Annual Report **2013**

Part 2
Corporate Governance
Financial Report 2013

HUBER+SUHNER
Excellence in Connectivity Solutions

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Annual Report 2013 · Part 2

The HUBER+SUHNER Annual Report 2013 consists of two parts:

- Part 1: Report of the Chairman of the Board and the Chief Executive Officer
- Part 2: Corporate Governance and Financial Report 2013

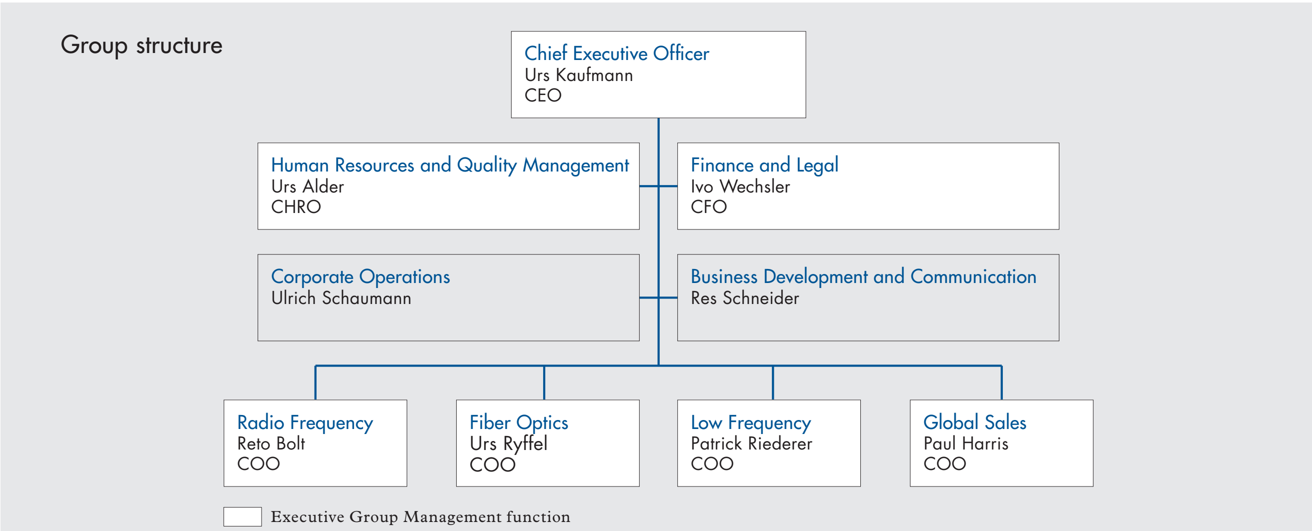
We will be pleased to send you Part 1 on request. Both reports can also be downloaded from the internet at www.hubersuhner.com.

Annual Report 2013 · Part 2

Corporate Governance

CORPORATE GOVERNANCE

The term “Corporate Governance” refers to all of the principles and rules aimed at safeguarding shareholder interests. While maintaining decision-making capability and efficiency at the highest level of a company, these principles are intended to guarantee transparency and a healthy balance of management and control.
The structure of the following corporate governance report follows the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange. All figures apply to 31 December 2013, unless otherwise stated.
The Ordinance against Excessive Compensation for public listed companies (OaEC), which came into force on 1 January 2014, is not considered in the report.



1 Group structure and shareholders

1.1 Group structure

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

Listed parent company

HUBER+SUHNER AG, registered in Herisau, Canton of Appenzell Ausserrhoden, Switzerland, is the parent company of the HUBER+SUHNER Group. Its registered shares are listed in the main segment of SIX Swiss Exchange, securities number 3’038’073. Additional information on market capitalisation, shares and share capital is disclosed in the Share Data section on page 64.

Non-listed subsidiaries

Information on subsidiaries, none of which is listed, is shown in the Notes to Group Financial Statements under Group Companies on page 53.

1.2 Significant shareholders

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

Percentage of voting rights	31.12.2013
H. C. M. Bodmer [1)]	11.88 %
Metrohm AG [1)]	10.62 %
S. Hoffmann-Suhner [1)]	6.28 %
Huwa Finanz- und Beteiligungs AG [1)]	3.17 %
EGS Beteiligungen AG [1)]	3.01 %

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

The Company holds 738 640 treasury shares (726 640 treasury stock and 12 000 other treasury shares).

Pertaining to shareholdings HUBER+SUHNER AG has published one disclosure concerning the year under review in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (BEHG).
Disclosures can be found in the SIX Swiss Exchange database for significant shareholders: www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html
The Board of Directors of HUBER+SUHNER AG is not aware of any agreements or other arrangements between significant shareholders concerning their registered shares or shareholder rights.

1.3 Cross-shareholdings

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

2 Capital structure

2.1/2.2 Capital/Authorised and conditional capital

HUBER+SUHNER AG's share capital, at CHF 5 050 000 on the balance sheet date, is fully paid in. Authorised and conditional capital does not exist. For more information on share capital, turn to the Notes to Group Financial Statements under Share capital on page 52.

2.3 Changes in capital

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

2.4/2.5 Shares and participation certificates/ Dividend right certificates

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

2.6 Limitations on transferability and nominee listings

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

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

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

2.7 Convertible bonds and options

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

3 Board of Directors

3.1 Members of the Board of Directors

At the end of the year under review, the HUBER+SUHNER AG Board of Directors, which must number at least five members, in fact numbered seven. At the Annual General Meeting of 10 April 2013, Mr Altorfer and Mr Müller were re-elected for a term of office of three years. Mr Fässler has been elected as successor of Mr Déteindre, who did not stand for re-election due to his age, for a term of office of three years.

Independence

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

Brief profiles of the Board of Directors of HUBER+SUHNER AG

Dr David W. Syz

Chairman
Born 1944, Swiss citizen, member of the Board of Directors 1987–1999 and since 2004, Chairman since 2005, term expires in 2014
Dr iur. University of Zurich. MBA from INSEAD, Fontainebleau. 1973 to 1999 in various management positions in the Elektrowatt Group, Zurich, and in SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen a. Rhf. 1999 to 2004 Secretary of State and Director of the State Secretariat for Economic Affairs SECO. 2004 to April 2013 Member of the Board of Directors of the Credit Suisse Group, Zurich. President of the "Stiftung Klimarappen", Zurich, and of ecodocs ag, Zollikon.

Dr Peter Altorfer

Born 1953, Swiss citizen, member of the Board of Directors since 1995, term expires in 2016

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

Dr Christoph Fässler

Born 1952, Swiss citizen, member of the Board of Directors since 2013, term expires in 2016

Chemie-Ingenieur ETH Zurich. 1980 to 1986 for Holcim in USA, Egypt, Brazil and finally in Mexico as plant manager. 1986 to 1998 General Manager Forma Vitrum AG, St. Gallen. From 1998 to 2004 Division Manager at company Schott, Germany. Since 2005 CEO and Delegate of the Board of Directors of Metrohm AG*, Herisau. Member of the Board of Directors of Alba Group, Appenzell and of Elvy Weaving, Egypt.

Dr Beat Kälin

Born 1957, Swiss citizen, member of the Board of Directors since 2009, term expires in 2015

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

George H. Müller

Born 1951, Swiss citizen, member of the Board of Directors since 2001, term expires in 2016

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

Rolf Seiffert

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

Dipl. Ing. ETH Zurich. 1988 to 1998 different positions in product development and product management with Bombardier Transportation. 1999 to 2004 Head of development of automatic train control and 2005 to 2010 Head of international rail automation business at Siemens Switzerland AG, Wallisellen. From 2011 until June 2013 Vice President Sales and member of the Executive Board of Duagon AG, Dietikon. Since July 2013 Head of Sales and Member of the Executive Board of Ruf Telematik AG, Schlieren.

Erich Walser

Deputy Chairman

Born 1947, Swiss citizen, member of the Board of Directors since 2004, term expires in 2015

Lic. oec. University of St. Gallen and lic. iur. University of Berne. Since 1979 with Helvetia Insurance, St. Gallen: 1991 to August 2007 Chief Executive Officer, 2001 Delegate and since 2003 Chairman of the Board. Member of the Board of various non-listed companies, among others Metrohm AG*, Herisau.

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

3.2 Other activities and vested interests

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

3.3 Election and terms of office

In accordance with Art. 15, paragraph 2 of the Articles of Association, members of the Board of Directors are elected individually for a term of three years. Members of the Board of Directors remain in office until they are re-elected or new members are elected at the Annual General Meeting. The mandatory retirement for members of the Board of Directors is at the Annual General Meeting in the year they reach their 70th birthday.
As of the Ordinary Annual General Meeting 2014, the yearly single election of all members of the Board of Directors, all members of the Nomination and Compensation Committee as well as the election of the Chairman, is legally stipulated.

3.4 Internal organisational structure

The Board of Directors is responsible for the ultimate direction, supervision and control of Executive Group Management. It is self-constituting in that each year it elects from among its ranks its Chairman and Deputy Chairman. In support of its supervisory capacity, the Board of Directors has formed two standing committees, the *Audit Committee* and the *Nomination and Compensation Committee*.

Board of Directors' procedures

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

* Significant shareholders of HUBER+SUHNER AG

tire Executive Group Management took place in the year under review.

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

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

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

Standing committees, composition and procedure

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

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

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

Audit Committee

This committee consists of at least two members. It supports the Board of Directors in supervising accounting, financial reporting, internal audit and cooperation with the external auditors. It takes decisions on urgent financial matters, subject to the approval of the entire Board of Directors. Areas of authority and responsibility allocated to the Board of Directors by law and by the Bylaws remain wholly within the Board of Directors.

The CFO and CEO, the Head Corporate Controlling and the external auditors attend committee meetings. The committee deals with certain agenda items with the external auditors alone as required. The committee held two half-daily meetings in the year under review.

Main tasks of the *Audit Committee:*

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

Nomination and Compensation Committee

Consisting of the Chairman and Deputy Chairman of the Board of Directors, the committee does preparatory work regarding nominations and compensation of members of the Board of Directors and the Executive Group Management. The committee determines – subject to the approval of the Board of Directors – annual wage increases and deals with matters that need to be handled before the next Board of Directors' meeting takes place.

Unless their own performance or remuneration are on the agenda, the CEO and the CHRO (Head of Human Resources and Quality Management) take part in committee meetings. The committee held two half-daily meetings in the year under review.

The main duties of the *Nomination and Compensation Committee* are:

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

3.5 Definition of areas of responsibility

The areas of authority and responsibility of the various bodies are set out in the Bylaws (available under http://www.hubersuhner.com/en/Company/Investors/Corporate-Governance).

The Board of Directors is responsible for the direction, supervision and control of Executive Management of the Group and company. The Board of Directors decides on all matters other than those reserved or passed on, by law, the Articles of Association or the Bylaws, to the Annual General Meeting or other corporate bodies. In particular, the Board of Directors approves the business strategy and organisation as proposed by Executive Group Management, as well as budgets, medium-term plans and any other business which, by its nature or financial import, is considered strategically significant. For any projects requiring a Board of Directors' decision written proposals are prepared.

Pursuant to the Articles of Association and the Bylaws, the Board of Directors has delegated corporate management responsibility to the CEO. The Board of Directors periodically examines and amends the Bylaws.

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

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

Periodic reporting to the Board of Directors by Executive Group Management is by means of the CEO's monthly written commentary on business activities and the Group result, sent to all Board members along with the monthly financial statements, as well as the minutes of monthly Executive Group Management meetings, which are also submitted regularly to the Chairman of the Board of Directors. Internal Organisation (see paragraph 3.4) defines participation at meetings of the Board of Directors and its Committees by members of Executive Group Management (in particular the CEO and CFO).

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

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

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

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

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

The risk management system of the HUBER+SUHNER Group and the Group companies is defined in the Board of Directors' risk policy and in the Executive Group Management's guidelines on the risk management process. Based on its own assessment (top-down) and on information provided by the Divisions and subsidiaries (bottom-up), Executive Group Management has reviewed the result and the status of decided actions and has selected and reassessed the most significant financial, operational and strategic risks at Group level of the year under review. Risks are categorised based on their probability of occurrence and their potential financial impact. For each listed risk, mitigation measures are defined as well as responsibilities. The assessed risks as well as the on-going and new actions have been submitted in the *Risk Report 2013* to the Board of Directors for discussion and approval. After an intensive review the Board of Directors has agreed on 9 December 2013 on the risk assessment and approved the Risk Report 2013 (the same information on risk management can be found according to Art. 663b OR in the Notes to Group Financial Statements).

4 Executive Group Management

4.1 Members of Executive Group Management

The EGM had seven members on 31 December 2013.

Brief profiles of the Executive Group Management of HUBER+SUHNER AG

Urs Kaufmann

Chief Executive Officer

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

Urs Alder

Chief Human Resources Officer (HR and Quality management)

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

Reto Bolt

Chief Operating Officer Radio Frequency

Born 1966, Swiss citizen, dipl. Ing. ETH (Swiss Federal Institute of Technology), Zurich. Joined HUBER+SUHNER in 1993, from 1993 to 1996 operations engineer, from 1997 to 1998 Head of Logistics and Procurement, from 1999 to 2003 Head RF Global Operations, from 2004 to 2006 Head of Global Management System and from 2007 to 2012 Head of the Cable Systems Business Unit within the LF Division. Since July 2012 Head of the Radio Frequency Division and member of Executive Group Management.

Paul Harris

Chief Operating Officer Global Sales

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

Patrick Riederer

Chief Operating Officer Low Frequency

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

Urs Ryffel

Chief Operating Officer Fiber Optics

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

Ivo Wechsler

Chief Financial Officer (Finance and Legal)

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

4.2 Other activities and vested interests

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

4.3 Management contracts

No management contracts with companies or individuals outside the HUBER+SUHNER Group exist.

5 Compensation, shareholdings, loans

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

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

Principles

The Board of Directors determines the amount of compensation paid to its own members and to those of Executive Group Management at the request of the Nomination and Compensation Committee.
Compensation of the members of the Board of Directors and its committees, of the CEO and other members of Executive Group Management, together with overall annual salary adjustments, are determined each year after completion of the financial year, for implementation over the next twelve months, from April to March.
The Nomination and Compensation Committee periodically reviews the underlying principles and content of the remuneration system and adjusts them as necessary.
The total compensation of a member of Executive Group Management, or of a member of higher management, is essentially determined on the basis of the qualification, the level of responsibility entrusted, the complexity of the task, the achievement of objectives, and on the basis of local market conditions in the mechanical, electrical, and metal industry.
To support the process of determining the compensation of members of Executive Group Management, international compensation analyses for selected management positions are carried out as required by a consultancy company specialising in international salary benchmarks. The process involves examination of the following elements: short-term incentives (basic salary and bonus), long-term incentives (shares), and complementary benefits (pension scheme, allowances). The base for determining the comparator group are Swiss based industrial companies with a worldwide coverage. Further criteria used are net sales, number of employees, sector (manufacturing companies in comparable industries) and a similar structure with comparable complexity (divisional structure, diversified product portfolio, internationality, etc.).
This consultancy company has no additional mandates with HUBER+SUHNER.

Board of Directors

The compensation of members of the Board of Directors is composed of meeting attendance fees, cash compensation (fee), and a long-term premium of the form of a fixed number of company shares blocked for at least three years (Chairman 4000 shares, Deputy Chairman 2000 shares, other members 1200 shares). Membership in a committee of the Board of Directors is additionally remunerated by a flat fee. The share blocking periods are not revoked as the result of stepping down or in the event of a change of control.
The fee and the shares are generally paid respectively transferred in April of the following year. The fee and the market value of the shares are fully accrued in accordance with the accrual principle in the accounts of the respective year under review.
The total compensation of the Board of Directors in the year under review amounted to CHF 1.1 million. This represents an increase of 5 % compared with the previous year, which is attributable to a higher share price. For details of remuneration paid to the Board of Directors in the year under review, please see page 40 of the Notes to Group Financial Statements.

Executive Group Management

Remuneration of members of Executive Group Management consists of the following components:

a) Fixed basic salary in cash
b) Variable performance-related components (bonus) in cash
c) Long-term incentive in the form of company shares
d) Pension and insurance benefits

The performance-related bonus (in the event of 100 % achievement of objectives) for members of Executive Group Management amounts to between 30 % and 60 % of the basic salary.
At least 40 % of the amount of bonus payable is contingent upon reaching the three Group financial objectives determined annually by the Board of Directors (e.g. organic growth in net sales, EBIT-margin, a measurement parameter in the area of net working capital), and a maximum of 60 % of the amount of bonus payable is contingent upon reaching measurable individual divisional and management objectives. These individual objectives are determined and weighted annually in a structured objective-setting process between the Chairman of the Board of Directors and the CEO and the CEO and the members of Executive Group Management. Failure to reach objectives means that no bonus is paid. Surpassing all objectives may increase the bonus to a maximum of 1.5 times the performance-related bonus.
As a long-term incentive, members of Executive Group Management receive HUBER+SUHNER shares. The number of target shares for the CEO amounts to 4000 shares, for the remaining members of Executive Group Management 1600 shares. The number of shares effectively allocated annually (number of target shares multiplied by a factor between 0.5 and 1.5) is determined by the Board of Directors and is contingent upon longer-term business success, which is assessed on the basis of the factors “market environment”, “strategy implementation”, and “financial situation”. The shares allocated have a lock-in period with a minimum of three years.
The bonus and the shares are generally paid respectively transferred end of March of the following year. The amount of the bonus and market value of the shares are fully accrued in accordance with the accrual principle in the financial statements of the corresponding financial year.
In the event of dismissal by the company for economic or

organisational reasons, payments of half a year's salary are provided for, but no other remuneration. The employment contracts of Executive Group Management contain provisions which make reference to a change of control, but do not trigger payment obligations in excess of one year's salary. The blocking period of shares continues to apply in the event of a departure or change of control.
The total remuneration of Executive Group Management for the year under review amounted to CHF 4.5 million. This corresponds to an increase of 7 % compared with the previous year, which is attributable to higher variable salaries. For details of remuneration paid to Executive Group Management in the year under review, please see page 39 of the Notes to Group Financial Statements.

Loans to governing bodies

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

6 Shareholders' participation

6.1 Voting-rights and representation restrictions

Pursuant to the Articles of Association, a shareholder may be represented at the Annual General Meeting by another shareholder with voting rights who is entered in the share register, by means of a written proxy. When exercising voting rights, no shareholder may control more than 5 % of the total share capital in own and represented shares. Natural persons, legal entities and partnerships who are associated with each other through capital, voting power, management, or in any other way, as well as natural persons, legal entities, and partnerships which form groupings for purposes of circumventing registration limitations, shall be considered as single persons. The Board of Directors may make exceptions to this rule, in particular in order to enable the proxy for deposited shares, the company officer, and the independent proxy of voting rights to exercise their voting rights.
In exceptional cases, in particular to facilitate the tradability of the registered shares and in connection with corporate mergers and the increase of the shareholder stability through new anchor shareholders, the Board of Directors is authorised to recognise the acquisition of shares or to waive the above 5 % restriction.
The Board of Directors has approved the registration of shareholders previously listed in the share register as holding more than 5 % of all shares as of 8 March 1995.
The restrictions of voting rights as outlined in the Articles of Association may be revoked only by a resolution of the Annual General Meeting, passed by a two-thirds majority of the shares represented.

6.2 Statutory quorums

At least two-thirds of the votes cast shall be required for:
a) Relaxation or cancellation of the limitations on the transferability of registered shares
b) Conversion of registered shares into bearer shares
c) Dissolution of the company.

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

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

6.5 Inscriptions into the share register

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

7 Changes of control and defence measures

7.1 Duty to make an offer

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

7.2 Clauses on changes of control

No contractual clauses governing changes in control exist in agreements or plans with the members of the Board of Directors. The employment contracts of the members of Executive Group Management contain provisions regarding a change of control, albeit none trigger payment obligations greater than one year's salary. The blocking period of shares continues to apply in the event of a change of control. There are no clauses in the contracts of other members of management.

8 Auditing body

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

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

8.2/8.3 Audit fees/Additional fees

In the year under review, PricewaterhouseCoopers charged HUBER+SUHNER CHF 468 000 for auditing the Group financial statements and several Group companies' individual financial statements, plus a total of CHF 378 000 for various additional services (of which CHF 325 000 for tax and reorganisation consulting and CHF 53 000 for other advisory services).

8.4 Informational instruments pertaining to an external audit

The Audit Committee briefs the Board of Directors on the work done by and the working relation with the external auditor. Each year the external auditor submits an audit plan, a "confirmation of analytical inspection" of the half-year accounts as well as a comprehensive report with conclusions on financial accounting, the internal control system and the process and results of the audit for the attention of the Board of Directors and the Audit Committee. The Audit Committee also evaluates the scope of the annual audit and the audit plans, and discusses audit results with the external auditor. In the year under review the external auditor was present at both meetings of the Audit Committee.
The Audit Committee annually assesses the performance, independence and fees paid to the external auditor and proposes to the Board of Directors the auditing company to be nominated by the Annual General Meeting. This evaluation is based on the documents provided by the external auditors, the discussion held in the meetings, their objectivity as well as their technical and operational competency.
The Audit Committee assesses the suitability, the scope and the amount of the additional services rendered. If the planned additional services exceed the monetary limit set from time to time by the Audit Committee, a prior approval has to be obtained from the Audit Committee.

9 Information policy

HUBER+SUHNER endeavours to provide shareholders, the media, financial analysts, and other key groups equally with comprehensive, transparent information. The main information tools and events are the annual and half-year reports, the presentation of annual and half-year results made available to the media and financial analysts, and the Annual General Meeting. Sales and order intake figures for the past year are announced end of January of any given year. Sales and order intake figures for the first nine months from January to September are published end of October of any given year. Please refer to page 65 of this report (financial calendar) for exact dates and more contact information). Information which could affect the share price is published in accordance with SIX Swiss Exchange ad hoc publication requirements.
Official announcements and company notices are published in the Swiss Commercial Gazette (SHAB).

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

- **Company news and Ad hoc announcements:**
  http://www.hubersuhner.com/en/Company/Media/News
- **Investors' information:**
  http://www.hubersuhner.com/en/Company/Investors
- **Articles of Association:**
  http://www.hubersuhner.com/en/Company/Investors/Corporate-Governance
- **Bylaws:**
  http://www.hubersuhner.com/en/Company/Investors/Corporate-Governance

Financial Report 2013

HUBER+SUHNER Group Financial Statements

Key Figures

in CHF million	2013	2012 Adjusted [1]	Change
Order intake	683.4	747.9	(8.6%)
Order backlog as of 31.12.	149.2	191.3	(22.0%)
Net sales	719.7	698.1	3.1%
Gross margin	34.3%	30.7%	
EBITDA	83.9	51.1	64.2%
as % of net sales	11.7%	7.3%	
EBIT	51.6	24.0	115.5%
as % of net sales	7.2%	3.4%	
Net financial result	(3.6)	(3.3)	(11.5%)
Net income	32.5	21.4	51.9%
as % of net sales	4.5%	3.1%	
as % of average shareholders' equity	5.5%	3.8%	
Purchases of PP&E and intangible assets	25.8	64.6	(60.1%)
Net cash from operating activities	115.9	39.2	195.6%
Free cash flow	85.7	(93.6)	191.5%
Net liquidity	169.8	84.8	100.1%
Shareholders' equity	622.8	561.4	10.9%
as % of balance sheet total	83.0%	79.6%	
Balance sheet total	750.7	705.3	6.4%
Employees as of 31.12.	3 503	3 879	(9.7%)
Employees, yearly average	3 739	3 808	(1.8%)
Market capitalisation as of 31.12.	912.7	847.1	7.7%
Data per share (in CHF)			
Stock market price as of 31.12.	46.90	43.50	7.8%
Net income	1.67	1.10	51.9%
Shareholders' equity	32.00	28.83	11.0%
Dividend	0.80 [2]	0.50	60.0%

[1] see Notes to Group Financial Statements, note 2.2.1
[2] proposed dividend

Commentary on the Financial Report

Order intake and net sales

With an increase in net sales of 3 %, HUBER+SUHNER returned to a path of growth in 2013. While order intake was significantly lower than in the previous year as the result of large-scale orders in North America which were awarded in 2012 and delivered in 2013, all three divisions recorded higher net sales than in the previous year.

Order intake declined by 9 % to CHF 683 million (previous year CHF 748 million). Net sales increased by 3 % to CHF 720 million (previous year CHF 698 million). In organic terms, net sales increased by 1 %, and, as the result of the acquisition of Astrolab at the end of 2012, the HUBER+SUHNER Group recorded acquisition-based growth of 3 %. The foreign currency and copper effect amounted to –1 %.

The *Fiber Optics* division generated high-level growth in net sales of 9 % to CHF 226 million (previous year CHF 208 million), again due to the upgrading of mobile communication networks in North America. The *Low Frequency* division was able to compensate for the negative base effect from the solar field with double-digit growth in both railway and automotive business. Net sales increased by 1 % to CHF 276 million (previous year CHF 275 million). Net sales in the *Radio Frequency* division were with CHF 218 million at a level comparable with that of the previous year (previous year CHF 216 million). It proved possible to compensate for a noticeable decline in the communication market with progress in the high-tech niches. An important factor contributing towards net sales generated by the *Radio Frequency* division not falling below the previous year's level in the financial year was the acquisition of Astrolab in December 2012.

Regional net sales development demonstrated a further growth of 25 % in the *AMERICAS* (North and South America). *EMEA* (Europe, Middle East and Africa, excluding Switzerland) grew by 1 %. In the home market Switzerland, the volume of net sales fell by 16 % as a result of the expiry of individual large-scale projects. The *APAC* (Asia-Pacific) region continues to suffer from the solar crisis and had to record a decline in net sales of 3 %.

The largest HUBER+SUHNER end user market is the USA with CHF 138 million (previous year CHF 107 million), followed by Germany with CHF 131 million (previous year CHF 124 million), and China with CHF 82 million (previous year CHF 86 million).

Operating profit (EBIT) and EBITDA

In 2013, the profitability could be significantly improved. Operating profit was more than doubled. The EBIT margin increased accordingly to 7.2 % and is thus once again within the medium-term target range of 6 %–9 %.

A significant factor contributing to improved profitability is the much improved gross margin which increased to 34.3 % (previous year 30.7 %). Negative special factors amounting to CHF 12.0 million (previous year CHF 7.0 million) placed pressure on the EBIT. These factors are largely attributable to the solar crisis (CHF 8.0 million). HUBER+SUHNER assumes that with these bookings solar exposure has finally been overcome in the financial year 2013. Additionally, restructuring costs totalling CHF 2.5 million (previous year CHF 1.6 million) and IAS 19 expenses (CHF 2.1 million) were recognised.

The integration of Astrolab into the HUBER+SUHNER Group was very successful, and Astrolab was able to make a remarkable profit contribution to the Group's profitability. In the reporting year, the EBIT reached CHF 51.6 million (previous year [adjusted] CHF 24.0 million), corresponding to an EBIT margin of 7.2 % (previous year [adjusted] 3.4 %).

The positive EBIT development is also clearly reflected in the profitability of the three divisions. Due to the high net sales, the *Fiber Optics* division continued to generate a high EBIT at the level of CHF 28 million, with a continued double-digit EBIT margin at the level of 12.4 % (previous year EBIT CHF 26 million, EBIT margin [adjusted] 12.5 %). With an EBIT of CHF 28 million, the *Radio Frequency* division was also able to achieve a double-digit EBIT margin amounting to 12.7 % (previous year EBIT CHF 14 million, EBIT margin [adjusted] 6.4 %). Despite special factors, the *Low Frequency* division achieved a positive EBIT of CHF 0.5 million (previous year [adjusted] CHF –14.0 million); however, operationally, Low Frequency is clearly in the profit zone again. The EBIT margin amounts to +0.2 % (previous year [adjusted] –5.1 %).

The EBIT of CHF -4.4 million recognised under *Corporate* (previous year CHF -1.8 million) consists of the costs of central Group functions and individual items of Group income and expenses which cannot be allocated to the three operative segments. In 2013, it was possible to recognise a gain from the sale of industrial premises in Pfäffikon in 2011 (CHF 0.6 million), whereas the EBIT recognised under *Corporate* in 2012 was also positively impacted by one-off income (legal case CHF 3.5 million). Discounting these items of one-off income, corporate costs were 5 % lower than in the previous year.

The depreciation and amortization for property, plant and equipment and intangible assets amounted to CHF 32.2 million (previous year CHF 27.1 million). During the reporting year, investments of CHF 25.8 million were made (previous year CHF 64.6 million). Following intensive investment activity in previous years, it was thus possible to achieve a normalization at a significantly lower level. Investments in 2013 included, among other things, the cable plant and associated production facilities in China, as well as expansion of capacity in Brazil and Switzerland. The EBITDA, i.e. the operating profit before depreciation, reached CHF 83.9 million or 11.7 % of net sales (previous year [adjusted] CHF 51.1 million, 7.3 %).

Net financial result

Due to the persistently high added-value in Switzerland and to Group-internal loan-based financing of the various expansion stages in Group companies, the continuing strength of the Swiss franc led to negative currency effects. Thanks to systematic hedging, it was possible to limit the negative effects. In the reporting year, HUBER+SUHNER recognises a net currency loss of CHF –3.5 million (previous year CHF –4.9 million). Total net financial income amounts to CHF –3.6 million (previous year CHF –3.3 million).

Income taxes

The recognised income tax expense amounts to CHF 15.5 million (previous year tax income [adjusted] CHF 0.7 million), which is besides the improved EBIT largely attributable to the fact that in the reporting year, there was a significantly higher American profit share in overall net income. Non-capitalized losses in one Group company and reassessment of deferred taxes are also reflected.

Net income

As a result of the stronger EBIT, net income also increased by 51.9 % to CHF 32.5 million (previous year [adjusted] CHF 21.4 million). Earnings per share (undiluted and diluted) amount to CHF 1.67 (previous year [adjusted] CHF 1.10).

Consolidated balance sheet

The consolidated balance sheet continues to show a very robust financing structure in the reporting year. The balance-sheet total increased by 6 % to CHF 751 million (previous year [adjusted] CHF 705 million). On the assets side, cash (cash and cash equivalents) increased by CHF 85 million to a total of CHF 170 million (previous year CHF 85 million), which is attributable above all to improved profitability as well as to lower trade receivables and inventories. As the result of normalized investment activity, property, plant and equipment and intangible assets were reduced by CHF 13 million to CHF 244 million (previous year CHF 257 million). On the liabilities side, shareholders' equity grew by CHF 62 million to CHF 623 million (previous year [adjusted] CHF 561 million), of which CHF 41 million result from application of IAS 19 (adjusted) for valuation of pension obligations which were recognised through other comprehensive income. The equity ratio continues to amount to a high 83 % (previous year [adjusted] 80 %). Operative net working capital (excluding cash and cash equivalents) decreased by 7 % to CHF 221 million (previous year CHF 237 million), corresponding to 31 % of consolidated net sales at the year-end (previous year 34 %). The reduction came from the decline in trade receivables to CHF 103 million (previous year CHF 156 million) and in inventories to CHF 147 million (previous year CHF 162 million).

Cash flow

Pleasingly, HUBER+SUHNER achieved a very high free operating cash flow of CHF 96 million (previous year CHF –75 million) which is the result of a positive, significantly increased cash flow from operating activities compared with the previous year of CHF 116 million (previous year CHF 39 million), combined with lower capital expenditures in property, plant and equipment and intangible assets totalling CHF 26 million (previous year CHF 63 million). In addition, CHF 5 million was released from the escrow account from the sale of the industrial premises.
Compared with the previous year, HUBER+SUHNER paid out a reduced dividend of CHF 9.7 million (previous year CHF 18.5 million), leading to a very positive free cash flow of CHF 86 million (previous year CHF –94 million).

Dividend proposal

With the statutory annual profit 2013 of HUBER+SUHNER AG, Herisau AR, of CHF 43.0 million and net earnings brought forward from the previous year of CHF 168.8 million, retained profit of CHF 211.8 million is available to the Annual General Meeting for distribution of profits. The Board of Directors will propose to the Annual General Meeting on 9 April 2014 a gross dividend of CHF 0.80 per registered share (previous year CHF 0.50). This corresponds to a dividend sum totalling CHF 15.6 million (previous year CHF 9.7 million), accounting for 48 % (previous year 45 %) of consolidated net income.

Share price and market capitalization

The price of HUBER+SUHNER registered shares increased by 8 % from CHF 43.50 to CHF 46.90 at the end of the reporting year. The SPI main index increased by 25 % during the same period. As of 31 December 2013 the market capitalization amounted to CHF 913 million (previous year CHF 847 million). The average daily volume of HUBER+SUHNER shares traded on the stock exchange and outside the stock exchange increased from around 10,700 titles in 2012 to around 12,300 in the reporting year.

Consolidated Income Statement

in CHF 1000	Notes	2013	%	2012 Adjusted [1]	%
Net sales	7	719 713	100.0	698 089	100.0
Cost of goods sold		(473 128)		(483 525)	
Gross profit		246 585	34.3	214 564	30.7
Marketing and selling expenses		(108 933)		(111 204)	
General and administrative expenses		(56 304)		(53 370)	
Research and development expenses		(27 144)		(27 790)	
Other operating expenses	8	(4 940)		(1 321) [1]	
Other operating income	8	2 358		3 077	
Operating profit (EBIT)	7	51 622	7.2	23 956 [1]	3.4
Financial income	9	2 079		5 633	
Financial expense	10	(5 707)		(8 886)	
Income before taxes		47 994	6.7	20 703 [1]	3.0
Income taxes	11	(15 480)		702 [1]	
NET INCOME		32 514	4.5	21 405 [1]	3.1

[1] see Notes to Group Financial Statements, note 2.2.1

Data per share (in CHF)	Notes	2013	2012 Adjusted [1]
Earnings per share	34	1.67	1.10 [1]
Diluted earnings per share	34	1.67	1.10 [1]
Dividend		0.80 [2]	0.50

[1] see Notes to Group Financial Statements, note 2.2.1
[2] proposed dividend

Statement of Comprehensive Income

in CHF 1000	Notes	2013	2012 Adjusted [1]
Net income		32 514	21 405 [1]
Items that may be transferred subsequently to the income statement:			
Currency translation differences		(1 613)	(2 159)
Items that will not be transferred subsequently to the income statement:			
Remeasurement of post-employment benefit obligations	14	47 892	2 947 [1]
Income taxes		(7 184)	(456) [1]
Total other comprehensive income		39 095	332 [1]
TOTAL COMPREHENSIVE INCOME		71 609	21 737 [1]

[1] see Notes to Group Financial Statements, note 2.2.1

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

Consolidated Balance Sheet

in CHF 1000	Notes	31.12.2013	%	31.12.2012 Adjusted [1]	%	31.12.2011 Adjusted [1]	%
Assets							
Cash and cash equivalents	19	144 789		84 401		161 863	
Marketable securities	20	25 000		434		16 546	
Trade receivables	21	103 323		155 688		125 606	
Other current assets	22	14 981		23 245		37 024	
Inventories	23	147 427		162 231		170 823	
Tax assets		5 023		1 783		1 178	
Prepaid expenses		1 014		2 279		6 121	
Total current assets		441 557	58.8	430 061	61.0	519 161	73.4
Property, plant and equipment	26	180 620		187 987		163 241	
Investment property	26	2 084		2 084		320	
Intangible assets	27	63 392		68 698		16 572	
Financial assets	29	51 933		5 740 [1]		3 364 [1]	
Deferred tax assets	11	11 104		10 693 [1]		4 615	
Total non-current assets		309 133	41.2	275 202	39.0	188 112	26.6
TOTAL ASSETS	7	750 690	100.0	705 263	100.0	707 273	100.0
Liabilities and shareholders' equity							
Short-term debt		–		–		–	
Current other liabilities	31	50 750		80 944		75 583	
Current tax liabilities		14 241		5 308		3 183	
Current provisions	32	10 473		10 906		16 982	
Accrued liabilities		10 724		11 298		14 401	
Total current liabilities		86 188	11.4	108 456	15.4	110 149	15.6
Long-term debt		–		–		–	
Non-current other liabilities		12		86		219	
Non-current provisions	32	9 942		10 897		12 230	
Deferred tax liabilities	11	31 738		24 377 [1]		27 281 [1]	
Total non-current liabilities		41 692	5.6	35 360	5.0	39 730	5.6
Total liabilities	7	127 880	17.0	143 816	20.4	149 879	21.2
Share capital	33	4 865		4 868		4 863	
Share premium		32 194		32 700		31 933	
Retained earnings		585 751		523 879 [1]		520 598 [1]	
Total shareholders' equity		622 810	83.0	561 447 [1]	79.6	557 394 [1]	78.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		750 690	100.0	705 263	100.0	707 273	100.0

[1] see Notes to Group Financial Statements, note 2.2.1

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

Consolidated Cash Flow Statement

in CHF 1000	Notes	2013	2012 Adjusted [1]
Net income		32 514	21 405 [1]
Income taxes		15 480	(702) [1]
Net income before taxes		47 994	20 703
Depreciation and impairment of property, plant and equipment and investment property	26	26 227	24 027
Amortisation and impairment of intangible and financial assets	27, 28, 29	6 022	3 086
Other non-cash items		8 288	(4 484) [1]
Gain/loss on disposal of property, plant and equipment	8	(411)	241
Change in trade receivables		50 439	(30 021)
Change in inventories		11 924	12 080
Change in other current assets		5 360	17 989
Change in trade payables		(25 783)	10 274
Change in provisions and other liabilities		(3 769)	(7 205)
Income tax paid		(10 320)	(7 442)
Interest paid		(60)	(42)
Net cash from operating activities		115 911	39 206
Purchases of property, plant and equipment	26	(23 393)	(49 477)
Proceeds/disbursements from disposal of property, plant and equipment	26	5 712	(3 507)
Purchases of intangible assets	27	(2 544)	(13 043)
Purchases/sales of financial assets		(238)	79
Purchases/sales of marketable securities and derivative financial instruments	20	(24 550)	16 938
Received income from marketable securities		–	356
Interest received		481	1 320
Purchase of subsidiaries less purchased net cash	5, 27	–	(50 072)
Net cash from investing activities		(44 532)	(97 406)
Payment of dividend		(9 737)	(18 500)
Payment/repayment of long-term debt		–	–
Purchase/sale of treasury shares		(509)	–
Net cash from financing activities		(10 246)	(18 500)
Effect of exchange rate changes on cash		(745)	(762)
Net change in cash and cash equivalents		60 388	(77 462)
Cash and cash equivalents at beginning of year		84 401	161 863
Cash and cash equivalents at end of year	19	144 789	84 401
Net change in cash and cash equivalents		60 388	(77 462)

[1] see Notes to Group Financial Statements, note 2.2.1

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

Consolidated Statement of Shareholders' Equity

in CHF 1000	Share capital [1]	Share premium	Retained earnings	Translation differences	Total retained earnings	Total shareholders' equity
Balance at 31.12.2011 (reported)	4 863	31 933	555 868	(19 177)	536 691	573 487
Retroactive adoption of IAS 19 (revised)	–	–	(16 093)	–	(16 093)	(16 093)
Balance at 1.1.2012 (adjusted)	4 863	31 933	539 775	(19 177)	520 598	557 394
Net income [2]	–	–	21 405	–	21 405	21 405
Other comprehensive income	–	–	2 491	(2 159)	332	332
Dividend paid	–	–	(18 500)	–	(18 500)	(18 500)
Changes in treasury shares [1]	5	767	44	–	44	816
Balance at 31.12.2012 (adjusted)	4 868	32 700	545 215	(21 336)	523 879	561 447 [2]
Net income	–	–	32 514	–	32 514	32 514
Other comprehensive income	–	–	40 708	(1 613)	39 095	39 095
Dividend paid	–	–	(9 737)	–	(9 737)	(9 737)
Changes in treasury shares [1]	(3)	(506)	–	–	–	(509)
Balance at 31.12.2013	4 865	32 194	608 700	(22 949)	585 751	622 810

[1] see Notes to Group Financial Statements, note 33
[2] see Notes to Group Financial Statements, note 2.2.1

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

Notes to Group Financial Statements

1 General

The global HUBER+SUHNER Group develops and manufactures components and system solutions for electrical and optical connectivity. The company serves customers in the communication, transportation and industrial markets with cables, connectors and systems in the three key technologies: radio frequency, fiber optics and low frequency. The products stand out due to their exceptional quality, reliability and durability – even under harsh environmental conditions.
These consolidated financial statements were approved by the Board of Directors on 24 February 2014 and released for publication on 11 March 2014. They are subject to the approval of the Annual General Meeting on 9 April 2014.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

2.2 Changes in accounting policy

2.2.1 Adoption of IAS 19 – Employee benefits (revised)

Since 1 January 2013 IAS 19 (revised) is applied. In accordance with IAS 8 the restatement took place retroactively as of 1 January 2012. The material impacts of the adoption of IAS 19 (revised) on the financial statements of the HUBER+SUHNER Group are as follows:

- Elimination of the corridor approach: It is no longer possible to defer recognition of actuarial gains and losses using the corridor approach. They are now recognised immediately in other comprehensive income.
- Calculation of pension costs: The previous practice of recognising the expected return on plan assets and of calculating the present value including the interest expense on the defined benefit obligation is now replaced by the recognition of net interest on the net defined benefit liability or the net defined benefit asset.
- Past service costs are recognised immediately through profit or loss when they occur.

In accordance with IAS 19 (revised) the pension costs for defined benefit plans comprise service costs (current and past service costs, gains / losses on settlements), net interest expense and the remeasurement of post-employment benefit obligations. Service costs and net interest expense are part of personnel expenses. The remeasurement of post-employment benefit obligations is part of comprehensive income.

The disclosure has been adapted in line with the new increased requirements.

Restatement

Prior periods have been restated due to the adoption of IAS 19 (revised).

The impacts of the restatement on relevant positions in the consolidated income statement, data per share, statement of comprehensive income, consolidated balance sheet and consolidated cash flow statement are shown below.

Impact on the consolidated income statement 2012 in CHF 1000	Reported	Adjustment IAS 19	Restated
Other operating expenses	(813)	(508)	(1 321)
Operating profit (EBIT)	24 464	(508)	23 956
Income before taxes	21 211	(508)	20 703
Income tax expense	624	78	702
Net income	21 835	(430)	21 405

Impact on data per share 2012 in CHF	Reported	Adjustment IAS 19	Restated
Earnings per share	1.12	(0.02)	1.10
Diluted earnings per share	1.12	(0.02)	1.10

Impact on statement of comprehensive income 2012 in CHF 1000	Reported	Adjustment IAS 19	Restated
Net income	21 835	(430)	21 405
Items that may be transferred subsequently to the income statement:			
Currency translation differences	(2 159)	–	(2 159)
Items that will not be transferred subsequently to the income statement:			
Remeasurement of post-employment benefit obligations	–	2 947	2 947
Income taxes	–	(456)	(456)
Total other comprehensive income	(2 159)	2 491	332
Total comprehensive income	19 676	2 061	21 737

Impact on consolidated balance sheet as of 31 December 2012 in CHF 1000	Reported	Adjustment IAS 19	Restated
Financial assets	22 346	(16 606)	5 740
Non-current assets	10 615	78	10 693
Non-current liabilities	26 873	(2 496)	24 377
Consolidated shareholders' equity	575 479	(14 032)	561 447

Impact on consolidated cash flow statement 2012 in CHF 1000	Reported	Adjustment IAS 19	Restated
Net income	21 835	(430)	21 405
Income tax expense	(624)	(78)	(702)
Other non-cash items	(4 992)	508	(4 484)
Net cash from operating activities	39 206	–	39 206

The impact on the consolidated shareholders' equity is shown in the Consolidated statement of shareholders' equity on page 18.

2.2.2 Other changes

New standards and interpretations and amendments to published standards whose application is obligatory for financial years beginning 1 January 2013:

- IFRS 7 (amended) – Disclosures / Offsetting financial assets and financial liabilities (1 January 2013)
- IFRS 10 – Consolidated financial statements (1 January 2013)
- IFRS 11 – Joint arrangements (1 January 2013)
- IFRS 12 – Disclosure of interests in other entities (1 January 2013)
- IFRS 13 – Fair value measurement (1 January 2013)
- IAS 1 (amended) – Presentation of items of other comprehensive income (1 July 2012)
- IAS 19 (revised) – Employee benefits (1 January 2013)
- IAS 27 (revised) – Separate financial statements (1 January 2013)
- IAS 28 (revised) – Investments in associates and joint ventures (1 January 2013)

Group management has evaluated these standards and interpretations together with the annual improvements and has concluded that, with the exception of IAS 19 (revised), IFRS 13 and IAS 1 (amended) these new standards are not relevant or would have an immaterial influence on the financial statements of the HUBER+SUHNER Group.

New standards and interpretations and amendments to published standards that are effective for financial years starting after 1 January 2013:

- IFRS 9 – Financial instruments (1 January 2015)
- IFRS 10, 12 and IAS 27 (amended) – Investment entities (1 January 2014)
- IAS 32 (amended) – Offsetting financial assets and financial liabilities (1 January 2014)
- IAS 36 (revised; early adoption) – Impairment of assets on recoverable amount disclosures (1 January 2014)

HUBER+SUHNER Group has decided, with the exception of IAS 36 (revised), not to adopt these changes early. These standards and interpretations will be applied when they become effective, if relevant for the HUBER+SUHNER Group.

2.3 Scope and principles of consolidation

The 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 are eliminated on consolidation.
- Those companies purchased during the reporting year are included in the consolidation as of the date on which control has effectively been transferred. From the date of transfer of control all identifiable assets and liabilities as well as contingent liabilities of the company are valued initially at fair value. Companies which have been divested during the reporting year are included in the consolidated financial statements till the date control ceases.
- The acquisition method of accounting is used to account for the acquisition of subsidiaries by Group.

2.4 Segment reporting

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

2.5 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated financial statements are prepared in Swiss francs (CHF). CHF corresponds to the Group's presentation currency. Unless stated otherwise the information is given in CHF 1000 (TCHF).

Transactions and balances

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

Group companies

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

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

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

2.6 Financial assets and liabilities

Five categories of financial assets and financial liabilities are distinguished:

- financial assets and liabilities valued at fair value through profit and loss
- loans and receivables
- financial assets held to maturity
- financial assets available for sale
- all other financial assets

In accordance with IAS 39, financial assets and liabilities are initially recognised at fair value. The fair value corresponds in general to the purchase costs. Transaction costs are directly recognised in the income statement when they occur respectively are recognised distributed over the contract period. All sales and disposals are recognised on the trading day.

Financial assets "at fair value through profit and loss" are measured at fair value. Changes in the fair value are recognised in the financial result of the period in which they occur. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (realised within 12 months) or if so designated by management. Derivatives also fall in this category.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. For the fair value valuation of forward foreign exchange contracts actual market prices are used at the balance sheet date.

Changes in the fair value of derivatives are recorded immediately in the income statement. During the year, the HUBER+SUHNER Group did not apply Hedge Accounting.

Trade receivables or payables and other current assets or liabilities are non-derivative financial assets or liabilities with fixed or defined payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor or creditor with no intention of trading the receivables or payables.

They are recognised in the balance sheet at their net realisable value. A provision for impairment is recognised if there are objective indications that the receivable amounts due cannot be recovered completely. Reductions in value are recognised in the income statement. The net realisable value corresponds approximately to the fair value. Cash and cash equivalents are stated at nominal value.

With the exception of the financial assets shown under IAS 19 (revised), HUBER+SUHNER Group did not have any financial assets in the categories "held to maturity", "available for sale" or "other financial assets" in the reporting year.

2.7 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 less than 3 months. Cash and cash equivalents are stated at nominal value.

2.8 Trade receivables

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

2.9 Inventories

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

2.10 Property, plant and equipment

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

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

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

2.11 Leasing

Payments made under operating lease are charged to the income statement on a straight-line basis over the period of the lease. The HUBER+SUHNER Group has no finance leasing.

2.12 Investment property

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

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

2.13 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the amount of non-controlled shares at the acquired company as well as the fair value of all prior held shares at the date of acquisition over the net assets valued at fair value. If the costs of an acquisition are lower than the net assets valued at fair value of the acquired company the difference is directly recognised in profit and loss.

Trademarks, technology and customer relations

The valuation of intangible assets obtained by acquisition of a subsidiary, such as trademarks, technology and customer relations, is at fair value and based on an external appraisal report. These intangible assets are amortised over their estimated economic useful life, which is for trademarks seven years, for technology eight and for customer relations ten years.

Software

Acquired computer software and further intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life (3 to 10 years).
Internal costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Software is only capitalised if and in as far as the capitalised amount can be covered through corresponding future cash flows. Development costs for software are capitalised under the condition that the asset leads to future economic benefits such as revenues or owner-utilisation and costs of the asset can be identified reliably.

Other intangible assets

Acquired rights of land use are capitalised on the basis of the acquisition costs incurred. They are amortised over the granted duration of the rights using the straight-line method.

2.14 Impairment of assets

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

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

2.15 Provisions

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

2.16 Employee benefits

Pension obligations

According to IAS 19 (revised) the Projected Unit Credit Method must be applied for the calculation of the present value of the defined benefit obligation (DBO). This is a so-called “accrued benefit valuation method”: a retrospective method, which takes into account past service years, future service years as well as future contributions for the calculation of the DBO.
The DBO for insured, active employees equals the present value of the acquired defined benefits at the balance sheet date including future salary and pension increases and probability of withdrawal. The DBO for pensioners equals the present value of current pensions, taking into account future pension increases.
The total DBO is compared with the fair value of the plan assets. After considering the asset ceiling, a surplus or deficit is recognised as an asset or liability in the balance sheet. Unrecognised actuarial gains or losses are shown outside the income statement under other comprehensive income in the period in which they arise in accordance with IAS 19 (revised).

The annual defined benefit cost consist of the following components:

- Service cost: cost of newly acquired claims by insured, active employees during the year (Current service cost), cost of newly implemented or subsequently amended plans as well as curtailments (Past service cost) and gains or losses on settlements.
- Net interest on the net defined benefit liability/asset, based on applying the interest rate on the net balance sheet position of obligation and plan assets, after adjustment to the asset ceiling.

– Remeasurements of the net defined benefit liability/asset: this includes all actuarial gains and losses on the DBO and changes in fair value of the plan assets (including changes in the so-called “Asset ceiling”) incurred during the year, in as far as they are not an obligatory part of the interest component.

Service costs and the net interest on the net defined benefit liability/asset are to be recognised in the income statement; remeasurements must be shown under other comprehensive income.
In the Swiss Group Companies the employee benefit obligations are covered by legally autonomous pension funds, which are in accordance with Swiss pension law accounted for as defined contribution plans. These funds are financed by formal, agreed-upon contributions from the employer and the employees. The Group may have legal or constructive obligations to pay further contributions if the fund does not hold sufficient plan assets to pay the post-employment benefits of all employees relating to employee service in the current and prior periods. Therefore, they are considered as defined benefit plans according to IFRS. The pension fund obligations of the autonomous pension funds are determined every two years by independent actuaries and together with the updated actuarial values and the yearly adjustments of the assumptions carried forward until the next valuation.
Outside Switzerland, obligations are mainly covered by insurance companies or are recognised as a liability in the balance sheet on the basis of independent actuarial valuations.

Other post-employment obligations

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

Termination benefits

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

Benefits based on the period of employment with the company (seniority gifts)

Benefits based on the period of employment with the company are generally assigned after an employment period of five years and recognised at present value.

Share-based payments

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

2.17 Shareholders’ equity

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

2.18 Order intake

An order is recognised as order intake when a legally binding customer order has been received. Frame contracts as such are not considered as order intake. Legally binding volume delivery obligations, within a frame contract, are considered as order intake.

2.19 Revenue recognition

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

2.20 Research and development expenses

Research and development costs are recognised as an expense in the period in which they are incurred. Development costs are capitalised only and in as far as future economic benefits are expected to flow from the capitalised amount and the costs can be measured reliably. Conditions such as technical feasibility, the intention and ability to complete the development as well as the availability of adequate resources need to be fulfilled. Development costs for new products are not capitalised, since experience shows that future economic benefits can only be proven when the products are successfully launched in the market.

2.21 Income taxes

Income taxes are accounted for on the basis of the income of the reporting year, less the utilisation of tax losses carried forward, using expected actual (local) tax rates.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3 Risk management

3.1 Risk assessment and risk policy

The risk management system of the HUBER+SUHNER Group and the Group companies is defined in the Board of Directors' risk policy and in the Executive Group Management's guidelines on the risk management process.

Risk management is a structured, continuous process, which prescribes the systematic monitoring of essential business risks. As a global industrial corporation with its own development, manufacturing and sales operations in several countries, HUBER+SUHNER is exposed to various financial, market and credit risks of strategic, operational and financial nature. In this process risks are identified, analysed on probability and financial impact and valued. Measures to control the risk are defined.

Based on its own assessment (top-down) and on information provided by the Divisions and subsidiaries (bottom-up), Executive Group Management on the one hand selects and reassesses the most significant financial, operational and strategic risks and on the other hand reviews the status and the result of previously decided actions. Every member of Executive Group Management is responsible for implementation of measures in his own area of responsibility. Every year the Board of Directors is informed about essential changes in the risk assessment and the conducted risk management activities. The permanent monitoring and control of risks resides with Executive Group Management, which strives to minimalize negative impacts on the Group, particularly on the Group's financial result. The assessed risks as well as the on-going and new actions have been submitted in the Risk Report 2013 for discussion and approval to the Board of Directors. After an intensive review the Board of Directors has agreed on 9 December 2013 on the risk assessment and approved the Risk Report 2013.

For risks in the area of accounting and financial reporting HUBER+SUHNER carries out comprehensive analyses for the purpose of risk management. Substantial financial risks are incorporated in the processes of the internal control system (ICS) and thereby are monitored periodically and systematically.

3.2 Exchange rate risks

Because of its international business activities HUBER+SUHNER generates revenues and profits in Switzerland and abroad. The foreign exchange risk arises from investments in foreign subsidiaries (translation risk) and from business transactions or assets and liabilities in a currency different from the functional currency of the company concerned (transaction risk). Foreign exchange rate fluctuations therefore affect the consolidated result. In order to limit these risks the concept of natural hedging is applied as a primary hedging strategy. Within this concept the foreign exchange risk on money inflows in a certain currency is neutralised by money outflows in the same currency.

Furthermore the remaining foreign exchange risk is actively managed. For this purpose HUBER+SUHNER has centralised the exchange rate risk mainly in Switzerland. To manage foreign exchange risks arising from expected incoming and outgoing cash flows of the following 12 months, Corporate Treasury also uses derivative financial instruments. According to the individual risk evaluation, 0 % to 80 % of anticipated net cash flows per currency are hedged. Net investments in foreign subsidiaries are not hedged.

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

As of 31 December 2013	Less than 1 year	1–5 years	After 5 years	Total cash flows
Economical cash flow hedge outflow	40 738	–	–	40 738
Economical cash flow hedge inflow	42 112	–	–	42 112

As of 31 December 2012	Less than 1 year	1–5 years	After 5 years	Total cash flows
Economical cash flow hedge outflow	20 328	–	–	20 328
Economical cash flow hedge inflow	24 455	–	–	24 455

Due to the high value creation in Switzerland HUBER+SUHNER Group is primarily exposed to foreign exchange risks of the Swiss franc against EUR, USD and CNY.
The following sensitivity analysis calculates the foreign currency risks of these most important currencies. The forward contracts entail currency risks that are included in the calculations.

A fluctuation of ± 5% of the underlying currency as at 31 December, assuming all other parameters had remained unchanged, would have had the following effect on comprehensive income (converted into Swiss francs at the closing rate for the reporting period):

in CHF million		2013		2012
	Financial result ± 5%	Other comprehensive income ± 5%	Financial result ± 5%	Other comprehensive income ± 5%
USD / CHF	± 1.7	± 0.6	± 3.5	± 0.6
EUR / CHF	± 0.6	–	± 1.4	–
CNY / CHF	± 0.6	–	± 0.7	–

Exchange rate changes on current business transactions (transaction risk) which are outside the scope of IFRS 7 may have a substantially bigger impact on the income statement.

3.3 Credit risks

Credit risks can arise from cash and cash equivalents, deposits with banks and financial institutions, as well as from trade receivables. Financial instruments are traded exclusively with banks with high creditworthiness, whereby various financial institutions are taken into account. The maximum credit risk is the market value of the available financial assets at the balance sheet date. The Group invests its short-term assets with institutions with a good rating. For financial instruments only marketable securities with a high credit rating of generally a minimum of "A" (Standard and Poor's) are allowed.
The credit risk for trade receivables is limited by the wide product and geographical distribution of customers. In addition, these risks are reduced to a minimum by regular checks of creditworthiness, advance payments, letters of credit or other instruments. In the context of large projects however a temporary concentration of trade receivables may arise. For anticipated losses of trade receivables allowances are recognised. The effective losses on trade receivables are usually below 0.1 % of net sales per annum (see also note 21). However, attributable to recovery and insolvency proceedings of customers in the solar industry, in the reporting year the effective loss on trade receivables amounted to 1.7% of annual sales.

3.4 Liquidity risks

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

in CHF million	31.12.2013	31.12.2012
Cash and cash equivalents	144.8	84.4
+ Marketable securities	25.0	0.4
= Liquidity reserves	169.8	84.8

In addition to the liquidity reserves consisting of cash and cash equivalents and marketable securities, the Group has access to approved lines of credit with different banks, which are only occasionally used for bank guarantees. Furthermore, HUBER+SUHNER has additional financing potential due to the strong income and balance sheet position. The bank covenants are fully satisfied.

The table below shows money flows from financial liabilities and derivative financial instruments:

As of 31 December 2013	Total balance sheet position	Cash flows			
		Less than 1 year	1–5 years	After 5 years	Total cash flows
Trade payables and other liabilities	49 433	49 433	–	–	49 433
Derivative financial instruments	76	76	–	–	76

As of 31 December 2012	Total balance sheet position	Cash flows			
		Less than 1 year	1–5 years	After 5 years	Total cash flows
Trade payables and other liabilities	79 064	79 064	–	–	79 064
Derivative financial instruments	18	18	–	–	18

3.5 Capital risks

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

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

Ratios	Definition	Target
Return on equity	Net income as percentage of average equity	Risk-free interest rate (10-year government bond rate) + risk premium of 6%
Equity ratio	Equity as percentage of balance sheet total	> 50%
Net liquidity	Cash and cash equivalents and marketable securities less short- and long-term debt	Entrepreneurial freedom of action and guarantee of unrestricted solvency

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

in CHF million	31.12.2013	31.12.2012 Adjusted [1]
Return on equity	5.5%	3.8%
Equity ratio	83.0%	79.6%
Net liquidity	169.8	84.8

[1] see note 2.2.1

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

All amounts are in CHF 1000

3.6 Market price risks
Market price risks mainly result from raw materials.
Copper sales are basically hedged through adequate copper acquisition (back-to-back deals). No financial instruments are used for the hedging of the acquisition of raw material.

3.7 Interest risks
On the balance sheet date the HUBER+SUHNER Group neither had financial liabilities nor held bonds in the portfolio. A sensitivity analysis of the influence of interest rate changes is therefore not necessary.

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

3.9 Fair value hierarchy
The following table shows the allocation of the fair values of the financial assets and liabilities to the three levels of the fair value hierarchy:
Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, and
Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial assets as of 31 December 2013	Level 1	Level 2	Level 3	Total
Marketable securities	–	–	–	–
Derivative financial instruments	–	1 572	–	1 572

Financial liabilities as of 31 December 2013	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	76	–	76

Financial assets as of 31 December 2012	Level 1	Level 2	Level 3	Total
Marketable securities	232	202	–	434
Derivative financial instruments	–	774	–	774

Financial liabilities as of 31 December 2012	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	18	–	18

4 Critical accounting estimates and judgements

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

All amounts are in CHF 1000

Trade receivables

The assessment of trade receivables bases on the one hand on realisable revenues from current transactions. On the other hand a regular review takes place of the recoverable value of receivables outstanding from closed and invoiced transactions. Allowances are recorded in accordance with the judgement of receivables outstanding and their collectability. Effective losses on receivables may deviate from these estimations.
Attributable to recovery and insolvency proceedings of customers in the solar industry losses on trade receivables amounted to CHF 12.6 million in the reporting year, whereof CHF 8.0 million had been recognised in previous year.

Inventories

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

Goodwill and intangible assets

Goodwill is defined as an intangible asset with an indefinite useful life and is reviewed for impairment at least once a year. This review requires estimations on the expected future cash flows of the Cash Generating Unit to which the goodwill has been assigned. Especially failed estimations or assumptions in the value benefit calculation of goodwill can lead to a substantial re-appraisal of the recoverable amount. Goodwill is tested for impairment annually or whenever there are indications for an impairment. The procedure of impairment testing is described in note 28. If the carrying amount is higher than the recoverable amount, goodwill is written off to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.
Intangible assets are assets with a definite useful life. The value and the economic useful life of intangible assets obtained by acquisition of a subsidiary, are assessed based on external appraisal reports, which require estimations and assumptions for future sales and revenue development, royalty rates or weighted average cost of capital (WACC). Changes in the estimated recoverable amount of the acquired intangible assets may lead to a necessary adjustment of their carrying amount.

Pension liabilities

The DBO for insured, active employees equals the present value of the acquired defined benefits at the balance sheet date including future salary and pension increases and probability of withdrawal. The DBO for pensioners equals the present value of current pensions, taking into account future pension increases.
The total DBO is compared with the fair value of the plan assets. After considering the asset ceiling, a surplus or deficit is recognised as an asset or liability in the balance sheet.
For these projections assumptions must be made regarding discount rate, salary and pension increases, staff fluctuations, etc. The assumptions are considered each year on the balance sheet date based on observed market data. These are the interest rates of bonds in the relevant currency with high creditworthiness as well as asset studies. Changing the assumptions mentioned could lead to significant deviations because of the long-term nature of these calculations.

Provisions

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

Income taxes and tax accruals

The Group is subject to income taxes in numerous jurisdictions. Therefore, significant judgement is required in determining the worldwide accrual for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

The related tax assets on losses carried forward are valued based on business plans. The capitalisation of usable tax losses carried forward is assessed on a yearly base. The tax losses carried forward are recognised considering country-specific fiscal regulations and the likelihood that they can be used during the next one to two years depending on the profit situation of the corresponding subsidiary. In countries respectively subsidiaries where the usage of tax losses carried forward is not foreseeable the capitalisation is not recognised.
IAS 19 (revised) requires recognition of certain postings in the statement of comprehensive income. The related income taxes are also posted in the statement of comprehensive income.

5 Changes in the scope of consolidation and other changes

On 20 February 2013 the Thai subsidiary, HUBER+SUHNER (Thailand) Co. Ltd., was liquidated. The company was wholly owned by HUBER+SUHNER (Singapore) Ltd. and was deconsolidated. The financial impact of the liquidation was immaterial.
On 14 February 2013 the subsidiary in Dubai, HUBER+SUHNER Middle East Trading LLC was transferred to our sales and distribution partner with retroactive effect from 1 January 2013. The company was wholly owned by HUBER+SUHNER. The financial impact of the transfer was immaterial.

On 28 December 2012 HUBER+SUHNER acquired the assets of the US-American enterprise Astrolab, Inc. based in Warren, New Jersey and thereby also acquired the shares in its subsidiary Astrolab Microwave Components Costa Rica, S.R.L. The purchase price was CHF 50.1 million (USD 55 million). From the Astrolab acquisition a goodwill resulted 2012 in the amount of CHF 24.1 million. Intangible assets of CHF 18.0 million were acquired including trademarks, technology and customer relations of Astrolab. For the purpose of the final purchase price allocation the goodwill was reduced with CHF 0.6 million in the reporting year due to a fair value adjustment on inventories.

A complete list of all Group companies can be found on page 53.

6 Exchange rates for currency translation

The following exchange rates were used for the most important currencies of the Group:

Spot rates for the consolidated balance sheet	31.12.2013	31.12.2012
1 EUR	1.22	1.21
1 USD	0.89	0.91
100 CNY	14.59	14.60
1 GBP	1.46	1.47
1 AUD	0.79	0.95
1 BRL	0.38	0.44

Average rates for the consolidated income and cash flow statement	2013	2012
1 EUR	1.23	1.20
1 USD	0.93	0.93
100 CNY	15.05	14.81
1 GBP	1.45	1.48
1 AUD	0.89	0.97
1 BRL	0.43	0.48

7 Segment information

Radio Frequency: HUBER+SUHNER develops and produces radio frequency and microwave products for the global market. The product portfolio is comprehensive and meets the different requirements of data transmission components in the communication, industrial and transport sectors. The product range includes all passive components: cables, connectors, cable assemblies, antennas, lightning protection components and resistive components.

Fiber Optics: HUBER+SUHNER offers the leading fiber optic and hybrid systems for LTE (remote radio installations) but also newly developed products for Fiber in the Home (FITH) applications, fiber management systems for Data centers and a huge portfolio for Fiber to the Home (FTTH) networks. HUBER+SUHNER produces a complete range of standard fiber optic connectors, cables and assemblies (patch cables). The portfolio includes components for private and public networks as well as industrial applications.

Low Frequency: The Low Frequency Division at HUBER+SUHNER is responsible for high-quality RADOX cables. HUBER+SUHNER designs and manufactures individual cores and cables based on plastic compounds specially developed for insulation and jackets. Based on RADOX cables HUBER+SUHNER manufactures pre-assembled cables and ready-to-connect cable systems. Also part of this division is the business unit Composites.

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

Net sales	2013	2012
Radio Frequency	217 903	215 845
Fiber Optics	226 251	208 320
Low Frequency	275 559	273 924
Total net sales	719 713	698 089

Operating profit (EBIT)	2013	2012 Adjusted [1]
Radio Frequency	27 622	13 790
in % of net sales	*12.7%*	*6.4%*
Fiber Optics	27 970	26 011
in % of net sales	*12.4%*	*12.5%*
Low Frequency	463	(14 070)
in % of net sales	*0.2%*	*(5.1%)*
Corporate	(4 433)	(1 775)
Total operating profit (EBIT)	51 622	23 956
Financial income	2 079	5 633
Financial expense	(5 707)	(8 886)
Net income before taxes	47 994	20 703

[1] see note 2.2.1

Depreciation and amortisation	2013	2012
Radio Frequency	(11 721)	(9 364)
Fiber Optics	(5 564)	(4 373)
Low Frequency	(14 964)	(13 376)
Total depreciation and amortisation	(32 249)	(27 113)

In the reporting year as well as the previous year HUBER+SUHNER did not have any impairments on property, plant and equipment, investment property or intangible assets.

All amounts are in CHF 1000

Assets	31.12.2013	31.12.2012 Adjusted [1]
Radio Frequency	164 410	203 098
Fiber Optics	105 559	127 352
Low Frequency	238 285	263 700
Corporate	242 436	111 113
Total assets	750 690	705 263

[1] see note 2.2.1

Liabilities	31.12.2013	31.12.2012 Adjusted [1]
Radio Frequency	22 564	35 894
Fiber Optics	22 743	34 237
Low Frequency	27 622	32 304
Corporate	54 951	41 381
Total liabilities	127 880	143 816

[1] see note 2.2.1

Investments in property, plant and equipment and intangible assets	2013	2012
Radio Frequency	6 111	11 966
Fiber Optics	3 590	9 601
Low Frequency	16 058	43 060
Total investments in property, plant and equipment and intangible assets	25 759	64 627

Net sales by region (sales area)	2013	2012
Switzerland	60 642	72 209
EMEA (Europe, Middle East and Africa [excl. CH])	315 200	312 450
of which Germany	*130 562*	*123 543*
APAC (Asia-Pacific)	161 452	167 193
of which China	*81 508*	*86 195*
Americas (North and South America)	182 419	146 237
of which USA	*138 377*	*107 472*
Total net sales	719 713	698 089

In the reporting year more than 10% of total net sales were achieved in all three divisions with one customer in the amount of CHF 119.8 million (previous year, with one customer, in the amount of CHF 100.8 million).

Property, plant and equipment, investment property and intangible assets	31.12.2013	31.12.2012
Switzerland	143 479	156 494
EMEA (Europe, Middle East and Africa [excl. CH])	11 122	11 858
APAC (Asia-Pacific)	44 326	36 365
Americas (North and South America)	47 169	54 052
Total property, plant and equipment, investment property and intangible assets	246 096	258 769

Investments in property, plant and equipment and intangible assets	2013	2012
Switzerland	10 412	28 374
EMEA (Europe, Middle East and Africa [excl. CH])	1 331	1 538
APAC (Asia-Pacific)	12 058	26 802
Americas (North and South America)	1 958	7 913
Total investments in property, plant and equipment and intangible assets	25 759	64 627

All amounts are in CHF 1000

8 Other operating expenses and income

	2013	2012 Adjusted [1]
Other operating expenses	(4 940)	(1 321)
Other operating income	2 358	3 077
Total other operating expenses and income	(2 582)	1 756
Of which gain from sales of PP&E and investment property	741	23

[1] see note 2.2.1

Other operating expenses are affected by the adjustments of IAS 19 (revised) and include the amortisation of acquired intangible assets for trademarks, technology and customer relations.
Other operating income includes amongst others licence fee income from third parties, refunds of withholding tax as well as gains from the sale of property, plant and equipment.

9 Financial income

	2013	2012
Interest income	380	953
Foreign exchange gains	364	127
Result from derivative financial instruments (incl. change in fair value)	740	2 954
Result from marketable securities (incl. change in fair value)	16	1 181
Other financial income	579	418
Total financial income	2 079	5 633

10 Financial expense

	2013	2012
Interest expense	(36)	(90)
Foreign exchange losses	(4 597)	(7 946)
Other financial expense	(1 074)	(850)
Total financial expense	(5 707)	(8 886)

Other financial expense includes amongst others bank charges and non-refundable withholding tax on dividend and interest income.

11 Income taxes

	2013	2012 Adjusted [1]
Current income taxes	(16 063)	(8 952)
Deferred income taxes	583	9 654
Total income taxes	(15 480)	702

[1] see note 2.2.1

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

	2013	2012 Adjusted [1]
Net income before taxes	47 994	20 703
Expected income tax rate	25.9 %	19.2 %
Expected income tax expense	(12 438)	(3 971)
Effect of utilisation of non-recognised tax loss carry-forward	219	3 135
Effect of non-tax-deductible expenses and non-taxable income	63	(206)
Effect of non-recognition of current tax losses	(1 580)	(944)
Effect of increased/reduced allowance on deferred tax balances	(2 267)	1 837
Effect of changes in tax rates on deferred tax balances	889	557
Effect of tax credits/debits from prior years and other effects	(366)	294
Effective income taxes	(15 480)	702
Effective income tax rate	32.3 %	(3.4 %)

[1] see note 2.2.1

The expected Group tax rate corresponds to the weighted average tax rate based on the income/(loss) before taxes and the tax rate of each individual Group company. The increase is, besides the improved EBIT, largely attributable to the fact that in the reporting year, there was a significantly higher American profit share in overall net income. In the effective income tax rate, additionally non-capitalized losses in one Group company and the reassessment of deferred taxes are reflected. In the year 2012, contingent on unscheduled major projects, which led to disproportional growth in net sales, an American Group company was able to use non-recognised tax losses carried forward and to recognise temporary valuation differences which previously had been impaired.

Unrecognised tax loss carry-forward	31.12.2013	31.12.2012
Expiring within 1 year	–	1 235
Expiring within 2 years	336	141
Expiring within 3 years	–	477
Expiring within 4 years	–	28
Expiring within 5 years	995	151
Expiring thereafter	13 941	11 706
Total unrecognised tax loss carry-forward	15 272	13 738

The unrecognised tax loss carry-forward was CHF 15.3 million (previous year, CHF 13.7 million). This corresponds to a potential tax asset of CHF 5.1 million (previous year, CHF 4.6 million). In 2013 a deferred tax asset was recognised in two additional subsidiaries.

All amounts are in CHF 1000

In 2013 tax losses carry-forward of CHF 1.0 million expired (previous year, CHF 0 million).

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

	31.12.2013 Assets	31.12.2013 Liabilities	31.12.2012 Assets	31.12.2012 Liabilities [1]
Marketable securities	–	–	–	60
Trade receivables	521	2 068	2 362	2 175
Other current assets	1	–	10	2
Inventories	3 615	3 251	3 840	4 327
Property, plant and equipment	833	6 614	1 470	7 155
Financial assets	–	12 288	–	5 100
Intangible assets	344	1 922	2	393
Current liabilities	715	29	538	75
Current provisions	335	–	211	901
Non-current provisions	512	6 764	351	4 592
Total deferred taxes	6 876	32 936	8 784	24 780
Netting	(1 198)	(1 198)	(403)	(403)
Deferred taxes after netting	5 678	31 738	8 381	24 377
Capitalised loss carry-forward	5 426	–	2 312	–
Amounts recognised in the balance sheet	11 104	31 738	10 693	24 377

[1] see note 2.2.1

Temporary differences relating to investments in subsidiaries, on which no deferred tax liabilities were provided, amounted to CHF 92.0 million on 31 December 2013 (previous year, CHF 108.2 million).

12 Material expenses

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

	2013	2012
Total material expenses	280 966	284 192
as % of net sales	39.0 %	40.7 %

13 Employee benefit expenses

Employee benefit expenses included in the income statement amount to:

	2013	2012 Adjusted [1]
Wages and salaries	176 863	183 197
Social security costs	20 749	20 810
Pension costs – defined benefit plans	9 696	8 788
Pension costs – defined contribution plans	1 905	1 810
Other employee benefit expenses	17 429	15 046
Total employee benefit expenses	226 642	229 651
as % of net sales	31.5 %	32.9 %

[1] see note 2.2.1

The costs for defined benefit plans consist of: cost of newly acquired claims by insured, active employees during the year (Current service cost), cost of newly implemented or subsequently amended plans as well as curtailments (Past service cost) and gains or losses on settlements.
Employee benefit expenses include the total compensation to the Board of Directors and the Executive Group Management (see note 15). Other employee benefit expenses include amongst others cost for temporary employees, education and recruitment.

Employees by operating segment at 31.12.	2013	2012
Radio Frequency	1 234	1 439
Fiber Optics	1 139	1 183
Low Frequency	1 130	1 257
Total employees by operating segment	3 503	3 879

Employees by geographical split at 31.12.	2013	2012
Switzerland	1 378	1 419
EMEA (Europe, Middle East and Africa [excl. CH])	793	791
APAC (Asia-Pacific)	1 026	1 344
Americas (North and South America)	306	325
Total employees by geographical split	3 503	3 879

The number of employees does not include temporary employees.

14 Post-employment benefits

According to IAS 19 Swiss pension schemes are to be classified as defined benefit plans. From a legal point of view autonomous pension funds carry the risks of the defined benefits. An obligation beyond the payment of contribution exists for the employer in the event of restructuring measures.
HUBER+SUHNER AG performs the professional pension for its employees against economic consequences of age, invalidity and death at the pension fund of HUBER+SUHNER AG.
Leading body is the Board of Foundation, that consists of the same number of employees' and employers' representatives. The Board of Foundation determines an Investment Committee, which is responsible for the investments of the funds based on the investment regulations defined by the Board of Foundation. Each insured person can obtain the pension or part of the pension in capital form instead of retirement pension payments.
Additionally two paternal foundations exist.

For the actuarial calculation the following assumptions have been used:

	2013	2012
Discount rate per 31.12	2.4%	2.0%
Expected future salary increases	1.0%	1.0%
Mortality tables	BVG2010 GT	BVG2010 GT
Weighted average duration of the obligations in years	13.4	13.8
Date of the last actuarial calculation		
– prepared per	01.01.2013	01.01.2011
– carried forward to	31.12.2013	31.12.2012

Reconciliation of defined benefit positions recognised in the balance sheet	31.12.2013	31.12.2012 Adjusted [1)]
Present value of defined benefit obligation	(474 225)	(498 888)
Fair value of plan assets	607 057	581 751
Surplus	132 832	82 863
Adjustment to asset ceiling	(82 705)	(78 484)
In the balance sheet recognised surplus as financial assets	50 127	4 379

[1)] see note 2.2.1

All amounts are in CHF 1000

Changes in the present value of the defined benefit obligations	2013	2012 Adjusted [1]
Present value of defined benefit obligation at 1.1.	(498 888)	(480 883)
Interest cost on defined benefit obligation	(9 819)	(11 823)
Current service cost (employer)	(9 604)	(8 641)
Employee contributions	(5 949)	(6 334)
Benefits paid	31 367	30 861
Administration cost (excl. cost for managing plan assets)	(249)	(241)
Net actuarial gains/(losses) recognised on obligation	18 917	(21 827)
Present value of defined benefit obligation at 31.12.	(474 225)	(498 888)
Thereof defined benefit obligation at 31.12. for active members	(213 800)	(225 391)
Thereof defined benefit obligation at 31.12. for pensioners	(260 425)	(273 497)

[1] see note 2.2.1

Components of actuarial gains/losses on the defined benefit obligations	31.12.2013	31.12.2012
Actuarial gain/(loss) arising from changes in financial assumptions	20 605	(21 827)
Actuarial gain/(loss) arising from changes in demographic assumptions	–	–
Actuarial gain/(loss) arising from experience adjustments	(1 688)	–
Actuarial gain/(loss) on defined benefit obligation	18 917	(21 827)

Changes in the fair value of plan assets	2013	2012 Adjusted [1]
Fair value of plan assets at 1.1.	581 751	553 624
Interest income on plan assets	11 457	13 636
Employer contributions	7 641	8 103
Employee contributions	5 949	6 334
Benefits paid	(31 367)	(30 861)
Return on plan assets excl. interest income	31 626	30 915
Fair value of plan assets at 31.12.	607 057	581 751
Effective return on plan assets	43 083	44 551

[1] see note 2.2.1

Allocation of plan assets	31.12.2013	31.12.2012
Quoted plan assets		
Cash and cash equivalents	4.6%	6.2%
Shares	29.3%	26.9%
Bonds	28.9%	30.0%
Real estate	34.2%	33.5%
Other investments	0.8%	1.0%
Total quoted plan assets	97.8%	97.6%
Plan assets not quoted		
Cash and cash equivalents	1.7%	2.0%
Bonds	0.2%	0.1%
Real estate	0.3%	0.3%
Total plan assets not quoted	2.2%	2.4%
Total plan assets	100%	100%

Reconciliation of effect of asset ceiling	31.12.2013	31.12.2012
Adjustment to asset ceiling	78 484	70 579
Interest (expense)/income on effect of asset ceiling	1 570	1 764
Change in effect of asset ceiling excluding interest expense/income	2 651	6 141
Adjustment to asset ceiling	82 705	78 484

Defined benefit cost in income statement	2013	2012 Adjusted [1]
Current service cost (employer)	(9 604)	(8 641)
Interest cost on defined benefit obligation	(9 819)	(11 823)
Interest income on plan assets	11 457	13 636
Interest cost on effect of asset ceiling	(1 570)	(1 764)
Administration cost (excl. cost for managing plan assets)	(249)	(241)
Total expense in the income statement	(9 785)	(8 833)
thereof service cost and administration cost	(9 853)	(8 882)
thereof net interest (expense)/income on net defined benefit (liability)/asset	68	49

[1] see note 2.2.1

Of the total employer's contribution CHF 5.0 million (previous year, CHF 5.4 million) was included in cost of goods sold, CHF 2.7 million (previous year, CHF 2.9 million) in administrative expenses and CHF 2.1 million (previous year, CHF 0.5 million) in other operating expenses.

For 2014, employer's contributions of CHF 7.4 million are expected.

Defined benefit cost in other comprehensive income (OCI)	2013	2012 Adjusted [1]
Actuarial (gain)/loss on defined benefit obligation	(18 917)	21 827
Return on plan assets excl. interest income	(31 626)	(30 915)
Change in effect of asset ceiling excl. interest cost/income	2 651	6 141
Defined benefit cost recognised in other comprehensive income	(47 892)	(2 947)

[1] see note 2.2.1

The asset recognised in the balance sheet shows the following development:

	2013	2012 Adjusted [1]
Balance at 1.1. (asset)	4 379	2 162
Defined benefit cost recognised in the income statement	(9 785)	(8 833)
Defined benefit income recognised in other comprehensive income	47 892	2 947
Employer contributions	7 641	8 103
Balance at 31.12. (asset)	50 127	4 379

[1] see note 2.2.1

The following sensitivity analysis shows the consequences of changes in major assumptions with regards to the defined benefit obligation:

Impact on the defined benefit obligations	Change of assumption	Increase of assumption	Decrease of assumption
Discount rate	± 0.25%	Reduction of 3.2%	Increase by 3.4%
Salary increase	± 0.25%	Increase by 0.2%	Reduction of 0.2%
Life expectancy	± 1 year	Increase by 2.8%	Reduction of 2.9%

The sensitivity analysis is based on the change of one assumption, while the other assumptions remain unchanged.

All amounts are in CHF 1000

15 Related-party transactions

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

Purchased services

In 2013 the HUBER+SUHNER Group has purchased services – mainly flight travel – from related party companies of the Board of Directors with an executive role (Cosa Travel Ltd., Komax AG) for CHF 1.5 million (prior year, CHF 1.1 million).

Compensation and shareholdings of Executive Group Management (EGM)

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

	U. Kaufmann, CEO [1]		EGM Total	
	2013	2012	2013	2012
Employee benefits (fix)	577	570	2 232	2 217
Employee benefits (variable)	310	210	916	518
Social security and other benefits	61	65	248	305
Total short term employee benefits	948	845	3 396	3 040
Post-employment benefits	145	142 [3]	443	433 [3]
Termination benefits	–	–	–	–
Share based payments [2]	188	218	638	697
Total compensation	1 281	1 205 [3]	4 477	4 170 [3]
Number of allocated shares	4 000	5 000	13 600	16 000

[1] highest total compensation
[2] The value of the share based compensation is calculated with the closing rate of CHF 46.90 (previous year CHF 43.50). The transfer of the shares is taking place in the following financial year.
[3] adjusted

EGM shareholdings
(Number of shares at 31 December 2013)

		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	CEO and Chairman EGM	56 400	400	56 800	12 600	44 200	0.29%
U. Alder	Member EGM	16 200	200	16 400	10 400	6 000	< 0.10%
R. Bolt	Member EGM	1 470	–	1 470	230	1 240	< 0.10%
P. Harris	Member EGM	13 752	28	13 780	7 380	6 400	< 0.10%
P. Riederer	Member EGM	9 500	–	9 500	2 700	6 800	< 0.10%
U. Ryffel	Member EGM	12 600	–	12 600	5 800	6 800	< 0.10%
I. Wechsler	Member EGM	6 600	–	6 600	1 000	5 600	< 0.10%
Total EGM shareholdings 2013		116 522	628	117 150	40 110	77 040	0.60%

EGM shareholdings
(Number of shares at 31 December 2012)

		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	CEO and Chairman EGM	51 400	400	51 800	12 600	39 200	0.27%
U. Alder	Member EGM	14 200	200	14 400	8 400	6 000	< 0.10%
R. Bolt	Member EGM	470	–	470	230	240	< 0.10%
P. Harris	Member EGM	11 752	28	11 780	4 980	6 800	< 0.10%
P. Riederer	Member EGM	7 500	–	7 500	900	6 600	< 0.10%
U. Ryffel	Member EGM	10 600	–	10 600	4 000	6 600	< 0.10%
I. Wechsler	Member EGM	5 400	–	5 400	1 800	3 600	< 0.10%
Total EGM shareholdings 2012		101 322	628	101 950	32 910	69 040	0.52%

[1] shares with remaining lock-in periods up to ten years (ending end of March each)
[2] share in % of shares entitled to a dividend

Compensation and shareholdings of Board of Directors (BoD)

The compensation of members of the Board of Directors represents the total cost for the company. The shares allocated have a lock-in period with a minimum of three years. No compensation has been paid to related parties of Board members.

Compensation of BoD 2013		Meeting fees net	Other fees net	Social security	Shares (market value) [6]	Total compensation	Number of allocated shares
D. Syz [1]	Chairman of BoD	6	130	–	188	324	4 000
E. Walser [2]	Deputy Chairman of BoD	6	80	–	94	180	2 000
P. Altorfer [3]	Member of BoD	6	50	13	56	125	1 200
A. Déteindre [4]	Member of BoD	2	20	4	14	40	300
C. Fässler [5]	Member of BoD	4	30	–	42	76	900
B. Kälin	Member of BoD	6	40	12	56	114	1 200
G. Müller	Member of BoD	6	40	12	56	114	1 200
R. Seiffert	Member of BoD	6	40	12	56	114	1 200
Total compensation of BoD 2013		42	430	53	562	1 087	12 000

Compensation of BoD 2012		Meeting fees net	Other fees net	Social security	Shares (market value) [6]	Total compensation	Number of allocated shares
D. Syz [1]	Chairman of BoD	6	130	–	174	310	4 000
E. Walser [2]	Deputy Chairman of BoD	6	80	–	87	173	2 000
P. Altorfer [3]	Member of BoD	6	50	13	52	121	1 200
A. Déteindre	Member of BoD	6	40	8	52	106	1 200
B. Kälin	Member of BoD	6	40	12	52	110	1 200
G. Müller	Member of BoD	6	40	12	52	110	1 200
R. Seiffert	Member of BoD	6	40	12	52	110	1 200
Total compensation of BoD 2012		42	420	57	521	1 040	12 000

1) Chairman of Nomination and Compensation Committee
2) Chairman of Audit Committee and member of Nomination and Compensation Committee
3) Member of Audit Committee
4) resigned from Board of Directors at 10 April 2013
5) Board Member from 10 April 2013 onwards
6) The value of the share based compensation is calculated at the closing rate of CHF 46.90 (previous year, CHF 43.50). The transfer of the shares is taking place in the following financial year.

All amounts are in CHF 1000

Shareholdings of BoD (Number of shares at 31 December 2013)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
D. Syz	Chairman of BoD	97 680	600	98 280	86 280	12 000	0.50%
E. Walser	Deputy Chairman of BoD	17 600	–	17 600	11 600	6 000	< 0.10%
P. Altorfer	Member of BoD	20 240	–	20 240	12 640	7 600	0.10%
C. Fässler	Member of BoD	500	–	500	500	–	< 0.10%
B. Kälin	Member of BoD	4 800	–	4 800	1 200	3 600	< 0.10%
G. Müller	Member of BoD	12 800	60 640	73 440	69 840	3 600	0.38%
R. Seiffert	Member of BoD	3 833	–	3 833	233	3 600	< 0.10%
Total shareholdings BoD 2013		157 453	61 240	218 693	182 293	36 400	1.12%

Shareholdings of BoD (Number of shares at 31 December 2012)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
D. Syz	Chairman of BoD	93 680	600	94 280	82 280	12 000	0.48%
E. Walser	Deputy Chairman of BoD	15 600	–	15 600	9 600	6 000	< 0.10%
P. Altorfer	Member of BoD	19 040	–	19 040	10 640	8 400	< 0.10%
A. Déteindre	Member of BoD	19 344	–	19 344	15 744	3 600	< 0.10%
B. Kälin	Member of BoD	3 600	–	3 600	–	3 600	< 0.10%
G. Müller	Member of BoD	11 600	60 640	72 240	68 640	3 600	0.37%
R. Seiffert	Member of BoD	2 633	–	2 633	233	2 400	< 0.10%
Total shareholdings BoD 2012		165 497	61 240	226 737	187 137	39 600	1.16%

[1] shares with remaining lock-in periods of up to five years ending mid-April each (prior year up to four years)
[2] share in % of shares entitled to a dividend

Members of the Board of Directors and the Executive Group Management as well as persons closely related to them are not and were not related to HUBER+SUHNER AG or any of its subsidiaries.
During 2013 HUBER+SUHNER AG and its subsidiaries had no guarantees or outstanding loans, advances or credits to members of the Board of Directors or the Executive Group Management or to parties closely related to them.

Compensation of former directors and executives

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

Relationship with pension fund/paternal foundations

Similar as in the previous year HUBER+SUHNER AG did not charge any services to the pension fund in 2013. At the reporting date, the company's receivables and liabilities are similar to previous year CHF 0 million. At the reporting date, there was a receivable in the amount of CHF 0.5 million (previous year, CHF 0 million) to one of the paternal foundations.

16 Depreciation, amortisation and impairment

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

	2013	2012
Depreciation on PP&E and investment property	26 227	24 027
Impairment/(reversal impairment) on PP&E	–	–
Total depreciation and impairment on PP&E and investment property	26 227	24 027
Amortisation of intangible assets	6 022	3 086
Total depreciation, amortisation and impairment	32 249	27 113
as % of net sales	4.5%	3.9%

17 EBITDA

	2013	2012 Adjusted [1]
EBIT	51 622	23 956
+ Depreciation on PP&E and investment property	26 227	24 027
+ Amortisation of intangible assets	6 022	3 086
EBITDA	83 871	51 069
as % of net sales	11.7%	7.3%

[1] see note 2.2.1

18 Liabilities from operating lease

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

Liabilities from operating lease	31.12.2013	31.12.2012
Less than 1 year	6 261	6 207
Between 1 and 5 years	11 804	8 533
After 5 years	1 601	669
Total liabilities from operating lease	19 666	15 409

19 Cash and cash equivalents

	31.12.2013	31.12.2012
Cash at bank and on hand	107 651	73 333
Term deposits < 3 months term in CHF	35 002	–
Term deposits < 3 months term CNY	–	7 355
Term deposits < 3 months term in other currency	2 136	3 713
Total cash and cash equivalents	144 789	84 401

20 Marketable securities

	31.12.2013	31.12.2012
Equity securities Switzerland	–	434
Deposits > 3 months term	25 000	–
Total marketable securities	25 000	434

All amounts are in CHF 1000

21 Trade receivables

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

	31.12.2013	31.12.2012
Current	78 682	109 143
Overdue for 1–30 days	16 978	21 737
Overdue for 31–60 days	5 322	9 653
Overdue for 61–90 days	1 648	3 956
Overdue for 91–120 days	992	2 139
Overdue over 120 days	2 946	19 944
Total trade receivables, gross	106 568	166 572
Provision for doubtful debts	(3 245)	(10 884)
Total trade receivables, net	103 323	155 688

At year-end 2013 the overdue trade receivables amount to CHF 27.9 million (previous year, CHF 57.4 million), of which CHF 3.2 million (11.6 %) have a provision for doubtful debts (previous year, CHF 10.9 million or 19 %).

The provisions for doubtful debts are based on the aging structure and recent history of default. Attributable to recovery and insolvency proceedings of customers in the solar industry losses on trade receivables amounted to CHF 12.6 million in the reporting year, whereof CHF 8.0 million had been recognised in previous year.

	2013	2012
Balance at 1.1.	(10 884)	(2 058)
Provisions for doubtful debts on trade receivables	(4 696)	(9 583)
Utilisation of provisions	11 183	466
Releases of provisions	987	258
Changes in consolidation scope	35	–
Currency translation differences	130	33
Balance at 31.12.	(3 245)	(10 884)

Effective losses on doubtful debts are usually below 0.1% of net sales. However, attributable to recovery and insolvency proceedings of customers in the solar industry, in the reporting year the effective loss on trade receivables amounted to 1.7% of annual sales 2013.

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

	31.12.2013	31.12.2012
CHF	8 918	14 196
EUR	37 281	43 384
USD	17 133	47 947
CNY	22 276	27 887
GBP	5 000	5 327
AUD	4 269	5 442
BRL	4 143	6 461
Other	4 303	5 044
Total trade receivables, net	103 323	155 688

At 31 December 2013, the three customers with the largest amounts of open invoices represented together 27.2% (previous year, 34.1%) of total trade receivables gross:

	31.12.2013	%	31.12.2012	%
Customer A	15 683	14.7	34 253	20.5
Customer B	7 451	7.0	16 426	9.9
Customer C	5 869	5.5	6 125	3.7
Total	29 003	27.2	56 804	34.1

No trade receivables have been pledged (see note 30).

22 Other current assets

	31.12.2013	31.12.2012
Other current assets	13 409	22 471
Derivative financial instruments	1 572	774
Total other current assets	14 981	23 245

Other current assets include short-term receivables such as value-added and withholding tax receivables, prepayments, received letters of credit and other current assets.
There are no provisions for other current assets, neither in the reporting year nor in the prior year.

23 Inventories

	31.12.2013	31.12.2012
Raw materials and supplies	57 485	67 237
Work in progress	11 248	10 218
Finished goods	113 444	121 181
Total inventories, gross	182 177	198 636
Inventory provision	(34 750)	(36 405)
Total inventories, net	147 427	162 231

Changes in inventory provision 2013	Raw materials and supplies	Work in progress	Finished goods	Total inventory provision
Balance at 1.1.	(11 918)	–	(24 487)	(36 405)
Additions	(4 081)	–	(8 453)	(12 534)
Disposals	673	–	4 155	4 828
Scrapped	2 918	–	5 627	8 545
Change in consolidation scope	–	–	11	11
Currency translation differences	322	–	483	805
Balance at 31.12.	(12 086)	–	(22 664)	(34 750)

Changes in inventory provision 2012	Raw materials and supplies	Work in progress	Finished goods	Total inventory provision
Balance at 1.1.	(13 383)	–	(14 071)	(27 454)
Additions	(4 909)	–	(12 515)	(17 424)
Disposals	615	–	1 848	2 463
Scrapped	1 518	–	4 107	5 625
Reclassifications	3 997	–	(3 997)	–
Currency translation differences	244	–	141	385
Balance at 31.12.	(11 918)	–	(24 487)	(36 405)

All amounts are in CHF 1000

24 Overview of financial assets and liabilities

Financial assets as of 31 December 2013	Notes	At fair value through profit and loss	Loans and receivables	Total
Cash and cash equivalents	19	–	144 789	144 789
Marketable securities	20	–	25 000	25 000
Derivative financial instruments	22	1 572	–	1 572
Trade receivables	21	–	103 323	103 323
Other current assets (excluding prepayments)	22	–	12 146	12 146
Financial assets (non-current)	29	–	51 933	51 933
Total financial assets		1 572	337 191	338 763

Financial liabilities as of 31 December 2013	Notes	At fair value through profit and loss	Other liabilities	Total
Trade payables	31	–	23 926	23 926
Other current liabilities	31	–	4 538	4 538
Short- and long-term debt		–	–	–
Derivative financial instruments	31	76	–	76
Total financial liabilities		76	28 464	28 540

Financial assets as of 31 December 2012	Notes	At fair value through profit and loss	Loans and receivables	Total
Cash and cash equivalents	19	–	84 401	84 401
Marketable securities	20	434	–	434
Derivative financial instruments	22	774	–	774
Trade receivables	21	–	155 688	155 688
Other current assets (excluding prepayments)	22	–	20 054	20 054
Financial assets (non-current) [1]	29	–	5 740	5 740
Total financial assets		1 208	265 883	267 091

[1] adjusted, see note 2.2.1

Financial liabilities as of 31 December 2012	Notes	At fair value through profit and loss	Other liabilities	Total
Trade payables	31	–	49 773	49 773
Other current liabilities	31	–	4 887	4 887
Short- and long-term debt		–	–	–
Derivative financial instruments	31	18	–	18
Total financial liabilities		18	54 660	54 678

25 Derivative financial instruments

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

	31.12.2013	31.12.2012
Contract value	49 666	31 651
Contracts with positive fair values	1 572	774
Contracts with negative fair values	(76)	(18)

26 Property, plant and equipment

Property, plant and equipment 2013	Investment property	Land and buildings	Technical equipment and machinery	Other equipment [1]	Assets under construction	Total
Initial cost						
Balance at 1.1.	2 104	161 112	298 853	83 621	41 795	585 381
Additions	–	84	3 070	980	19 208	23 342
Disposals	–	–	(7 974)	(1 683)	(61)	(16 396)
Reclassifications	–	19 293	16 620	2 068	(37 997)	(16)
Change in consolidation scope	–	–	–	(39)	–	(39)
Currency translation differences	–	(385)	(1 618)	(605)	45	(2 563)
Balance at 31.12.	2 104	173 426	308 951	84 342	22 990	589 709
Accumulated depreciation						
Balance at 1.1.	(20)	(99 235)	(224 570)	(70 668)	–	(394 473)
Additions	–	(3 655)	(16 903)	(5 669)	–	(26 227)
Disposals	–	1 944	7 333	1 500	–	10 777
Reclassifications	–	–	–	–	–	–
Change in consolidation scope	–	–	–	31	–	31
Currency translation differences	–	(71)	681	343	–	953
Balance at 31.12.	(20)	(101 017)	(233 459)	(74 463)	–	(408 939)
Accumulated Impairment						
Balance at 1.1.	–	(2 770)	(148)	(3)	–	(2 921)
Additions	–	–	–	–	–	–
Disposals	–	2 813	–	–	–	2 813
Reversal impairments	–	–	–	–	–	–
Currency translation differences	–	(43)	–	1	–	(42)
Balance at 31.12.	–	–	(148)	(2)	–	(150)
Carrying amount						
At 1.1.	2 084	59 107	74 135	12 950	41 795	187 987
At 31.12.	2 084	72 409	75 344	9 877	22 990	180 620

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

The reclassification from assets under construction to buildings, technical equipment, machinery and other equipment mainly relates to the cable plant in China, which was completed in the reporting year.
The fair value of investment property amounts to CHF 10.4 million (previous year, CHF 7.1 million). There are no contractual obligations for future repairs and maintenance, investment property consists mainly of freehold land.
The fire insurance value of property, plant and equipment amounts to CHF 766.7 million (previous year, CHF 765.1 million).

All amounts are in CHF 1000

Property, plant and equipment 2012

	Investment property	Land and buildings	Technical equipment and machinery	Other equipment [1]	Assets under construction	Total
Initial cost						
Balance at 1.1.	545	161 362	287 841	80 697	15 395	545 295
Additions	–	169	2 885	1 749	46 650	51 453
Disposals	–	–	(6 682)	(2 489)	–	(9 171)
Reclassifications	1 559	(68)	14 366	3 610	(19 467)	(1 559)
Change in consolidation sope	–	5	1 148	159	1	1 313
Currency translation differences	–	(356)	(705)	(105)	(784)	(1 950)
Balance at 31.12.	2 104	161 112	298 853	83 621	41 795	585 381
Accumulated depreciation						
Balance at 1.1.	(225)	(95 263)	(215 915)	(67 853)	–	(379 031)
Additions	–	(3 908)	(14 815)	(5 304)	–	(24 027)
Disposals	–	–	5 721	2 369	–	8 090
Reclassifications	205	(205)	–	–	–	(205)
Currency translation differences	–	141	439	120	–	700
Balance at 31.12.	(20)	(99 235)	(224 570)	(70 668)	–	(394 473)
Accumulated Impairment						
Balance at 1.1.	–	(2 869)	(151)	(3)	–	(3 023)
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reversal impairments	–	–	–	–	–	–
Currency translation differences	–	99	3	–	–	102
Balance at 31.12.	–	(2 770)	(148)	(3)	–	(2 921)
Carrying amount						
At 1.1.	320	63 230	71 775	12 841	15 395	163 241
At 31.12.	2 084	59 107	74 135	12 950	41 795	187 987

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

27 Intangible assets

Intangible assets 2013	Goodwill	Trademarks, technology and customer relations	Software	Other	Total
Initial cost					
Balance at 1.1.	24 137	17 952	55 941	1 466	99 496
Additions	–	–	2 417	–	2 417
Disposals	(613)	–	(10)	–	(623)
Reclassifications	–	–	16	–	16
Currency translation differences	(642)	(497)	(204)	(1)	(1 344)
Balance at 31.12.	22 882	17 455	58 160	1 465	99 962
Accumulated amortisation					
Balance at 1.1.	–	–	(30 766)	(32)	(30 798)
Additions	–	(2 110)	(3 882)	(30)	(6 022)
Disposals	–	–	10	–	10
Currency translation differences	–	90	149	1	240
Balance at 31.12.	–	(2 020)	(34 489)	(61)	(36 570)
Carrying amount					
At 1.1.	24 137	17 952	25 175	1 434	68 698
At 31.12.	22 882	15 435	23 671	1 404	63 392

From the acquisition of Astrolab a goodwill resulted in 2012 of CHF 24.1 million. The acquired intangible assets of CHF 18.0 million include trademarks, technology and customer relations of Astrolab. For the purpose of the final purchase price allocation the goodwill was reduced with CHF 0.6 million in the reporting year due to a fair value adjustment on inventories.
Other intangible assets include the acquired rights of land use in Changzhou, China.

All amounts are in CHF 1000

Intangible assets 2012	Goodwill	Trademarks, technology and customer relations	Software	Other	Total
Initial cost					
Balance at 1.1.	–	–	44 428	–	44 428
Additions	–	–	11 687	1 487	13 174
Disposals	–	–	(105)	–	(105)
Change in consolidation scope	24 137	17 952	–	–	42 089
Currency translation differences	–	–	(69)	(21)	(90)
Balance at 31.12.	24 137	17 952	55 941	1 466	99 496
Accumulated amortisation					
Balance at 1.1.	–	–	(27 856)	–	(27 856)
Additions	–	–	(3 054)	(32)	(3 086)
Disposals	–	–	105	–	105
Currency translation differences	–	–	39	–	39
Balance at 31.12.	–	–	(30 766)	(32)	(30 798)
Carrying amount					
At 1.1.	–	–	16 572	–	16 572
At 31.12.	24 137	17 952	25 175	1 434	68 698

28 Impairment test

The goodwill acquired in 2012 was tested for impairment for the first time in 2013 using the "Discounted Cash Flow" method (DCF). Future cash flows, discount rates and other parameters relating to the smallest identifiable cash generating unit are determined using various assumptions. As a base the forecast for the reporting year and the medium term plan for the following five years is used, which is approved by the Board of Directors. Cash-inflows beyond the medium term planning period are based on a sustainable result, extrapolated to a terminal value.

The goodwill position was tested for impairment in the fourth quarter based on the value in use. The following assumptions were used:

	2013	2012
Average growth rate medium term plan 2014–2018	7.1%	n/a
Average EBIT growth rate medium term plan 2014–2018	6.5%	n/a
Weighted cost of capital (before income taxes)	8.9%	n/a
Goodwill as of 31.12.	22 882	24 137

For terminal growth rate in the impairment model 1% is assumed. The discount rate is basically the weighted average cost of capital before taxes, including a risk premium estimated by management.
The result from the impairment test was, that no impairment was needed in 2013.
The recoverable amount of the cash generating unit is significantly higher than the net book value. By changing the base assumptions, such as a deteriorating sales performance at constant balance sheet and cost structure, no impairment of goodwill would result. Only an increase in the weighted cost of capital by twelve percentage points or a reduction of sales in the underlying business plan by 60% would lead to an impairment of the cash generating unit.

29 Financial assets

Financial assets 2013	Loans to third parties	Other financial assets	Total
Initial cost			
Balance at 1.1.	3 497	5 740	9 237
Additions	–	46 272	46 272
Disposals	(1 421)	(23)	(1 444)
Change in consolidation scope	–	(8)	(8)
Currency translation differences	(36)	(48)	(84)
Balance at 31.12.	2 040	51 933	53 973
Accumulated impairment			
Balance at 1.1.	(3 497)	–	(3 497)
Additions	–	–	–
Disposals	1 421	–	1 421
Currency translation differences	36	–	36
Balance at 31.12.	(2 040)	–	(2 040)
Carrying amount			
At 1.1.	–	5 740	5 740
At 31.12.	–	51 933	51 933

Other financial assets include primarily the recognised surplus, according to IAS 19 (revised) of CHF 50.1 million (previous year, CHF 4.4 million) of which the employer's contribution reserve was CHF 13.9 million (previous year, CHF 13.4 million). For further details see notes 2.2.1 and 14.

Financial assets 2012	Loans to third parties	Other financial assets Adjusted [1)]	Total
Initial cost			
Balance at 1.1.	3 624	3 362	6 986
Additions	–	2 675	2 675
Disposals	(2)	(281)	(283)
Change in consolidation scope	–	18	18
Currency translation differences	(125)	(34)	(159)
Balance at 31.12.	3 497	5 740	9 237
Accumulated impairment			
Balance at 1.1.	(3 622)	–	(3 622)
Additions	–	–	–
Currency translation differences	125	–	125
Balance at 31.12.	(3 497)	–	(3 497)
Carrying amount			
At 1.1.	2	3 362	3 364
At 31.12.	–	5 740	5 740

[1)] see note 2.2.1

All amounts are in CHF 1000

30 Restrictions on the title to assets

To secure own obligations no assets were pledged or assigned as collateral in the years 2013 and 2012.

31 Current other liabilities

	31.12.2013	31.12.2012
Trade payables	23 926	49 773
Accrual for personnel expenses	20 969	24 404
Advance payments from customers	1 241	1 862
Derivative financial instruments	76	18
Other liabilities	4 538	4 887
Total current other liabilities	50 750	80 944

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

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

	31.12.2013	31.12.2012
CHF	4 457	7 957
EUR	4 818	6 800
USD	4 038	23 334
CNY	8 855	8 478
Other	1 758	3 204
Total trade payables	23 926	49 773

32 Provisions

	Retirement plan obligations	Restructuring provisions	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.	3 086	961	3 745	8 029	5 982	21 803
Additions	226	1 015	921	570	75	2 807
Releases	(77)	(198)	(156)	(1 030)	(383)	(1 844)
Utilisation	(92)	(723)	(326)	(654)	(208)	(2 003)
Reclassifications	(306)	–	306	–	–	–
Change in consolidation scope	–	–	(53)	–	–	(53)
Currency translation differences	(18)	(14)	(59)	(8)	(196)	(295)
Balance at 31.12.	2 819	1 041	4 378	6 907	5 270	20 415
Of which short-term	–	1 041	1 375	5 208	2 849	10 473
Of which long-term	2 819	–	3 003	1 699	2 421	9 942

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

33 Share capital

Nominal value per registered share: CHF 0.25

	Total issued shares		Treasury stock		Other treasury shares		Shares outstanding/ net share capital	
	Number	CHF 1000	Number	CHF 1000	Number	CHF 1000	Number	CHF 1000
Balance at 31.12.2010	20 200 000	5 050	726 640	182	49 923	12	19 423 437	4 856
Sale of treasury shares	–	–	–	–	(29 900)	(7)	29 900	7
Balance at 31.12.2011	20 200 000	5 050	726 640	182	20 023	5	19 453 337	4 863
Sale of treasury shares	–	–	–	–	(20 023)	(5)	20 023	5
Balance at 31.12.2012	20 200 000	5 050	726 640	182	–	–	19 473 360	4 868
Purchase of treasury shares	–	–	–	–	12 000	3	(12 000)	(3)
Balance at 31.12.2013	20 200 000	5 050	726 640	182	12 000	3	19 461 360	4 865

The voting and dividend rights of the 738 640 treasury shares, thereof 726 640 treasury stock and 12 000 other treasury shares (previous year, 726 640 treasury stock) cannot be exercised. The Company has no authorised or conditional capital. For information about changes of treasury shares see page 60. For information on major shareholders see page 61.

34 Earnings per share

	2013	2012 Adjusted [1)]
Net income	32 514	21 405
Average number of outstanding shares	19 464 788	19 466 686
Earnings per share (CHF)	1.67	1.10
Diluted earnings per share (CHF)	1.67	1.10

[1)] see note 2.2.1

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.

35 Free cash flow

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

Free cash flow	2013	2012
Net cash from operating activities	115 911	39 206
Net cash from investing activities (excluding changes of marketable securities and derivative financial instruments)	(19 982)	(114 344)
Free operating cash flow	95 929	(75 138)
Dividend paid	(9 737)	(18 500)
Sale/(purchase) of treasury shares	(509)	–
Free cash flow	85 683	(93 638)

36 Future commitments

The Group companies have committed to various capital expenditures essential to the ordinary conduct of their business. At year-end there were commitments for the purchase of property, plant and equipment and intangible assets of CHF 2.9 million (previous year, CHF 7.4 million).

37 Events after the balance sheet date

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

All amounts are in CHF 1000

Group Companies

Companies at 31.12.2013 (all fully consolidated)		Domicile		Capital stock in 1000	Ownership	Purpose
Switzerland	HUBER+SUHNER AG	Herisau	CHF	5 050	Parent company	▲ ■
	HUBER+SUHNER Finance AG	Herisau	CHF	2 800	100 %	◆
Australia	HUBER+SUHNER (Australia) Pty Ltd.	Frenchs Forest, New South Wales	AUD	1 000	100 %	▲ ■
Brazil	HUBER+SUHNER América Latina Ltda.	Caçapava	BRL	10 570	100 %	▲ ■
Canada	HUBER+SUHNER (Canada) Ltd.	Ottawa	CAD	2 350	100 %	
China	HUBER+SUHNER (Hong Kong) Ltd.	Hongkong	HKD	12 325	100 %	◆ ■
	HUBER+SUHNER (Shanghai) Co. Ltd. [1]	Shanghai	CNY	4 139	100 %	■
	HUBER+SUHNER T&C (Shanghai) Co. Ltd. [1]	Shanghai	CNY	27 854	100 %	▲ ■
	HUBER+SUHNER EEM (Shanghai) Co. Ltd. [1]	Shanghai	CNY	10 240	100 %	▲
	HUBER+SUHNER CCM (Changzhou) Co. Ltd. [1]	Changzhou	CNY	126 246	100 %	▲
Costa Rica	HUBER+SUHNER Astrolab Costa Rica S.r.l. [2]	San José	USD	0	100 %	▲
Denmark	HUBER+SUHNER A/S	Vaerløse	DKK	5 000	100 %	■
France	HUBER+SUHNER (France) SAS	Voisins-le-Bretonneux	EUR	200	100 %	■
Germany	HUBER+SUHNER GmbH	Taufkirchen	EUR	3 068	100 %	■
India	HUBER+SUHNER Electronics Pvt. Ltd. [3]	New Delhi	INR	100 000	100 %	▲ ■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd [4]	Kuala Lumpur	MYR	502	100 %	▲ ■
Netherlands	HUBER+SUHNER B.V.	Rosmalen	EUR	200	100 %	
Poland	HUBER+SUHNER Sp. z o.o.	Tczew	PLN	1 875	100 %	▲
Singapore	HUBER+SUHNER (Singapore) Pte Ltd.	Singapore	SGD	3 000	100 %	◆ ■
Sweden	HUBER+SUHNER AB	Stockholm	SEK	16 000	100 %	■
Tunisia	HUBER+SUHNER (Tunisie) SARL	Sousse	TND	100	100 %	▲
United Kingdom	HUBER+SUHNER (UK) Limited	Bicester	GBP	4 000	100 %	▲ ■
USA	HUBER+SUHNER (North America) Corp.	Essex, Vermont	USD	1	100 %	◆
	HUBER+SUHNER, Inc. [5]	Essex, Vermont	USD	50	100 %	▲ ■
	HUBER+SUHNER Astrolab, Inc. [5]	Warren, New Jersey	USD	12 000	100 %	▲ ■

[1] subsidiaries of HUBER+SUHNER (Hong Kong) Ltd.
[2] subsidiary of HUBER+SUHNER Astrolab, Inc.
[3] subsidiary of HUBER+SUHNER Finance AG and of HUBER+SUHNER B.V.
[4] subsidiary of HUBER+SUHNER (Singapore) Pte Ltd.
[5] subsidiaries of HUBER+SUHNER (North America) Corp.

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

Report of the Statutory Auditors

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the general meeting on the consolidated financial statements 2013

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of HUBER+SUHNER AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 15 to 53), for the year ended 31 December 2013.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Christian Kessler
Audit expert
Auditor in charge

Diego J. Alvarez
Audit expert

Winterthur, 24 February 2014

Five-Year Financial Summary

in CHF million	2009	2010	2011 Adjusted [1]	2012 Adjusted [1]	2013
Order intake	650.2	846.5	734.5	747.9	683.4
change in % over prior year	(13.9)	30.2	(13.2)	1.8	(8.6)
Net sales	631.1	799.5	758.5	698.1	719.7
change in % over prior year	(17.0)	26.7	(5.1)	(8.0)	3.1
Gross profit	225.0	301.0	238.4	214.6	246.6
as % of net sales	35.6	37.6	31.4	30.7	34.3
EBIT	53.2	101.8	66.1	24.0	51.6
as % of net sales	8.4	12.7	8.7	3.4	7.2
change in % over prior year	(37.6)	91.3	(35.1)	(63.7)	115.5
EBITDA	83.2	141.8	92.7	51.1	83.9
as % of net sales	13.2	17.7	12.2	7.3	11.7
Net financial result	3.4	(2.7)	(5.6)	(3.3)	(3.6)
Income tax	(8.3)	(20.2)	(10.7)	0.7	(15.5)
as % of income before taxes	14.6	20.3	17.7	(3.4)	32.3
Net income	48.4	79.0	49.8	21.4	32.5
as % of net sales	7.7	9.9	6.6	3.1	4.5
change in % over prior year	(19.7)	63.4	(37.0)	(57.0)	51.9
as % of average shareholders' equity	10.3	15.3	9.0	3.8	5.5
Purchases of PP&E and intangible assets	35.8	39.5	48.6	64.6	25.8
change in % over prior year	(17.6)	10.3	23.0	33.0	(60.1)
Net cash from operating activities	94.7	58.4	29.2	39.2	115.9
change in % over prior year	25.6	(38.3)	(50.0)	34.2	195.6
Free cash flow	35.5	32.9	(26.0)	(93.6)	85.7
change in % over prior year	118.1	(7.4)	(179.2)	(259.5)	191.5
Current assets	420.4	529.3	519.2	430.1	441.6
as % of balance sheet total	67.9	74.1	73.4	61.0	58.8
Non-current assets	198.7	185.1	188.1	275.2	309.1
as % of balance sheet total	32.1	25.9	26.6	39.0	41.2
Liabilities	137.1	164.2	149.9	143.8	127.9
as % of balance sheet total	22.1	23.0	21.2	20.4	17.0
Shareholders' equity	482.0	550.2	557.4	561.4	622.8
as % of balance sheet total	77.9	77.0	78.8	79.6	83.0
Balance sheet total	619.1	714.4	707.3	705.3	750.7
change in % over prior year	3.0	15.4	(1.0)	(0.3)	6.4
Employees at year-end (permanent employees)	3 592	4 062	3 867	3 879	3 503
change in % over prior year	(0.6)	13.1	(4.8)	0.3	(9.7)
in Switzerland	1 470	1 506	1 588	1 419	1 378
in EMEA (Europe, Middle East and Africa [excl. CH])	656	694	715	791	793
in APAC (Asia-Pacific)	1 277	1 668	1 342	1 344	1 026
in Americas (North and South America)	189	194	222	325	306
Employees, yearly average	3 492	3 950	4 044	3 808	3 739

[1] see note 2.2.1

Financial Report 2013

Financial Statements HUBER+SUHNER AG

Income Statement

in CHF 1000	Notes	2013	%	2012	%
Revenues					
Sales	1.3	437 192	100.0	453 452	100.0
Other operating revenue	1.4	33 374		48 096	
Gain on sale of property, plant and equipment		991		460	
Financial revenue	1.5	29 419		32 895	
Non-operating revenue		68		62	
Total revenues		501 044		534 965	
Costs and expenses					
Material expenses		198 508		216 942	
Employee expenses		147 879		155 392	
Other operating expenses	1.6	75 036		68 299	
Financial expense	1.7	9 099		11 303	
Depreciation and amortisation		22 469		29 612	
Non-operating expenses		55		16	
Income taxes		4 972		4 625	
Total costs and expenses		458 018		486 189	
NET INCOME		43 026	9.8	48 776	10.8

Balance Sheet

in CHF 1000	Notes	31.12.2013	%	31.12.2012	%
Assets					
Cash and cash equivalents	1.8	101 264		29 658	
Marketable securities	1.9	27 262		1 002	
Trade receivables		5 303		14 587	
Other current assets		5 286		10 717	
Intercompany receivables	1.10	59 163		79 019	
Inventories		47 244		53 969	
Prepaid expenses		130		540	
Intercompany loans		–		6 190	
Total current assets		245 652	55.8	195 682	46.3
Land and buildings		41 055		42 003	
Machinery and equipment		39 494		44 779	
Intangible assets		12 948		18 841	
Investments in subsidiaries	1.11	40 523		37 902	
Intercompany loans		60 469		83 292	
Total non-current assets		194 489	44.2	226 817	53.7
TOTAL ASSETS		440 141	100.0	422 499	100.0
Liabilities and shareholders' equity					
Trade payables		8 064		13 874	
Other current liabilities		6 455		3 381	
Intercompany payables		4 063		5 246	
Accrued liabilities		18 332		24 539	
Intercompany loans		619		3 023	
Total current liabilities		37 533		50 063	
Provisions	1.12	55 760		58 877	
Total non-current liabilities		55 760		58 877	
Total liabilities		93 293	21.2	108 940	25.8
Share capital	1.13	5 050		5 050	
General reserve		40 271		40 271	
Reserve for treasury shares	1.14	690		182	
Free reserve		89 060		89 568	
Retained earnings		168 751		129 712	
Net income for the year		43 026		48 776	
Total shareholders' equity		346 848	78.8	313 559	74.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		440 141	100.0	422 499	100.0

Notes to Financial Statements

1 Summary of significant accounting policies

1.1 General
The financial statements of HUBER+SUHNER AG are prepared in accordance with Swiss corporation law. Regarding the inclusion of HUBER + SUHNER AG in the consolidation, the accounting policies set out in the Notes to the Group Financial Statements apply.

1.2 Foreign currency translation
Balance sheet items denominated in foreign currencies are converted into Swiss francs at the year-end exchange rates.

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

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

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

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

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

1.8 Cash and cash equivalents
Cash and cash equivalents are invested in high quality, low risk, cash positions with various financial institutions. The reported amount consists mainly of cash in Swiss francs.

1.9 Marketable securities
Marketable securities consist of fixed-term deposits with an original maturity of more than 3 months, derivative financial instruments as well as treasury shares. Marketable securities and fixed-term deposits are valued at fair value. Revenue from securities is included in financial revenue and expenses are included in financial expense.

1.10 Intercompany receivables
Short-term intercompany receivables relate to sale of goods, royalties and interests.

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

1.12 Provisions
Provisions are recognised mainly for warranties, major repairs to buildings and for miscellaneous commercial risks.

1.13 Share capital
See note 33 of the Group Financial Report for the composition of capital stock.

1.14 Reserve for treasury shares
This reserve was made in accordance with the Swiss Code of Obligations for shares of HUBER+SUHNER AG held by the Company:

	2013	2012
Number at 1.1.	726 640	746 663
Purchases	12 000	–
Sales	–	(20 023)
Number at 31.12.	738 640	726 640
in CHF 1000		
Balance sheet amount at 1.1.	182	953
Purchases	508	–
Sales	–	(771)
Balance sheet amount at 31.12.	690	182

2 Contingent liabilities

in CHF million	31.12.2013	31.12.2012
Guarantees for loans with promissory notes and other loans to Group companies	0.9	2.5

3 Fire insurance value of property, plant and equipment

in CHF million	31.12.2013	31.12.2012
Buildings	246.8	250.7
Machinery and equipment	357.5	359.4
Total fire insurance value of PP&E	604.3	610.1

4 Liabilities to pension funds

in CHF million	31.12.2013	31.12.2012
Total liabilities to pension funds	–	–

5 Investments in subsidiaries

See page 53 for a list of the Group companies.

6 Net release of hidden reserves

in CHF million	2013	2012
Total net release of hidden reserves	7.5	4.7

7 Major shareholders

Shares of votes and capital	31.12.2013	31.12.2012
H.C.M. Bodmer	11.88%	11.88%
Metrohm AG	10.62%	10.62%
S. Hoffmann-Suhner	6.28%	6.28%
Huwa Finanz- und Beteiligungs AG	3.17%	3.17%
EGS Beteiligungen AG	3.01%	3.01%
Lombard Odier Darier Hentsch Fund Managers	< 3.00%	4.75%

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

8 Compensation and loans

Information about compensation of members of Executive Group Management and Board of Directors as per OR 663b^{bis} is listed in the Notes to Group Financial Statements (see note 15). HUBER+SUHNER AG did not grant any securities, loans, payments in advance or credits to members of the Board of Directors or the Executive Group Management and their closely related parties in the reporting year.

9 Authorised and conditional capital

There is no authorised or conditional capital.

10 Risk assessment

The risk management system of the HUBER+SUHNER Group and of all Group companies is laid down in the Board of Directors' risk strategy and the Executive Group Management's guidelines on the risk management process (see Notes to Group Financial Statements, note 3). This company-wide risk management also covers the operating activities and the specific risks of HUBER+ SUHNER AG.

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

Appropriation of Earnings

The Board of Directors of HUBER+SUHNER AG recommends to the Annual General Meeting of Shareholders the following appropriation of available earnings for the year 2013:

in CHF 1000	2013	2012
Prior-year retained earnings	168 751	129 712
Net income for the year	43 026	48 776
Total retained earnings	211 777	178 488
Dividend	15 569	9 737
Total appropriation	15 569	9 737
Retained earnings carried forward	196 208	168 751

If this proposal is accepted the following amounts would be valid for each registered share at CHF 0.25 nominal value:	CHF	CHF
Gross dividend	0.80	0.50
Less 35 % withholding tax	0.28	0.18
Net dividend	0.52	0.32

Report of the Statutory Auditors

pwc

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the general meeting on the financial statements 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the income statement, balance sheet and notes (pages 58 to 62), for the year ended 31 December 2013.

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 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Christian Kessler	Diego J. Alvarez
Audit expert	Audit expert
Auditor in charge	

Winterthur, 24 February 2014

Share Data

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

Security number	3’038’073
ISIN	CH0030380734
SIX Swiss Exchange	HUBN
Reuters	HUBN.S
Bloomberg	HUBN SW

Registered shares at 31.12. (nominal value CHF 0.25)	2009	2010	2011	2012	2013
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	19 118 483	19 423 437	19 453 337	19 473 360	19 461 360
Number of shareholders at 31.12.	3 693	4 197	4 264	4 043	3 869
Stock market price (in CHF)					
– high	41.50	66.35	67.50	48.80	51.10
– low	23.10	40.50	37.75	35.85	41.80
– year-end	40.00	64.80	39.50	43.50	46.90
Amounts per registered share [1] [2] (in CHF)					
– Net income	2.51	4.10	2.56	1.10	1.67
– Dividend	0.80	1.50	0.95	0.50	0.80 [4]
– Pay-out ratio	31 %	37 %	37 %	45 %	48 %
– P/E ratio (year-end stock price)	15.9	15.8	15.4	39.5	28.1
– Shareholders’ equity	25.21	28.33	28.65	28.83	32.00
Market capitalisation [3]					
– in CHF million	765	1 259	768	847	913
– as % of net sales	121	157	101	121	127
– as % of shareholders’ equity [2]	159	229	138	151	147

[1] amounts per share are calculated for the shares entitled to receive a dividend
[2] see Notes to Group Financial Statements, note 2.2.1
[3] stock market price at year-end × number of shares entitled to a dividend
[4] proposed dividend

Financial Calendar

Financial year 2013

Annual General Meeting	9 April 2014, Herisau

Financial year 2014

Half-year report	19 August 2014
Sales and order intake after 9 months	28 October 2014
Sales and order intake after 12 months	27 January 2015
Annual Report	10 March 2015
Media and analysts' conference	10 March 2015
Annual General Meeting	31 March 2015, Pfäffikon ZH

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This annual report is also available in German. The German version is binding.

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