers and employees and to gear their activities towards the company's goals and a long-term career with HUBER+SUHNER:
Payments are made according to the following principles:
- performance-based remuneration with market-competitive fixed and variable components;
- the variable component is based on predefined targets and maximum thresholds;
- contribution towards the sustainable success of the company;
- transparency and clarity

The principles governing the compensation of Members of the Board of Directors and Executive Group Management are laid down in the following Articles of Association: Article 23 (Compensation Approval); 24 (Compensation of the Board of Directors); 25 (Compensation of Executive Group Management); 26 (Principles of Success and Performance-related Compensation); 27 (Principles for Allocating Shares); 28 (Additional Amount) and 29 (Activities for Group Companies). For more details, please refer to http://www.hubersuhner.com/en/company/investors/corporate-governance.

In accordance with Article 12(2) No. 1 OaEC, credit and loans, as well as benefits outside of the occupational pension scheme may only be granted if a provision to this end is included in the Articles of Association. During the year under review and as per its previous practice, HUBER+SUHNER did not add any such provision in its Articles of Association.

Responsibilities

The Board of Directors is responsible for regulating general questions regarding compensation. The compensation models applicable to the Board of Directors and Executive Group Management are outlined in a compensation policy approved by the Board. The Board of Directors is supported in its work by the Nomination and Compensation Committee. The committee reviews the principles and prepares all relevant decisions concerning compensation of members of both the Board of Directors and the Executive Group Management. The composition, main tasks and working practices of the Nomination and Compensation Committee are laid down in the Corporate Governance Report on page 15.

2 Compensation system for the Board of Directors

2.1 Chairman of the Board of Directors

The compensation of the Chairman consists of the following three components:

a) remuneration;
b) long-term incentive (in the form of shares);
c) pension and other social security benefits

a) Remuneration

The Chairman receives a fixed fee of CHF 240 000 per annum. This amount includes the remuneration for serving in Board Committees.

b) Long-term incentive (in the form of shares)

In addition, the Chairman annually receives a long-term incentive in the form of a fixed number of company shares (3 000), with a blocking period of at least three years. The share blocking periods are not rescinded on his retirement from the Board.

c) Pension and other social security benefits

The employer's obligatory contributions to social security and accident insurance schemes and regulatory contributions to pensions from the compensations paid to the Chairman are borne by the company. The Swiss system defines a portion of the pension and social security contribution to be paid by the employee. The employee's contribution to social security and pensions are deducted from the employees's gross salary.

Remuneration payments and share allocations to the

Chairman require the approval of the Annual General Meeting, as does all compensation for Board members. The basic remuneration is paid out on a monthly basis, but the shares are allocated only at the end of the Chairman's year in office. The total market value of the shares is accrued in accordance with the accrual principle in the financial statements of the given financial year.

2.2 Other Board Members

Compensation for the other members of the Board of Directors consists of the following three components:

a) remuneration;
b) long-term incentive (in the form of shares);
c) social security benefits

a) Remuneration

Each member of the Board receives an equal fixed basic fee of CHF 40 000 per annum. Additionally, members receive an extra allowance for taking on a post as Deputy Chairman (CHF 20 000) or for serving on the Nomination and Compensation Committee or Audit Committee (CHF 10 000). The responsibility and the increased workload of the various functions are therefore accounted for individually. Also, all Board members receive a lump sum expense allowance of CHF 10 000 regardless of their function.

b) Long-term incentive (in the form of shares)

In addition, each Board member receives annually a long-term incentive in the form of a fixed number of company shares (Deputy Chairman: 2 000 shares; other members: 1 200 shares) with a blocking period of at least three years. The share blocking periods are not rescinded on retirement from the Board.

c) Social security benefits

The obligatory contributions towards social security out of the remuneration paid to Board members are also covered by the company. However, no pension fund contributions are made.

Remuneration payments and share allocations require the approval of the Annual General Meeting, as does all compensation for Board members. The basic remuneration including a post-related allowance and lump sum expense allowance as well as the shares are paid out or allocated accordingly at the end of the year in office. In the event of early termination of office, the Board member concerned will receive pro rata compensation. The amount of the remuneration and market value of the shares are accrued in accordance with the accrual principle in the financial statements of the given financial year.

3 Compensation system for the Executive Group Management

The total compensation for a member of the Executive Group Management (EGM) reflects the responsibility assigned, qualifications, complexity of the task, achievement of goals and local market conditions in the machinery and electrical industry. International compensation analyses for selected management positions are conducted, as required, by Kienbaum Consultants International GmbH, a consulting company specializing in international salary benchmarking. These comparisons are executed every three to five years, the last time 2017, based on anonymised data, and help to determine Executive Group Management's salaries. The elements assessed are short-term incentives (basic salary and bonus), long-term incentives (shares) and complementary benefits (pension fund and other compensation).

In 2017, the comparison of Executive Group Management's salaries was made by Kienbaum Consultants International GmbH using three peer groups. The sample in the three peer groups consisted of (i) manufacturing industrial companies with registered seat in Switzerland (industrial companies in Switzerland) and similar size as HUBER+SUHNER (based on annual net sales and number of employees), (ii) direct competitors in the job market in the machinery and electrical industry with registered seat in Switzerland and (iii) companies from different industries active in foreign markets (registered seat or subsidiaries outside of Switzerland) and similar size as HUBER+SUHNER (based on annual net sales and number of employees).

In case of companies of bigger size than HUBER+SUHNER, the benchmarking consulting firm compares the salary of managers with comparable responsibility to the one of the HUBER+SUHNER manager whose salary is benchmarked. The benchmarking consulting firm has vast experience in determining which roles are comparable in companies of different sizes. The benchmarking consulting firm does not have any other roles or mandates at HUBER+SUHNER.

Remuneration for the members of the Executive Group Management consists of the following components:
a) fixed basic salary;
b) variable performance components
  b1) cash bonus
  b2) long-term incentive (in the form of shares);
c) pension and other social security benefits

a) Fixed basic salary

Executive Group Management members receive a fixed basic salary which is paid monthly. This is determined individually and takes into account the role and responsibilities of the given Executive Group Management member. It also includes allowances such as child or education allowances, work anniversary compensation and other compensation in connection with relocation for the purposes of conducting business on behalf of HUBER+SUHNER outside the member's country of residence.

b) Variable performance components

b1) Cash bonus
The Executive Group Management variable compensation system is based on the MbO (Management by Objective) process, which also applies to the entire Group. Performance-related compensation is defined based on a set target bonus (this corresponds to 100 % target achievement). The target bonus for Executive Group Management members, which is defined on an individual basis based on the ratio to the fixed basic salary, is between 40 % and 60 % for the CEO and between 20 % and 50 % for all other Executive Group Management members. The weighting of the variable compensation is set as follows:

Target category	Group financial targets	Individual targets	Leadership factor
CEO	60 %	20 %	20 %
Other EGM members	40 %–50 %	30 %–40 %	20 %

Every year, the Board sets in advance three weighted Group financial targets which are applicable for a one-year period. For the years 2019 and 2018 the Group financial targets were: net sales, EBIT-margin and inventory turn.
The individual targets are three to five function-specific measurable management targets. These are set and weighted annually in a structured target-setting process by the Chairman of the Board for the CEO, and by the CEO for members of the Executive Group Management.
A leadership factor (leadership, cooperation and conduct) is also included in the calculation of the cash bonus. The leadership performance review is conducted by the Chairman of the Board for the CEO and by the CEO for members of the Executive Group Management.

Failure to reach targets means that no bonus is paid out. Outperforming all targets may increase the bonus to a maximum of 150 % of the agreed target bonus.
Payment is made following approval by the Annual General Meeting. The amount of the bonus is accrued in accordance with the accrual principle in the financial statements of the corresponding financial year.

b2) Long-term incentive (in the form of shares)
As long-term compensation, members of the Executive Group Management receive a variable number of HUBER+SUHNER shares each year. The annual number of target shares for the CEO is 4 000, and between 800 and 2 000 shares for other Executive Group Management members. The number of shares effectively allotted annually (number of target shares multiplied by a factor of between 0.0 and 1.5) is determined by the Board of Directors and is driven by the long-term business success, which is assessed based on the factors “market environment”, “strategy implementation” and “financial situation”.

- Market environment: The Board of Directors evaluates the market situation and assesses the progress of HUBER+SUHNER’s market positioning in the strategically important target markets.
- Strategy implementation: The Board of Directors assesses progress in the implementation of key strategic initiatives both from a Group perspective and in terms of the individual contribution of the members of the Executive Group Management.
- Financial situation: The Board of Directors assesses the financial starting position and the financial perspective of the company.

A blocking period of at least three years applies for the allocated shares. The share blocking periods are not rescinded on the resignation of the member concerned.

The shares are only effectively allocated following approval by the Annual General Meeting. The market value of the shares is accrued in accordance with the accrual principle in the financial statements of the corresponding financial year.

c) Pension and other social security benefits
The employer’s obligatory contributions to social security and accident insurance schemes and regulatory contributions to pensions from the compensations paid to the members of the Executive Group Management are borne by the company. The Swiss system defines a portion of the pension and social security contribution to be paid by the employee. The employee’s contribution to social security and pensions are deducted from the employees’s gross salary.

Additional information
The Executive Group Management members’ employment contracts provide for a notice period of 6 months; under certain circumstances, this may be extended to a maximum of 12 months by the employer. If the employment relationship is terminated by notice, the person entitled to compensation loses his eligibility for share allocation for the current financial year, except if otherwise allocated by the Board of Directors. All other entitlements remain in force on a pro rata basis.

Executive Group Management members receive an expense allowance for effective minor expenses as per the expenses policy approved by the appropriate tax authorities.

The Board of Directors can approve additional fixed compensation for Executive Group Management members who are appointed after the Annual General Meeting has approved fixed compensation. In this case, the total amount of approved fixed compensation for Executive Group Management members may be increased by a maximum of 20 % per new Executive Group Management member and by 40 % if a new CEO is appointed.

4 Determining method

At the request of the Nomination and Compensation Committee, the Board of Directors determines in February the compensation for both Board and Executive Group Management members. The compensation is subject to approval by the Annual General Meeting.

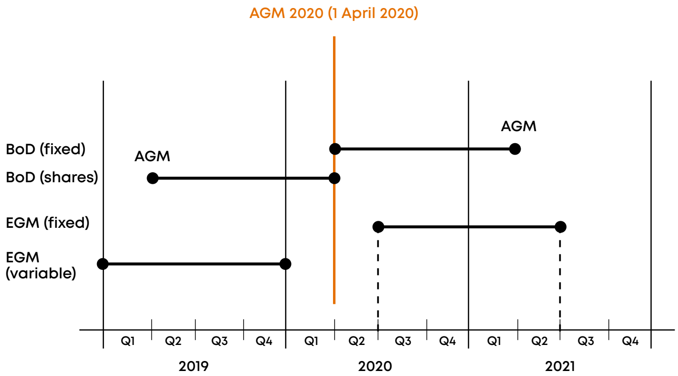
This relates to the amount of the fixed fee, post-related allowances and lump sum expense allowances for the members of the Board for the coming term of office and the fixed number of shares for the current term of office. For Executive Group Management members, this is the amount of the basic salary for the period from 1 July to 30 June the following year, the target bonus amount and the number of target shares for the current financial year. In addition, the previous financial year's target attainment (Group financial targets, individual targets, leadership factor as well as the share allocation factor) for Executive Group Management members is assessed and set by the Board of Directors, as proposed by the Nomination and Compensation Committee.

All members are present when the Board of Directors determines compensation for Board members; there are no special rules of abstention. The CEO is present when determining compensation for Executive Group Management members, unless his own target attainment is under review or his compensation is under discussion.

The Annual General Meeting grants final approval of the maximum compensation for the Board of Directors (BoD) and the Executive Group Management (EGM), as follows:

- total amount of fixed compensation to the Board of Directors for the one-year term from the current Annual General Meeting until the conclusion of the next Annual General Meeting (prospective);
- share-based compensation for the Board of Directors for the one-year term of office expiring at the Annual General Meeting (retrospective);
- total amount of fixed compensation to the Executive Group Management for the period from 1 July to 30 June of the following year from the current Annual General Meeting onwards (prospective);
- total amount of variable compensation for the Executive Group Management for the completed financial year (retrospective).

Compensation vote at the 2020 AGM



5 Compensation for the members of the Board of Directors and Executive Group Management for fiscal year 2019

Board of Directors' compensation 2019

Members of the Board of Directors received TCHF 675 in fixed compensation for the year under review (previous year: TCHF 676). Share-based compensation amounting to TCHF 920 (previous year TCHF 757) was also awarded. This amount is based on the market value of a total of 11 000 shares (previous year: 11 000 shares) divided into 2 750 shares (previous year: 2 750 shares) at a share price of CHF 76.50 from 10 April 2019 (previous year: CHF 53.90) for the period from 1 January to 31 March 2019 and 8 250 shares (previous year: 8 250 shares) at a share price of CHF 76.80 from 30 December 2019 (previous year: CHF 65.50) for the period from 1 April 2019 to 31 December 2019. No compensation was paid to former Board members.

Total compensation for members of the Board of Directors for the reporting year amounted to TCHF 1 596 (previous year: TCHF 1 433). This rise of 11 % on the previous year is entirely due to the increased share price.

Compensation for the Board of Directors (BoD)		Fixed compensation [1]		Share-based compensation [2]		Total compensation		Number of allotted shares	
		2019	2018	2019	2018	2019	2018	2019	2018
U. Kaufmann	Chairman	298	298	256	209	554	507	3 000	3 000
B. Kälin [a]	Deputy Chairman	89	89	171	139	260	228	2 000	2 000
M. Bütler [b]	Member	67	67	102	83	169	150	1 200	1 200
C. Fässler	Member (until AGM 2019)	14	53	26	83	40	136	300	1 200
G. Müller	Member	53	53	102	83	155	136	1 200	1 200
R. Seiffert	Member	50	50	92	75	142	125	1 200	1 200
F. Studer [c]	Member (from AGM 2019)	38	—	69	—	107	—	900	—
J. Walther [d]	Member	67	67	102	83	169	150	1 200	1 200
Total		**675**	**676**	**920**	**757**	**1 596**	**1 433**	**11 000**	**11 000**

[1] The Chairman receives a fixed contractual amount including social security/accident insurance scheme/pension fund contributions. All other members receive a basic remuneration, extra post-allowance (if applicable) including social security contributions and a lump sum expense allowance. A maximum fixed compensation has been approved in previous Annual General Meetings.

[2] Share-based compensation is calculated at a share price of CHF 76.50 (for the part of the allocation approved by the Annual General Meeting 2019) (previous year 53.90) and at CHF 76.80 (as of year-end 2019) (previous year 65.50) for the outstanding amount including social security. Outstanding shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

[a] Deputy Chairman and NCC member

[b] AC Committee Chair

[c] Dr. Franz Studer is a member of the executive committee and Investment Director of EGS Beteiligungen AG, a significant shareholder of HUBER+SUHNER AG. His compensation, including cash payments and allocations of shares is made directly to his employer EGS Beteiligungen AG.

[d] AC member

No loans have been granted to current or former Board members. In addition, no compensation, loans or credit have been granted to related parties of the Board of Directors.

An overview of the shareholdings of members of the Board of Directors at HUBER+SUHNER AG can be found on page 61 of the 2019 Financial Report.

Executive Group Management compensation 2019

The Executive Group Management members received fixed compensation of TCHF 3 390 for the year under review (previous year: TCHF 3 292). Subject to approval by the Annual General Meeting, Executive Group Management was awarded variable compensation of TCHF 2 259 (previous year: TCHF 2 641). This includes share-based compensation based on the market value totalling 16 200 shares (previous year: 18 950 shares) at a share price of CHF 76.80 on 30 December 2019 (previous year: CHF 65.50). No compensation was paid to former Executive Group Management members.

Total compensation for the Executive Group Management for the year under review was TCHF 5 649 (previous year: TCHF 5 933). The decrease of 5 % compared with previous year is due to lower variable compensation (lower bonus achievement).

Compensation for Executive Group Management	Highest individual compensation [1]		Total Executive Group	
	2019	2018	2019	2018
Basic salary [3]	524	479	2 706	2 676
Contributions to social security and pension funds on fixed compensation	156	139	684	616
Total fixed compensation	**680**	**618**	**3 390**	**3 292**
Variable compensation	216	310	855	1 208
Share-based compensation [4]	307	328	1 244	1 241
Contributions to social security on variable compensation	44	50	160	192
Total variable compensation	**567**	**688**	**2 259**	**2 641**
Total compensation	**1 247**	**1 306**	**5 649**	**5 933**
Number of allotted shares	**4 000**	**5 000**	**16 200**	**18 950**

[1] U. Ryffel, CEO
[2] The Executive Group Management consists of 9 members in 2019 and 2018.
[3] Including allowances
[4] Based on the year-end share price of CHF 76.80 (previous year: CHF 65.50). Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

No loans or credit have been granted to current or former Executive Group Management members. In addition, no compensation or loans have been granted to related parties of the Executive Group Management.

An overview of the shareholdings of members of Executive Group Management at HUBER+SUHNER AG can be found on page 61 of the 2019 Financial Report.

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Zurich, 4 March 2020

Report of the statutory auditor on the compensation report

We have audited the compensation report of HUBER+SUHNER AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 26 to 27 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2019 of HUBER+SUHNER AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Willy Hofstetter (Qualified Signature)	Marc Rüegsegger (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Financial Report 2019

HUBER+SUHNER Group Financial Statements

Key Figures

Group in CHF million	2019	2018	Change
Order intake	800.9	915.2	(12.5%)
Order backlog as of 31.12.	213.6	246.9	(13.5%)
Net sales	830.6	885.0	(6.1%)
Gross margin	36.2%	34.6%	
EBITDA	111.8	116.4	(3.9%)
as % of net sales	13.5%	13.2%	
EBIT	80.5	82.5	(2.4%)
as % of net sales	9.7%	9.3%	
Financial result	(1.7)	(2.8)	n/m
Net income	62.8	61.4	2.3%
as % of net sales	7.6%	6.9%	
Purchases of PP&E and intangible assets	37.5	27.0	38.9%
Cash flow from operating activities	129.1	99.6	29.7%
Free operating cash flow	45.1	71.7	(37.1%)
Net liquidity as of 31.12.	190.2	198.8	(4.3%)
Equity as of 31.12.	587.7	620.8	(5.3%)
as % of balance sheet total	78.4%	80.7%	
Employees as of 31.12.	4 823	4 456	8.2%
Market capitalisation as of 31.12.	1 494.9	1 274.2	17.3%

Data per share in CHF	2019	2018	Change
Stock market price as of 31.12.	76.80	65.50	17.3%
Net income	3.22	3.15	2.1%
Ordinary dividend	1.60[1]	1.50	6.7%
Anniversary dividend	–	1.00	n/m
Total dividend	**1.60**[1]	**2.50**	(36.0%)

[1] Proposed dividend

Segment information in CHF million		2019	2018	Change
Radio Frequency	Order intake	272.8	269.1	1.4%
	Net sales	275.2	255.4	7.7%
	EBIT	47.1	40.8	15.4%
	as % of net sales	17.1%	16.0%	
Fiber Optics	Order intake	274.7	347.9	(21.1%)
	Net sales	285.6	338.2	(15.5%)
	EBIT	18.8	20.0	(5.7%)
	as % of net sales	6.6%	5.9%	
Low Frequency	Order intake	253.4	298.2	(15.0%)
	Net sales	269.8	291.4	(7.4%)
	EBIT	21.6	28.7	(24.8%)
	as % of net sales	8.0%	9.8%	

n/m = not meaningful

Consolidated Income Statement

in CHF 1 000	Notes	2019	%	2018	%
Net sales	5	830 610	100.0	885 037	100.0
Cost of goods sold		(530 247)		(579 083)	
Gross profit		**300 363**	**36.2**	**305 954**	**34.6**
Selling expense		(127 306)		(129 674)	
Administrative expense		(53 400)		(59 539)	
Research and development expense		(42 081)		(36 582)	
Other operating expense		(681)		(1 826)	
Other operating income		3 610		4 147	
Operating profit (EBIT)	5	**80 505**	**9.7**	**82 480**	**9.3**
Financial result	6	(1 686)		(2 764)	
Income before taxes		**78 819**	**9.5**	**79 716**	**9.0**
Income taxes	7	(16 060)		(18 362)	
Net income		**62 759**	**7.6**	**61 354**	**6.9**
Attributable to shareholders of HUBER+SUHNER AG		62 622		61 354	
Attributable to minority interests		137		-	

Data per share in CHF	Notes	2019		2018	
Undiluted / diluted earnings per share	28	3.22		3.15	

Ordinary dividend	1.60[1]		1.50	
Anniversary dividend	–		1.00	
Total dividend	**1.60**[1]		**2.50**	

[1] Proposed dividend

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

Consolidated Balance Sheet

in CHF 1 000	Notes	31.12.2019	%	31.12.2018	%
Assets					
Cash and cash equivalents	14	191 636		198 826	
Trade receivables	15	137 055		147 907	
Other short-term receivables	16	21 788		26 106	
Inventories	17	152 507		156 543	
Accrued income		2 567		1 159	
Current assets		**505 553**	**67.4**	**530 541**	**68.9**
Property, plant and equipment	19	191 929		186 803	
Intangible assets	20	20 463		21 375	
Financial assets	21	20 626		20 030	
Deferred tax assets	26	11 438		10 859	
Non-current assets		**244 456**	**32.6**	**239 067**	**31.1**
Assets		**750 009**	**100.0**	**769 608**	**100.0**
Liabilities and equity					
Short-term financial liabilities	3, 22	761		–	
Trade payables		37 742		33 543	
Other short-term liabilities	24	56 866		52 265	
Short-term provisions	25	12 278		13 520	
Accrued liabilities		16 673		13 333	
Current liabilities		**124 320**	**16.6**	**112 661**	**14.6**
Long-term financial liabilities	3, 22	634		–	
Other long-term liabilities		3 021		2 185	
Long-term provisions	25	8 982		9 368	
Deferred tax liabilities	26	25 339		24 642	
Non-current liabilities		**37 976**	**5.0**	**36 195**	**4.7**
Liabilities		**162 296**	**21.6**	**148 856**	**19.3**
Share capital	27	5 050		5 050	
Capital reserves		32 994		32 713	
Treasury shares		(719)		(1 402)	
Retained earnings		547 195		584 391	
Equity attributable to shareholders of HUBER+SUHNER AG		**584 520**	**78.0**	**620 752**	**80.7**
Minority interests		3 193	0.4	–	
Total equity		**587 713**	**78.4**	**620 752**	**80.7**
Liabilities and equity		**750 009**	**100.0**	**769 608**	**100.0**

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

Consolidated Cash Flow Statement

in CHF 1 000	Notes	2019	2018
Net income		**62 759**	**61 354**
Income taxes		16 060	18 362
Depreciation of property, plant and equipment and intangible assets	19, 20	31 301	33 908
Other non-cash items		1 048	5 195
Loss/profit from the disposal of property, plant and equipment		(23)	43
Change in trade receivables		14 881	(7 182)
Change in inventories		10 560	3 687
Change in other receivables and accrued income		2 658	1 430
Change in trade payables		3 124	(11 133)
Change in other liabilities and accrued liabilities		(684)	8 790
Change in provisions		(2 034)	3 388
Income tax paid		(10 447)	(18 224)
Interest paid		(123)	(67)
Cash flow from operating activities		**129 080**	**99 551**
Purchases of property, plant and equipment	19	(31 604)	(25 091)
Proceeds from sale of property, plant and equipment	19	224	400
Purchases of intangible assets	20	(4 412)	(3 606)
Purchases of financial assets		(682)	(193)
Interest received		1 398	680
Cash outflow from acquisitions	3	(48 882)	(14)
Cash flow from investing activities		**(83 958)**	**(27 824)**
Payment of dividend		(48 683)	(21 416)
Purchase of treasury shares		(1 517)	(2 210)
Repayment of short-term financial liabilities		(191)	-
Cash flow from financing activities		**(50 391)**	**(23 626)**
Effect of exchange rate changes on cash		(1 921)	(1 880)
Net change in cash and cash equivalents		**(7 190)**	**46 221**
Cash and cash equivalents at beginning of year		198 826	152 605
Cash and cash equivalents at end of year	14	191 636	198 826
Net change in cash and cash equivalents		**(7 190)**	**46 221**

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

Consolidated Statement of Equity

in CHF 1 000	Share capital[1]	Capital reserves	Treasury shares	Other retained earnings	Goodwill offset	Translation differences	Retained earnings	Equity attributable to shareholders of H+S AG	Minority interests	Total equity
Balance at 1.1.2018	**5 050**	**32 695**	**(937)**	**651 178**	**(97 512)**	**2 985**	**556 651**	**593 459**	**–**	**593 459**
Net income	–	–	–	61 354	–	–	61 354	61 354	–	61 354
Dividend paid	–	–	–	(21 416)	–	–	(21 416)	(21 416)	–	(21 416)
Purchase of treasury shares	–	–	(2 210)	–	–	–	–	(2 210)	–	(2 210)
Share-based payment	–	18	1 745	483	–	–	483	2 246	–	2 246
Goodwill offset	–	–	–	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	(12 681)	(12 681)	(12 681)	–	(12 681)
Balance at 31.12.2018	**5 050**	**32 713**	**(1 402)**	**691 599**	**(97 512)**	**(9 696)**	**584 391**	**620 752**	**–**	**620 752**
Change in scope of consolidation	–	–	–	–	–	–	–	–	3 160	3 160
Net income	–	–	–	62 622	–	–	62 622	62 622	137	62 759
Dividend paid	–	–	–	(48 683)	–	–	(48 683)	(48 683)	–	(48 683)
Purchase of treasury shares	–	–	(1 517)	–	–	–	–	(1 517)	–	(1 517)
Share-based payment	–	281	2 200	80	–	–	80	2 561	–	2 561
Goodwill offset	–	–	–	–	(44 246)	–	(44 246)	(44 246)	–	(44 246)
Currency translation differences	–	–	–	–	–	(6 969)	(6 969)	(6 969)	(104)	(7 073)
Balance at 31.12.2019	**5 050**	**32 994**	**(719)**	**705 618**	**(141 758)**	**(16 665)**	**547 195**	**584 520**	**3 193**	**587 713**

[1] See Note 27, page 50, Notes to Group Financial Statements,

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

Notes to Group Financial Statements

1 General

These consolidated financial statements were approved by the Board of Directors on 4 March 2020 and released for publication on 10 March 2020. They are subject to the approval of the shareholders at the Annual General Meeting on 1 April 2020.

2 Accounting policies

2.1 Basis of preparation

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

2.2 Scope and principles of consolidation

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

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

2.3 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are prepared in Swiss francs (CHF). CHF is the Group's presentation currency and, unless stated otherwise, the information is given in CHF 1 000 (TCHF).

Transactions and balances

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

Group companies

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

- assets and liabilities, for each balance sheet, are translated at the closing rate on the balance sheet date;

- income and expenses, for each income statement, are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

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

2.4 Cash and cash equivalents

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

2.5 Trade receivables and other short-term receivables

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

2.6 Inventories

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

2.7 Property, plant and equipment

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

Land	not depreciated
Buildings	20–40 years
Technical equipment and machinery	5–15 years
Leasehold improvements	5–10 years
Office furniture and fixtures	3–5 years
IT hardware	3–5 years
Other equipment	3–7 years

2.8 Intangible assets

Software

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

Other intangible assets

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

2.9 Impairment of assets

Property, plant and equipment and other long-term assets including intangible assets are reviewed for impairment if events or changes in circumstances have occurred that indicate that the book value cannot be recovered. Assets with a book value above the recoverable amount are deemed impaired and are carried at no more than the recoverable amount. The

recoverable amount is the higher of an asset's fair value less the cost to sell and value in use. To determine the reduction in value, assets are allocated to specific cash-generating units; cash flows for the latter are determined separately.
If there is an indication that the impairment in the prior period no longer exists or has decreased, the carrying amount is, with the exception of goodwill, increased to its recoverable amount and is recognised immediately in the income statement.

2.10 Financial assets

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

2.11 Financial liabilities

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

2.12 Trade payables and other short-term liabilities

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

2.13 Provisions

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

2.14 Off-balance-sheet transactions

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

2.15 Employee benefits

Companies in the HUBER+SUHNER Group operate employee pension plans in accordance with the regulations of the country where the given company is domiciled.
The economic impact of these pension plans on the HUBER+SUHNER Group is determined annually. For Swiss pension plans, economic benefits and/or economic obligations are determined on the basis of the annual financial statement, which is prepared in accordance with Swiss GAAP FER 26. The economic impact of foreign pension plans is determined according to the methods applied in the given country.
An economic benefit is capitalised if it is permissible and the intention is to use the pension plan funds to cover the company's future pension expense. An economic obligation is recognised when the conditions for the recognition of a provision are met. Existing employer contribution reserves are recognised as a financial asset. Changes in the economic benefit or the economic obligation are recognised in the income statement as personnel expenses incurred during the reporting period.

2.16 Share-based payment

Members of the Board of Directors and Executive Group Management are partly compensated in HUBER+SUHNER AG shares. These are issued with a blocking period of at least 3 years. The allocation of shares is subject to approval by the Annual General Meeting; the valuation of the share-based payment is determined at the grant date (i.e. the date at which the share allocation was approved). Share-based payment transactions which have not yet been approved by the Annual General Meeting are valued at the year-end share price.
The market value of the shares is fully recognised in equity based on the accruals principle and the yearlong vesting period in the accounts of the respective year under review. Any subsequent variances between the year-end share price and the share price at the date of the retroactive approval by the Annual General Meeting are recorded in the income statement of the following year.

2.17 Revenue recognition

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

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

2.19 Income taxes
Income taxes are accounted for on the basis of the income for the reporting year, less the use of tax losses carried forward, using expected effective (local) tax rates. Income tax receivables and payables outstanding at the balance sheet date are disclosed under other short-term receivables or other short-term liabilities. Deferred income tax is calculated using the liability method for any temporary difference between the carrying amount according to Swiss GAAP FER and the tax basis of assets and liabilities. Deferred income tax is measured at tax rates that are expected to apply to the period when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates/laws that have been enacted or substantively enacted at the balance sheet date.
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset.
Deferred income tax is provided for temporary differences on investments in subsidiaries and associates, except when the Group can control the timing of the reversal of the temporary difference or the reversal is not probable in the foreseeable future.

2.20 Alternative Performance Measures
Alternative Performance Measures are key figures not defined by Swiss GAAP FER. HUBER+SUHNER uses alternative performance measures as guidance parameters for both internal and external reporting to stakeholders. For the definition of Alternative Performance Measures please visit
https://www.hubersuhner.com/en/company/investors/publications.

3 Changes in the scope of consolidation and other changes

With effect of 2 December 2019, HUBER+SUHNER acquired 100% of the capital of the BKtel Group headquartered in Hückelhoven-Baal (GER). BKtel has three locations in Germany and holds majority participations in two companies in France and Japan. BKtel develops, manufactures and implements active and passive components for broadband networks and has extensive expertise in fiber-to-the-home (FTTH), hybrid fiber coax (HFC) and distributed access architecture (DAA) as well as optical signal processing. The product range includes optical transmission devices such as transmitters, amplifiers and receivers as well as cable TV headends. The company also plans, installs and commissions these systems for network operators. BKtel achieves the majority of its sales in Germany.

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

Effect of acquisition	Fair Value
Cash and cash equivalents	9 691
Trade receivables	6 346
Other short-term receivables / accrued income	686
Inventories	7 567
Property, plant and equipment / Intangible assets	2 439
Financial assets	30
Deferred tax assets	1 222
Short-term financial liabilities	(903)
Trade payables	(1 658)
Other short-term liabilities / accrued liabilities	(5 301)
Current income tax liabilities	(2 286)
Short-term provisions	(514)
Long-term financial liabilities	(695)
Minority interests	(3 160)
Acquired net assets	**13 464**

The goodwill from the acquisition of the BKtel Group, which was offset with equity, is CHF 39.3 million. The total purchase price (including acquisition costs) is CHF 52.7 million. After the deduction for purchased net cash (CHF 9.7 million) the net cash outflow is CHF 43.1 million.
BKtel is reported in the FO technology segment.

On 19 July 2019 HUBER+SUHNER took over the antenna portfolio for security-relevant applications from Kathrein SE (Germany). With this acquisition, HUBER+SUHNER has expanded its own antenna portfolio. It thus strengthens its market position in the area of Special Communications / Public Mobile Radio (PMR) in connection with the growing need for secure mobile communication. At the time of acquisition the fair values of net assets according to Swiss GAAP FER were as follows:

Effect of acquisition	**Fair Value**
Inventories	534
Deferred tax asset	615
Acquired net assets	**1 149**

The goodwill from the acquisition of Kathrein SE (Germany) which was offset with equity is CHF 4.1 million. The total purchase price (including acquisition costs) is CHF 5.2 million. After the deduction for the outstanding payments of CHF 1.9 million, the net cash outflow was CHF 3.3 million in 2019.
The antenna portfolio for security-relevant applications is reported in the RF technology segment.

On 30 June 2019 HUBER+SUHNER took over the railway and bus antenna portfolio from Kathrein SE (Germany). With this acquisition, HUBER+SUHNER has expanded its own range of antennas. It thus strengthens its leading market position in connection with the growing need for mobile communication in public transport. At the time of acquisition the fair values of net assets according to Swiss GAAP FER were as follows:

Effect of acquisition	**Fair Value**
Inventories	280
Deferred tax asset	296
Acquired net assets	**576**

The goodwill from the acquisition of Kathrein SE (Germany) which was offset with equity is CHF 2.0 million. The total purchase price (including acquisition costs) is CHF 2.5 million. The net cash outflow was CHF 2.5 million in 2019.
The railway and bus antenna portfolio is reported in the RF technology segment.

There were no changes in consolidation scope in 2018.

A complete list of all Group companies can be found on page 51.

4 Exchange rates for currency translation

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

	Spot rates for the consolidated balance sheet		Average rates for the consolidated income and cash flow statement	
	31.12.2019	31.12.2018	2019	2018
1 EUR	1.09	1.13	1.11	1.15
1 USD	0.98	0.99	0.99	0.98
100 CNY	13.96	14.44	14.39	14.75
1 GBP	1.28	1.25	1.27	1.30
100 INR	1.37	1.41	1.41	1.43

5 Segment information

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

Radio Frequency HUBER+SUHNER develops and manufactures radio frequency and microwave products for a highly diverse set of customer and market requirements. The wide product range encompasses all passive components like cables, connectors, cable assemblies, antennas, lightning protection and resistive components as well as active RF-over-Fiber systems, which make it possible to transmit radio frequency, microwave or LAN signals over greater distances. HUBER+SUHNER is constantly leveraging its outstanding knowledge of radio frequency and microwave technologies, sophisticated simulation processes and the most modern test methods to produce ever smaller components, continually expand their operating frequencies and minimise signal quality loss. Thanks to its own state-of-the-art electroplating processes, HUBER+SUHNER has generated substantial expertise in surface coating, a key technique in the development of modern radio frequency components.

Fiber Optics Fiber optics products manufactured by HUBER+SUHNER are suitable for complex applications with very high data rates. Our comprehensive portfolio includes cables, connectors, cable assemblies, cable and distribution systems, optical transmitters, amplifiers and receivers as well as highly miniaturised wavelength multiplexers and all-optical switches. HUBER+SUHNER products can also be used in the most extreme environmental conditions. Our pre-assembled, customer-specific systems, including the smallest components and the highest packing density, can be installed quickly and safely. The company has also developed an optimised polishing process for fiber optic connectors. This, together with a considerable expertise in the processing of high-performance materials and high-temperature polyamides into precision parts, art two of the main factors behind the high quality of optical connectivity technology from HUBER+SUHNER.

Low Frequency HUBER+SUHNER develops and manufactures low frequency products for highly sophisticated applications. The extensive portfolio includes single cores, cables, cable assemblies, hybrid cables and cable systems. Thanks to the high vertical manufacturing integration, coupled with a high level of automation and market-specific know-how, HUBER+SUHNER is able to meet its customers' diverse needs. HUBER+SUHNER specialises in polymer compounds for high-quality cable insulation, which it produces using formulations developed in house. Another core competency is electron beam cross-linking, which makes it possible to produce space-saving, lighter and longer-life cables that function reliably, even under extreme conditions.

Corporate This segment chiefly covers the expenses to corporate functions and all activities that cannot be allocated to one of the three technology segments.

Net sales by segment	2019	2018
Radio Frequency	275 222	255 435
Fiber Optics	285 584	338 157
Low Frequency	269 804	291 445
Total net sales	**830 610**	**885 037**

Net sales by region (sales area)	2019	2018
Switzerland	52 128	56 496
EMEA (Europe, Middle East and Africa [excl. CH])	361 113	334 239
APAC (Asia-Pacific)	248 449	325 519
Americas (North and South America)	168 920	168 783
Total net sales	**830 610**	**885 037**

Operating profit (EBIT)	2019	2018
Radio Frequency	47 099	40 800
Fiber Optics	18 840	19 982
Low Frequency	21 551	28 659
Corporate	(6 985)	(6 961)
Total operating profit (EBIT)	**80 505**	**82 480**

6 Financial result

	2019	2018
Interest income	1 600	1 223
Foreign exchange gains incl. derivative financial instruments	1 277	1 687
Other financial income	17	–
Total financial income	**2 894**	**2 910**
Interest expense	(129)	(68)
Foreign exchange losses incl. derivative financial instruments	(2 664)	(4 439)
Other financial expense	(1 787)	(1 167)
Total financial expense	**(4 580)**	**(5 674)**
Total financial result	**(1 686)**	**(2 764)**

Other financial expense includes amongst others bank charges, non-refundable withholding tax on dividend and interest income and Swiss turnover stamp duty on the purchase price of the BKtel acquisition.

7 Income taxes

	2019	2018
Current income taxes	(13 898)	(18 097)
Deferred income taxes	(2 162)	(265)
Total income taxes	**(16 060)**	**(18 362)**

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

	2019	2018
Net income before taxes	78 819	79 716
Expected income tax rate	**21.7%**	**24.0%**
Expected income taxes	(17 066)	(19 103)
Effect of utilisation of non-recognised tax losses carry-forward	1 396	1 281
Effect of non-tax-deductible expenses and non-taxable income	390	(664)
Effect of non-recognition of current tax losses	(503)	(125)
Effect of increased/reduced allowance on deferred tax balances	61	62
Effect of changes in tax rates on deferred tax balances	(330)	179
Effect of tax credits/debits from prior years and other effects	(8)	8
Effective income taxes	**(16 060)**	**(18 362)**
Effective income tax rate	**20.4%**	**23.0%**

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

The capitalised deferred tax assets on losses carried forward amounts to CHF 0.8 million (previous year: CHF 1.9 million). The unrecognised tax loss carried forward was CHF 20.3 million (previous year, CHF 26.5 million). This corresponds to a potential tax asset of CHF 5.6 million (previous year: CHF 6.8 million). In 2019 tax losses carried forward of CHF 3.8 million expired (previous year: CHF 1.1 million).

The valuation of related tax assets on losses carried forward is based on business plans. The capitalisation of usable tax losses carried forward is assessed on a yearly basis. Tax losses carried forward are recognised only to the extent that it is probable that future taxable profits will be available and therefore allow the assets to be utilised. In countries and for subsidiaries where the use of tax losses carried forward is not foreseeable, tax loss is not capitalised.

For the calculation of deferred income taxes in the consolidated balance sheet, the expected tax rate per tax subject is applied.

8 Personnel expenses

Personnel expenses included in the income statement amount to:

	2019	2018
Total personnel expenses	**275 348**	**271 985**

9 Post-employment benefits

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

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

Employer contribution reserves (ECR)

	Nominal value	Waiver of use	Accu- mulation	Balance sheet		Income statement impact from ECR	
	31.12.2019	2019	2019	31.12.2019	31.12.2018	2019	2018
Paternal fund [1]	16 100	-	-	16 100	16 100	-	509
Total	**16 100**	**-**	**-**	**16 100**	**16 100**	**-**	**509**

[1] The employer contribution reserves are based on the annual reports of the corresponding institutions from the previous year. The economic benefits/economic obligations are assessed at each balance sheet date. Interest on the paternal fund of the employer contribution reserve is recognised as financial income in previous year. In 2019, there was no interest due to the negative financial performance of the paternal fund in 2018.

Economic benefit / economic obligation and pension benefit expenses

	Funding surplus	Economic part of the organisation		Change from prior year with income statement impact	Change from prior year with no income statement impact	Contributi- ons for the period	Pension costs within personnel expenses	
	31.12.2019	31.12.2019	31.12.2018	2019	2019	2019	2019	2018
Paternal fund [1]	60 676	–	–	–	–	–	–	–
Pension plans with surplus [1]	12 897	–	–	–	–	(7 626)	(7 626)	(7 286)
Pension plans without own assets	–	2 292	2 322	(247)	277	–	(247)	87
Total	**73 573**	**2 292**	**2 322**	**(247)**	**277**	**(7 626)**	**(7 873)**	**(7 199)**

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

10 Share-based payment

Compensation and remuneration for members of the Board of Directors and for members of the Executive Group Management includes, amongst others, long-term incentives in the form of shares (see Compensation Report, Notes 2 and 3, pages 22–24).

The members of the Board of Directors annually receive a long-term incentive in the form of a fixed number of HUBER+SUHNER AG shares, with a blocking period after assignment of at least 3 years.

As long-term compensation, the members of Executive Group Management receive a variable number of HUBER+SUHNER AG shares each year. The number of shares that are effectively granted is determined by the Board of Directors and driven by long-term business success, which is assessed according to three factors: market environment, strategy implementation and financial situation. The shares are allocated with a blocking period of at least 3 years.

Share-based compensation is calculated based on the year-end share price of CHF 76.80 (previous year: CHF 65.50). In the year under review, 29 633 shares (prior year: 33 125 shares) were allocated. Expenses, which included social security, in the amount of CHF 2.5 million (prior year: CHF 2.4 million) are recognised accordingly in the income statement. Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

11 Related party transactions

In 2019 services (for air travel) totalling CHF 1.4 million (previous year: CHF 1.7 million) were purchased from companies controlled by members of the Board of Directors; the corresponding trade payables per end of December 2019 are CHF 0.1 million (previous year: CHF 0.1 million).

Pension contributions to the HUBER+SUHNER AG pension plan are disclosed in Note 9, page 42, line item 'Pension plan with surplus'.

12 Depreciation and amortisation

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

	2019	2018
Depreciation of property, plant and equipment	25 877	28 547
Amortisation of intangible assets	5 424	5 361
Total depreciation and amortisation	**31 301**	**33 908**

13 Liabilities from operating lease

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

Liabilities from operating lease	31.12.2019	31.12.2018
Less than 1 year	4 124	4 624
Between 1 and 5 years	7 264	7 927
More than 5 years	2 788	2 776
Total liabilities from operating lease	**14 176**	**15 327**

14 Cash and cash equivalents

	31.12.2019	31.12.2018
Cash at bank and on hand	127 916	132 412
Term deposits < 3 month term, in CHF	29 999	54 999
Term deposits < 3 month term, in other currency	33 721	11 415
Total cash and cash equivalents	**191 636**	**198 826**

15 Trade receivables

	31.12.2019	31.12.2018
Trade receivables from third parties	139 256	150 224
Provision for doubtful trade receivables	(2 201)	(2 317)
Total trade receivables, net	**137 055**	**147 907**

16 Other short-term receivables

	31.12.2019	31.12.2018
Other short-term receivables	21 349	24 952
Derivative financial instruments	439	1 154
Total other short-term receivables	**21 788**	**26 106**

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

17 Inventories

	31.12.2019	31.12.2018
Raw materials and supplies	71 305	72 694
Work in progress	11 236	10 647
Finished goods	115 184	115 924
Total inventories, gross	**197 725**	**199 265**
Inventory provision	(45 218)	(42 722)
Total inventories, net	**152 507**	**156 543**

18 Derivative financial instruments

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

Derivative financial instruments	Positive market value	Negative market value	Purpose	Positive market value	Negative market value	Purpose
	31.12.2019			31.12.2018		
Foreign exchange	439	59	Hedging	1 154	567	Hedging
Total	**439**	**59**		**1 154**	**567**	

19 Property, plant and equipment

	Un-developed property	Land and buildings	Technical equip-ment and machinery	Other equipment [1]	Assets under construction	Total
Cost at 1.1.2018	**2 080**	**202 326**	**327 733**	**71 381**	**10 037**	**613 557**
Additions	–	931	4 253	2 732	15 659	23 575
Disposals	–	–	(4 987)	(1 450)	–	(6 437)
Reclassifications	–	2 479	10 151	2 382	(15 012)	–
Change in consolidation scope	–	–	–	–	–	–
Currency translation differences	–	(2 238)	(4 074)	(1 208)	(92)	(7 612)
Cost at 31.12.2018	**2 080**	**203 498**	**333 076**	**73 837**	**10 592**	**623 083**
Additions	–	1 069	5 015	2 666	24 319	33 069
Disposals	–	(522)	(7 015)	(1 770)	(501)	(9 808)
Reclassifications	–	2 970	7 477	4 158	(14 605)	–
Change in consolidation scope	–	1 136	819	453	–	2 408
Currency translation differences	–	(1 299)	(2 097)	(320)	(36)	(3 752)
Cost at 31.12.2019	**2 080**	**206 852**	**337 275**	**79 024**	**19 769**	**645 000**
Accumulated depreciation and impairment at 1.1.2018	**–**	**(108 402)**	**(249 470)**	**(59 109)**	**–**	**(416 981)**
Additions	–	(6 160)	(17 174)	(5 213)	–	(28 547)
Impairments	–	–	–	–	–	–
Disposals	–	–	4 634	1 360	–	5 994
Reclassifications	–	(4)	330	(326)	–	–
Currency translation differences	–	619	1 898	737	–	3 254
Accumulated depreciation and impairment at 31.12.2018	**–**	**(113 947)**	**(259 782)**	**(62 551)**	**–**	**(436 280)**
Additions	–	(4 704)	(15 985)	(5 188)	–	(25 877)
Impairments	–	–	–	–	–	–
Disposals	–	26	6 265	1 054	–	7 345
Reclassifications	–	2	(6)	4	–	–
Currency translation differences	–	376	1 111	254	–	1 741
Accumulated depreciation and impairment at 31.12.2019	**–**	**(118 247)**	**(268 397)**	**(66 427)**	**–**	**(453 071)**
Net book value at 1.1.2018	**2 080**	**93 924**	**78 263**	**12 272**	**10 037**	**196 576**
Net book value at 31.12.2018	**2 080**	**89 551**	**73 294**	**11 286**	**10 592**	**186 803**
Net book value at 31.12.2019	**2 080**	**88 605**	**68 878**	**12 597**	**19 769**	**191 929**

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

20 Intangible assets

	Software	Other	Total
Cost at 1.1.2018	**67 068**	**1 516**	**68 584**
Additions	3 464	–	3 464
Disposals	(250)	–	(250)
Change in consolidation scope	–	–	–
Currency translation differences	(154)	(66)	(220)
Cost at 31.12.2018	**70 128**	**1 450**	**71 578**
Additions	4 459	17	4 476
Disposals	(277)	–	(277)
Change in consolidation scope	31	–	31
Currency translation differences	(72)	(49)	(121)
Cost at 31.12.2019	**74 269**	**1 418**	**75 687**
Accumulated amortisation and impairment at 1.1.2018	**(45 049)**	**(183)**	**(45 232)**
Additions	(5 331)	(30)	(5 361)
Disposals	250	–	250
Impairments	–	–	–
Currency translation differences	131	9	140
Accumulated amortisation and impairment at 31.12.2018	**(49 999)**	**(204)**	**(50 203)**
Additions	(5 395)	(29)	(5 424)
Disposals	355	–	355
Impairments	–	–	–
Currency translation differences	42	6	48
Accumulated amortisation and impairment at 31.12.2019	**(54 997)**	**(227)**	**(55 224)**
Net book value at 1.1.2018	**22 019**	**1 333**	**23 352**
Net book value at 31.12.2018	**20 129**	**1 246**	**21 375**
Net book value at 31.12.2019	**19 272**	**1 191**	**20 463**

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

Theoretical movement schedule for goodwill

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The theoretical amortisation of goodwill is based on the straight-line method over the useful life of five years. The carrying amounts of goodwill at the time of conversion from IFRS to Swiss GAAP FER on 1 January 2016 have been included in the theoretical movement schedule below; closing rates on 1 January 2016 were applied. Goodwill from new acquisitions is set in Swiss francs and calculated based on the closing rate at the acquisition date. This procedure means that the movement schedule no longer has to include foreign exchange differences. The impact of the theoretical capitalisation and amortisation of goodwill is presented below:

Cost	2019	2018
Balance at 1.1.	97 512	97 512
Additions from acquisitions	45 325	–
Reduction of goodwill	(1 079)	–
Balance at 31.12.	**141 758**	**97 512**

In November 2019 the goodwill of CHF 3.2 million for Inwave, which was acquired on 10 November 2017 has been reduced by CHF 1.1 million due to the true-up of the deferred purchase price.

Accumulated amortisation		
Balance at 1.1.	(78 085)	(66 127)
Amortisation expense	(12 006)	(11 958)
Balance at 31.12.	**(90 091)**	**(78 085)**
Theoretical net book value at 31.12.	**51 667**	**19 427**

Impact on balance sheet

	31.12.2019	31.12.2018
Equity according to the balance sheet	587 713	620 752
Theoretical capitalisation of goodwill	51 667	19 427
Theoretical equity incl. net book value of goodwill	**639 380**	**640 179**

Impact on income statement

	2019	2018
Net income	62 759	61 354
Amortisation of goodwill	(12 006)	(11 958)
Theoretical net income	**50 753**	**49 396**

21 Financial assets

	31.12.2019	31.12.2018
Assets from employer contribution reserves	16 100	16 100
Others	4 526	3 930
Total financial assets	**20 626**	**20 030**

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

22 Financial liabilities

Financial liabilities	31.12.2019	31.12.2018
Short-term financial liabilities	761	–
Long-term financial liabilities	634	–
Total financial liabilities	**1 395**	**–**

Maturities of financial liabilities	31.12.2019	31.12.2018
Due within 1 year	761	–
Due within 2 to 5 years	634	–
Total financial liabilities	**1 395**	**–**

The financial liability is a bank loan taken over from the acquisition of BKtel (see Note 3, page 38).
The interest rate for the secured bank loan in Euro is 2.8 %.

23 Restrictions on the title to assets

Assets with a carrying amount of CHF 1.1 million were pledged to secure a bank loan. The pledged asset consists of a building (see Note 22, page 48). No assets were pledged or assigned as collateral to secure own obligations in the year 2018.

24 Other short-term liabilities

	31.12.2019	31.12.2018
Accrual for personnel expenses	29 397	30 682
Advance payments from customers	2 486	2 822
Derivative financial instruments	59	567
Current income tax liabilities	13 851	9 695
Other liabilities	11 073	8 499
Total other short-term liabilities	**56 866**	**52 265**

25 Provisions

	Retirement plan obligations	Restructuring provisions	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.2018	**2 980**	**131**	**4 731**	**7 980**	**4 577**	**20 399**
Additions	6	–	1 638	4 604	830	7 078
Releases	(340)	–	(403)	(817)	(200)	(1 760)
Utilisation	(91)	(131)	(585)	(1 054)	(651)	(2 512)
Reclassifications	(158)	–	158	–	–	–
Change in consolidation scope	–	–	–	–	–	–
Currency translation differences	(75)	–	(73)	(86)	(83)	(317)
Balance at 31.12.2018	**2 322**	**–**	**5 466**	**10 627**	**4 473**	**22 888**
Additions	247	–	595	807	147	1 796
Releases	–	–	(76)	(427)	(106)	(609)
Utilisation	(213)	–	(996)	(1 834)	(150)	(3 193)
Reclassifications	–	–	–	–	–	–
Change in consolidation scope	–	–	–	510	4	514
Currency translation differences	(64)	–	(31)	(23)	(18)	(136)
Balance at 31.12.2019	**2 292**	**–**	**4 958**	**9 660**	**4 350**	**21 260**
Short-term provisions	**–**	**–**	**1 954**	**9 407**	**2 159**	**13 520**
Long-term provisions	**2 322**	**–**	**3 512**	**1 220**	**2 314**	**9 368**
Total provisions at 31.12.2018	**2 322**	**–**	**5 466**	**10 627**	**4 473**	**22 888**
Short-term provisions	**–**	**–**	**1 610**	**8 576**	**2 092**	**12 278**
Long-term provisions	**2 292**	**–**	**3 348**	**1 084**	**2 258**	**8 982**
Total provisions at 31.12.2019	**2 292**	**–**	**4 958**	**9 660**	**4 350**	**21 260**

Retirement plan obligations include liabilities in connection with defined contribution plans (pension plans without own assets) and primarily concern specific former employees.
The restructuring provisions include liabilities to third parties in connection with a detailed restructuring programme.
Employee-related provisions mainly include length-of-service rewards and obligations to employees.
Order-related provisions are directly related to services arising from product deliveries and projects, and are formulated based on the experience and estimation of each project. Order-related provisions relate to warranties, customer claims, penalties and other guarantees.
Other provisions include obligations which do not fit into the aforementioned categories, such as current or possible litigations arising from divestments, licence agreements or duties as well as other constructive or legal obligations.
Due to the nature of the long-term provisions, the timing of the cash outflows is uncertain. However, a partial cash outflow can be expected within two to three years, on average.

26 Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities
Balance at 1.1.2018	**12 542**	**25 417**
Additions	1 078	361
Releases / utilisation	(2 108)	(1 126)
Reclassifications	(260)	–
Currency translation differences	(393)	(10)
Balance at 31.12.2018	**10 859**	**24 642**
Additions	708	746
Releases / utilisation	(2 148)	(24)
Reclassifications	91	(33)
Change in consolidation scope	2 140	7
Currency translation differences	(212)	1
Balance at 31.12.2019	**11 438**	**25 339**

27 Share capital

As at 31.12.2019 20 200 000 (previous year: 20 200 000) registered shares, with a nominal value of CHF 0.25, were outstanding. The Company has no authorised or conditional capital. Reserves which are not disposable or distributable amount to CHF 2.5 million as at 31 December 2019 (previous year: CHF 2.5 million).

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

	Quantity	Transaction price (Ø) in CHF	Purchase cost	Quantity	Transaction price (Ø) in CHF	Purchase cost
	2019			2018		
Balance at 1.1.	**746 640**		**1 401**	**741 140**		**937**
Purchases of treasury shares	21 625	70.15	1 517	38 250	57.78	2 210
Disposals of treasury shares	(33 125)	66.42	(2 200)	(32 750)	53.31	(1 746)
Balance at 31.12.	**735 140**		**718**	**746 640**		**1 401**

As at the balance sheet date, foundations related to the HUBER+SUHNER Group hold 184 171 shares in HUBER+SUHNER AG (previous year: 198 660). Pension funds connected with the HUBER+SUHNER Group hold no shares in HUBER+SUHNER AG.

28 Earnings per share

	2019	2018
Net income attributable to shareholders of HUBER+SUHNER AG	62 622	61 354
Average number of outstanding shares	19 464 729	19 460 883
Undiluted / diluted earnings per share (CHF)	3.22	3.15

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

29 Future commitments

The Group companies have committed to various capital expenditures essential for the day-to-day running of their businesses. At the year-end there were commitments for the purchase of property, plant and equipment and intangible assets amounting to CHF 19.4 million (previous year: CHF 9.6 million).

30 Events after the balance sheet date

No events occurred between the balance sheet date and the date these consolidated financial statements were approved by the Board of Directors (4 March 2020) which affect the annual results or require any adjustments to the Group's assets and liabilities.

Group Companies

Companies at 31.12.2019 (all fully consolidated)		Domicile		Capital stock in 1 000	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	5 000	100%	▲ ■
Brazil	HUBER+SUHNER América Latina Ltda.	Caçapava	BRL	39 197	100%	▲ ■
Canada	HUBER+SUHNER (Canada) Ltd.	Ottawa	CAD	2 350	100%	—
China	HUBER+SUHNER (Hong Kong) Ltd.	Hong Kong	HKD	12 325	100%	◆ ■
	HUBER+SUHNER (Shanghai) Co. Ltd. [1]	Shanghai	CNY	19 970	100%	■
	HUBER+SUHNER CCT (Shanghai) Co. Ltd. [1]	Shanghai	CNY	27 854	100%	■
	HUBER+SUHNER CCM (Changzhou) Co. Ltd. [1]	Changzhou	CNY	126 246	100%	▲
Costa Rica	HUBER+SUHNER Astrolab Costa Rica S.r.l. [2]	San José	USD	0	100%	▲
France	BKtel photonics SAS [3]	Lannion	EUR	10	56.65%	▲ ■
	HUBER+SUHNER (France) SAS	Voisins-le-Bretonneux	EUR	200	100%	■
Germany	HUBER+SUHNER BKtel GmbH	Hückelhoven	EUR	600	100%	▲ ■
	HUBER+SUHNER BKtel networks GmbH	Hückelhoven	EUR	28	100%	▲ ■
	HUBER+SUHNER BKtel components GmbH	Hückelhoven	EUR	28	100%	▲ ■
	BKtel invest GmbH [3]	Hückelhoven	EUR	29	100%	—
	HUBER+SUHNER GmbH	Taufkirchen	EUR	3 068	100%	◆ ■
	HUBER+SUHNER Cube Optics AG [4]	Mainz	EUR	590	100%	▲ ■
India	HUBER+SUHNER Electronics Pvt. Ltd. [5]	New Delhi	INR	170 000	100%	▲ ■
Japan	BKtel Pacific Rim (Japan) Inc. [3]	Yokohama	JPY	10 000	51%	■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd [6]	Kuala Lumpur	MYR	502	100%	▲ ■
Netherlands	HUBER+SUHNER B.V.	Rosmalen	EUR	200	100%	—
Poland	HUBER+SUHNER Sp. z o.o.	Tczew	PLN	5 600	100%	▲
Singapore	HUBER+SUHNER (Singapore) Pte Ltd.	Singapore	SGD	3 000	100%	◆ ■
Spain	HUBER&SUHNER (Spain) [7]	Madrid	EUR	3	100%	▲
Tunisia	HUBER+SUHNER (Tunisie) SARL	Sousse	TND	100	100%	▲
United Kingdom	HUBER+SUHNER (UK) Ltd.	Bicester	GBP	4 000	100%	▲ ■
	HUBER+SUHNER Polatis Ltd. [8]	Cambridge	GBP	700	100%	▲ ■
USA	HUBER+SUHNER (North America) Corp.	Charlotte, North Carolina	USD	1	100%	◆
	HUBER+SUHNER, Inc. [9]	Charlotte, North Carolina	USD	50	100%	▲ ■
	HUBER+SUHNER Astrolab, Inc. [9]	Warren, New Jersey	USD	12 000	100%	▲ ■
	HUBER+SUHNER Polatis, Inc. [9]	Delaware	USD	1	100%	◆
	HUBER+SUHNER Polatis Photonics, Inc. [8]	Bedford, Massachusetts	USD	52 959	100%	■

[1] Subsidiaries of HUBER+SUHNER (Hong Kong) Ltd.
[2] Subsidiary of HUBER+SUHNER Astrolab, Inc.
[3] Subsidiary of HUBER+SUHNER BKtel GmbH
[4] Subsidiary of HUBER+SUHNER GmbH
[5] Subsidiary of HUBER+SUHNER Finance AG and of HUBER+SUHNER B.V.
[6] Subsidiary of HUBER+SUHNER (Singapore) Pte Ltd.
[7] Subsidiary of HUBER+SUHNER Cube Optics AG
[8] Subsidiary of HUBER+SUHNER Polatis, Inc.
[9] Subsidiary of HUBER+SUHNER (North America) Corp.

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

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Zurich, 4 March 2020

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of equity and notes to the group financial statements including a summary of significant accounting policies (pages 31 to 51), for the year ended 31 December 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation 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. 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 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 31 December 2019 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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

Valuation of inventories

Area of focus	As of 31 December 2019, inventories amounted to CHF 152.5 million, representing 20 % of the Group's total assets. As indicated in Note 2.6 to the consolidated financial statements, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the Group recognizes an inventory allowance based on the inventory turnover. Due to the significance of the carrying values of inventories and the degree of management judgment involved in determining production costs, write-downs and fair value less cost to sell, this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst other: · We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied. · On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs. · We challenged the estimates made by Management regarding write-downs by assessing whether they are in line with historical experience. · We reviewed inventory ratio's and audited underlying data of the inventory ageing list. · We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds. Our audit procedures did not lead to any reservations regarding to the valuation of inventories.

Building a better working world

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 para. 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.

Ernst & Young Ltd

Willy Hofstetter (Qualified Signature)	Marc Rüegsegger (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Five-Year Financial Summary

in CHF million	2015 (IFRS)	2016 (Swiss GAAP FER)	2017 (Swiss GAAP FER)	2018 (Swiss GAAP FER)	2019 (Swiss GAAP FER)
Order intake	**702.8**	**746.6**	**826.3**	**915.2**	**800.9**
change in % over prior year	(8.5)	6.2	10.7	10.8	(12.5)
Order backlog as of 31.12.	**169.7**	**177.2**	**230.5**	**246.9**	**213.6**
change in % over prior year	(8.8)	4.4	30.1	7.1	(13.5)
Net sales	**706.3**	**737.2**	**774.0**	**885.0**	**830.6**
change in % over prior year	(5.6)	4.4	5.0	14.3	(6.1)
Gross margin	**34.6%**	**36.7%**	**34.5%**	**34.6%**	**36.2%**
EBITDA	**86.5**	**100.8**	**90.5**	**116.4**	**111.8**
as % of net sales	12.2	13.7	11.7	13.2	13.5
EBIT	**52.3**	**69.7**	**58.1**	**82.5**	**80.5**
as % of net sales	7.4	9.5	7.5	9.3	9.7
change in % over prior year	(24.2)	n/a [1]	(16.6)	41.9	(2.4)
Financial result	**(15.4)**	**3.0**	**(0.7)**	**(2.8)**	**(1.7)**
Net income	**24.7**	**53.2**	**42.1**	**61.4**	**62.8**
as % of net sales	3.5	7.2	5.4	6.9	7.6
change in % over prior year	(58.3)	n/a [1]	(20.8)	45.6	2.3
Purchases of PP&E and intangible assets	**23.5**	**32.2**	**37.8**	**27.0**	**37.5**
change in % over prior year	(44.6)	37.0	17.3	(28.5)	38.9
Cash flow from operating activities	**69.7**	**79.6**	**52.9**	**99.6**	**129.1**
change in % over prior year	(10.7)	n/a [1]	(33.5)	88.0	29.7
Free operating cash flow	**47.9**	**22.1**	**20.0**	**71.7**	**45.1**
change in % over prior year	n/m	n/a [1]	(9.7)	259.2	(37.1)
Net liquidity as of 31.12.	**160.0**	**157.5**	**152.6**	**198.8**	**190.2**
change in % over prior year	11.7	(1.5)	(3.1)	30.3	(4.3)
Equity as of 31.12.	**649.6**	**573.3**	**593.5**	**620.8**	**587.7**
as % of balance sheet total	83.5	81.5	78.9	80.7	78.4
Employees at year-end (permanent employees)	**3 649**	**4 031**	**4 200**	**4 456**	**4 823**
change in % over prior year	(6.2)	10.5	4.2	6.1	8.2
Employees, yearly average (permanent employees)	**3 584**	**3 866**	**4 198**	**4 352**	**4 636**

n/m = not meaningful

[1] Due to conversion from IFRS to Swiss GAAP FER change in % over prior year is not comparable.

Financial Report 2019

Financial Statements HUBER+SUHNER AG

Income Statement

in CHF 1 000	Notes	2019	2018
Net Sales		457 883	455 273
Other operating income	3.1	24 045	28 811
Change in semi-finished and finished goods		(7 516)	1 696
Total operating income		**474 412**	**485 780**
Material expenses		(211 830)	(225 594)
Personnel expenses		(151 631)	(151 205)
Other operating expenses		(63 585)	(68 779)
Depreciation and amortisation		(16 711)	(19 070)
Total operating expenses		**(443 757)**	**(464 648)**
Operating profit (EBIT)		**30 655**	**21 132**
Financial income		3 491	7 073
Financial expense		(7 469)	(2 078)
Income from investments	3.2	27 107	15 347
Non-operating income		1 099	1 181
Non-operating expenses		(513)	(731)
Extraordinary income	3.3	1 079	–
Income before taxes		**55 449**	**41 924**
Income taxes		(4 465)	(4 753)
Net Income		**50 984**	**37 171**

Balance Sheet

in CHF 1 000	Notes	31.12.2019	%	31.12.2018	%
Assets					
Cash and cash equivalents		117 871		149 972	
Trade receivables third party		15 160		18 350	
Trade receivables group companies		23 619		26 556	
Other short-term receivables third party		8 691		9 569	
Other short-term receivables group companies		2 259		2 437	
Inventories	3.4	42 100		43 833	
Accrued income		958		159	
Current assets		**210 658**	**41.8**	**250 876**	**50.5**
Property, plant, equipment and intangible assets	3.5	110 885		98 286	
Investments in subsidiaries	3.6	108 438		55 997	
Long-term loans group companies		74 380		91 920	
Non-current assets		**293 703**	**58.2**	**246 203**	**49.5**
Assets		**504 361**	**100.0**	**497 079**	**100.0**
Liabilities and equity					
Trade payables third party		15 374		10 742	
Trade payables group companies		10 190		10 529	
Other short-term liabilities third party		20 194		21 165	
Short-term provisions		1 951		1 723	
Accrued liabilities		6 796		4 171	
Current liabilities		**54 505**		**48 330**	
Long-term loans group companies		4 936		7 072	
Long-term provisions		54 886		55 676	
Other long-term liabilities		2 953		2 185	
Non-current liabilities		**62 775**		**64 933**	
Liabilities		**117 280**	**23.2**	**113 263**	**22.8**
Share capital	3.7	5 050		5 050	
Legal reserves		40 271		40 271	
General reserves		90 507		90 226	
Retained earnings		251 977		249 676	
Treasury shares	3.8	(724)		(1 407)	
Equity		**387 081**	**76.8**	**383 816**	**77.2**
Liabilities and equity		**504 361**	**100.0**	**497 079**	**100.0**

Notes to Financial Statements

1 General

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

2 Accounting policies

2.1 General

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

2.2 Foreign currency translation

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

2.3 Revenue recognition

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

2.4 Trade receivables

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

2.5 Inventories

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

2.6 Property, plant, equipment and intangible assets

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

2.7 Investments in subsidiaries

Investments are initially recognised at cost. Investments are assessed annually and individually. In exceptional cases where it is unreasonable to assess the investment on an individual basis, the carrying amount is evaluated based on interconnectedness.

2.8 Provisions

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

2.9 Treasury shares

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

3 Details to individual positions

3.1 Other operating income

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

3.2 Income from investments

Income from investments includes dividend payments from subsidiaries in the amount of TCHF 27 107 (previous year, TCHF 15 347). No impairments of investments have been recognised or reversed (previous year: no recognition or reversal).

3.3 Extraordinary income

Extraordinary income results from the reduction of deferred purchase price liability on an acquisition at the amount of TCHF 1 079 (previous year: none).

3.4 Inventories

in CHF 1 000	31.12.2019	31.12.2018
Raw materials and supplies	13 557	12 407
Work in progress	6 020	5 939
Semi-finished and finished goods	79 799	87 315
Inventory provision	(57 276)	(61 828)
Total	**42 100**	**43 833**

3.5 Property, plant, equipment and intangible assets

in CHF 1 000	31.12.2019	31.12.2018
Land	6 225	6 225
Buildings	39 656	41 057
Technical equipment and machinery	26 784	27 513
Other equipment	893	896
Assets under construction	17 198	9 257
Investment property	2 080	2 080
Intangible assets	18 049	11 258
Total	**110 885**	**98 286**

In 2019, a goodwill at the amount of TCHF 6 042 was recorded in intangible assets (prior year: none). The goodwill was arising on the acquisitions of two product portfolios from Kathrein SE Germany. The acquisition of Kathrein SE Germany is disclosed in the Notes to the Group Financial Statements (see Note 3, page 39).

3.6 Investments in subsidiaries

The increase in 2019 of investments in subsidiaries is related to the acquisition of BKtel Group. The acquisition of BKtel Group is disclosed in the Notes to the Group Financial Statements (see Note 3, pages 38–39).
Directly and indirectly held subsidiaries are listed on page 51 of the Group Financial Statements.

3.7 Share capital

Both at 31 December 2019 and at 31 December 2018 the share capital was composed of 20 200 000 registered shares, with a nominal value of CHF 0.25 each.
The composition of capital stock is disclosed in the Notes to the Group Financial Statements (see Note 27, page 50).

3.8 Treasury shares

The company holds 735 140 treasury shares, of which 726 640 are treasury stock and 8 500 are other treasury shares (previous year: 746 640 treasury shares, of which 726 640 treasury stock and 20 000 other treasury shares).

in CHF 1 000	2019	2018
Number at 1.1.	746 640	741 140
Purchases	21 625	38 250
Sales	–	–
Allotment	(33 125)	(32 750)
Number at 31.12.	735 140	746 640

4 Contingent liabilities

in CHF 1 000	31.12.2019	31.12.2018
Guarantees for loans with promissory notes and other loans to Group companies	–	–

5 Liabilities to pension funds

in CHF 1 000	31.12.2019	31.12.2018
Total liabilities to pension funds	6	–

6 Net release of undisclosed reserves

in CHF 1 000	2019	2018
Total net release of undisclosed reserves	3 333	3 901

7 Significant shareholders / shareholdings of Board of Directors and of Executive Group Management

Shares of votes and capital	31.12.2019	31.12.2018
Metrohm AG	10.62 %	10.62 %
EGS Beteiligungen AG	8.00 %	7.10 %
S. Hoffmann-Suhner	6.18 %	6.18 %
Norges Bank (the Central Bank of Norway)	3.70 %	3.07 %
Huwa Finanz- und Beteiligungs AG	3.19 %	3.19 %
Abegg Holding AG	–	10.04 %

Information about published disclosure notices in accordance with Article 20 BEHG are included in Corporate Governance, Clause 1.2 ‘Significant shareholders’.

According to the Ordinance against Excessive Compensation in Listed Companies (OaEC), which has been in force since 1 January 2014, details of compensation for

members of the Board of Directors and Executive Group Management are presented in a separate Compensation Report (see Compensation Report, pages 22 to 27).
In accordance with Article 663c of the Swiss Code of Obligations (OR), shareholdings in the company by members of Board of Directors and by members of Executive Group Management are as follows:

Shareholdings of Board of Directors (Number of shares at 31 December 2019)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
U. Kaufmann	Chairman	83 200	600	83 800	33 800	50 000	0.43 %
B. Kälin	Deputy Chairman	20 500	–	20 500	12 500	8 000	0.11 %
M. Bütler	Member	3 600	–	3 600	–	3 600	< 0.10 %
G. Müller	Member	20 000	581 576	601 576	597 976	3 600	3.09 %
R. Seiffert	Member	11 033	–	11 033	7 433	3 600	< 0.10 %
J. Walther	Member	3 600	–	3 600	–	3 600	< 0.10 %
F. Studer	Member	–	–	–	–	–	–
Total shareholdings BoD 2019		**141 933**	**582 176**	**724 109**	**651 709**	**72 400**	**3.72 %**

Shareholdings of Board of Directors (Number of shares at 31 December 2018)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
U. Kaufmann	Chairman	80 200	600	80 800	33 800	47 000	0.42 %
B. Kälin	Deputy Chairman	18 500	–	18 500	8 500	10 000	< 0.10 %
M. Bütler	Member	4 800	–	4 800	1 200	3 600	< 0.10 %
C. Fässler	Member	6 500	–	6 500	2 900	3 600	< 0.10 %
G. Müller	Member	18 800	184 586	203 386	199 786	3 600	1.05 %
R. Seiffert	Member	9 833	–	9 833	6 233	3 600	< 0.10 %
J. Walther	Member	2 400	–	2 400	–	2 400	< 0.10 %
Total shareholdings BoD 2018		**141 033**	**185 186**	**326 219**	**252 419**	**73 800**	**1.68 %**

Shareholdings of Executive Group Management (Number of shares at 31 December 2019)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
U. Ryffel	CEO	25 100	–	25 100	13 100	12 000	0.13 %
R. Bolt	Member	10 970	–	10 970	2 570	8 400	< 0.10 %
F. Landolt	Member	2 740	–	2 740	40	2 700	< 0.10 %
D. Nixon	Member	6 850	–	6 850	300	6 550	< 0.10 %
P. Riederer	Member	5 600	–	5 600	–	5 600	< 0.10 %
U. Schaumann	Member	6 525	–	6 525	–	6 525	< 0.10 %
P. Stolz	Member	5 295	–	5 295	670	4 625	< 0.10 %
M. Strasser	Member	2 700	–	2 700	–	2 700	< 0.10 %
I. Wechsler	Member	14 000	–	14 000	3 600	10 400	< 0.10 %
Total shareholdings EGM 2019		**79 780**	**–**	**79 780**	**20 280**	**59 500**	**0.41 %**

Shareholdings of Executive Group Management (Number of shares at 31 December 2018)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
U. Ryffel	CEO	20 100	–	20 100	11 100	9 000	0.10 %
R. Bolt	Member	11 470	–	11 470	3 070	8 400	< 0.10 %
F. Landolt	Member	1 240	–	1 240	40	1 200	< 0.10 %
D. Nixon	Member	5 250	–	5 250	300	4 950	< 0.10 %
P. Riederer	Member	5 600	–	5 600	–	5 600	< 0.10 %
U. Schaumann	Member	4 925	–	4 925	–	4 925	< 0.10 %
P. Stolz	Member	3 545	–	3 545	70	3 475	< 0.10 %
M. Strasser	Member	1 200	–	1 200	–	1 200	< 0.10 %
I. Wechsler	Member	12 000	–	12 000	2 000	10 000	< 0.10 %
Total shareholdings EGM 2018		**65 330**	**–**	**65 330**	**16 580**	**48 750**	**0.34 %**

[1] Shares with remaining lock-in periods of up to 10 years [2] Shares in % of shares entitled to a dividend

Allotted number of shares to:	2019	2018
Board of Directors	11 000	11 000
Executive Group Management	16 200	18 950
Employees	2 433	3 175

Allotted shares in CHF 1 000	2019	2018
Expensed amount in Income Statement	2 276	2 170

Outstanding shares are effectively assigned in the following year; for members of Board of Directors and Executive Group Management, the issue is subject to approval by the Annual General Meeting. The expense amount in the Income Statement is based on the year-end 2019 share price of CHF 76.80 (previous year: CHF 65.50).

8 Full-time positions

As in the previous year, HUBER+SUHNER AG had over 250 full-time-equivalent employees in 2019.

9 Leasing obligations not recorded in the balance sheet

At the balance sheet date there are neither short-term obligations with a duration of less than one year (previous year: TCHF 0) nor obligations in excess of one year (previous year: no obligations in excess of one year).

10 Events after the balance sheet date

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

11 Additional disclosures, cash flow statement and management report

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

Recommendation for Appropriation of Earnings

The Board of Directors of HUBER+SUHNER AG recommends to the Annual General Meeting the following appropriation of available earnings for the year 2019:

in CHF 1 000	2019	2018
Prior-year retained earnings	200 993	212 505
Net income for the year	50 984	37 171
Total retained earnings	**251 977**	**249 676**
Dividend	(31 144)	(48 683)
Total appropriation	**(31 144)**	**(48 683)**
Retained earnings carried forward	**220 833**	**200 993**

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

	CHF	CHF
Ordinary dividend	1.60	1.50
Anniversary dividend	–	1.00
Gross dividend	**1.60**	**2.50**
Less 35 % withholding tax	0.56	0.875
Net dividend	**1.04**	**1.625**

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Zurich, 4 March 2020

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 to the financial statements including a summary of significant accounting policies (pages 57 to 63), for the year ended 31 December 2019.

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 31 December 2019 comply with Swiss law and the company's articles of incorporation.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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

Valuation of inventories

Area of focus	As of 31 December 2019, inventories amounted to CHF 42.1 million, representing 8.3% of HUBER+SUHNER AG's total assets. As indicated in Note 2.5 of the notes to the stand-alone financial statements of HUBER+SUHNER AG, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the entity recognizes an inventory allowance based on the inventory turnover. Due to the significance of the carrying values of inventories and the degree of Management judgment involved in determining production costs, write-downs and fair value less cost of sales, this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst other: · We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied. · On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs. · We challenged the estimates made by Management regarding write-downs by assessing whether there are in line with historical experience. · We reviewed inventory ratio's and audited underlying data of the inventory ageing list. · We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds. Our audit procedures did not lead to any reservations regarding to the valuation of inventories.

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Valuation of investments to subsidiaries and loans to group companies

Area of focus	As of 31 December 2019, the HUBER+SUHNER AG holds investments in subsidiaries of CHF 108.4 million and loans to group companies of CHF 74.4 million, which corresponds to 21.5% and 14.7% respectively of total assets. The investments in subsidiaries are disclosed in the note "Group Companies" of the consolidated financial statements of HUBER+SUHNER AG. Investments in subsidiaries and loans to group companies are material to the entity and may be subject to changes in value. Accordingly, Management performs regular impairment considerations and calculations to determine the value of each investment and loan. The investments in subsidiaries and the loans to group companies were considered significant to our audit as the amounts concerned are material and the assessments involve judgment in preparing the underlying key assumptions for the valuation.
Our audit response	Our audit work for the valuation of the investments in subsidiaries and loans to group companies consisted of auditing Management's valuation assessments and the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and long-term business plans. Our audit procedures did not lead to any reservations regarding to the valuation of investments in subsidiaries and loans to group companies.

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

Ernst & Young Ltd

Willy Hofstetter (Qualified Signature)	Marc Rüegsegger (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Share Data

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

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

Registered shares at 31.12. (nominal value CHF 0.25)	2015 (IFRS)	2016 (Swiss GAAP FER)	2017 (Swiss GAAP FER)	2018 (Swiss GAAP FER)	2019 (Swiss GAAP FER)
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	19 451 846	19 451 360	19 458 860	19 453 360	19 464 860
Number of shareholders at 31.12.	3 694	3 530	4 523	4 116	4 702
Stock market price (in CHF)					
high	52.00	65.60	73.80	74.90	85.90
low	38.60	40.60	50.55	50.90	60.80
year-end	46.35	56.50	50.85	65.50	76.80
Amounts per registered share[1] (in CHF)					
Net income	1.27	2.73	2.17	3.15	3.22
Ordinary dividend	1.00	1.25	1.10	1.50	1.60[3]
Anniversary dividend	–	–	–	1.00	–
Total dividend	**1.00**	**1.25**	**1.10**	**2.50**	**1.60**[3]
Pay-out ratio	79 %	46 %	51 %	79 %	50 %
Market capitalisation [2]					
in CHF million	902	1 099	989	1 274	1 495
as % of net sales	128	149	128	144	180
as % of shareholders' equity	139	192	167	205	254

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

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

Publishing information

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